Minutes of Analyst Briefing:
Results for the Second Quarter of the Fiscal Year Ending December 2010

Date and time: August 16, 2010 18:00-19:30
Presenters: Senji Miyake (President & CEO), Yoshiharu Furumoto (Managing Director & CFO Representative Director), and relevant department heads of Group companies

Company abbreviations:
KH: Kirin Holdings, KB: Kirin Brewery, ME: Mercian, KBC: Kirin Beverage, KHK: Kyowa Hakko Kirin, KKF: Kirin Kyowa Foods, LNNF: Lion Nathan National Foods, F&N: Fraser and Neave, and CCT: cross company teams

■ Performance in the Second Quarter

Q. Operating income greatly exceeded the forecast for the first half of 50 billion yen, but the projection of operating income for the entire year has not been revised. Please explain the reason why operating income in the first half exceeded the initial projection and why the projection for the second half has effectively been revised downward.

Furumoto: Looking at the results for the first half and our initial plans for each company, KB exceeded the projection by 3.0 billion yen, KBC by 2.0 billion yen, KHK by 3.4 billion yen, and KKF by 1.0 billion yen. Our projections for the entire year, however, remain unchanged, and consequently, to the extent the projections were exceeded in the first half, they will fall short in the second half. The main reason why operating income exceeded our forecast was a difference in the planned timing concerning the use of expenses, and some companies did not disperse expenses as anticipated in the first half. KB accounted for the major portion of the difference, but it plans to disperse the expenses in the second half. Also, KB experienced significant positive effects from *Kirin FREE* in the first half, making up for the downturn in beer products, but we do not expect the increase in revenues from *Kirin FREE* experienced at the time of its one-year anniversary in April to be as large in the second half. LNNF experienced a large effect from a change in exchange rates (from 63 yen last year to 81 yen recently), but the exchange rate has recovered somewhat from the second half of last year and over the course of the entire year the change will be from 70 yen to 80 yen in the second half, and consequently, the benefits of the exchange rate will not be as large in the second half.

■ Inappropriate Transactions by the ME Fishery Feed Division

Q. Why we weren't aware of the inappropriate transactions by ME at the time of acquisition? What are your intentions concerning the ME Fishery Feed Division in the future? Also, will there be any impact on financial results next year and later?

Miyake: I recognize that we conducted proper due diligence at the time of acquisition, but unfortunately, we did not discover the improper transactions at that time. We have asked a third-party committee to conduct an investigation and re-examination with respect to group governance, and I hope to make use of the results in future management. We are currently considering our future responses concerning the fishery feed business to ensure the prevention of any similar occurrences in the future. Also, we will implement a one-time disposition to deal with the losses.

■ F&N

Q. What is the status of negotiations with F&N? Is the Asian strategy for Heineken and Asia Pacific Breweries (APB) going well?

Miyake: After we acquired 14.7% of F&N, I traveled to Singapore in August and held discussions with the chairman, executive officers, and main shareholders. We have begun concrete discussions concerning the appointment of one director. I am not in a position to comment on the relationship between APB and Heineken. At this time, KH's main focus is on the beverage and foodstuffs business with the aim of achieving growth in Southeast Asia through synergy effects with F&N.

■ Organizational Changes in KB Marketing Structures

Q. When will the organizational changes in KBs marketing structures begin to produce results?

Miyake: We will not implement any restructuring in conjunction with this matter. The new company will be formed by integrating KB's marketing division with Kirin Merchandising's alcoholic beverage division, and we will determine the details concerning the organizational structure in the future.

■ Future Outlook

Domestic Alcoholic Beverages

Q. Japan, Asia, and Oceania continue to experience deflation; what trends in consumption do you anticipate for the next several years? Also, what strategies will KH adopt in response?

Miyake: In addition to low consumer confidence, manufacturers, retailers, and others are adopting price strategies involving private brands. We expect the deflation spiral to continue for some time, but products with substantial brand strength will remain on the shelves until the end. Aiming to be number one or a strong number two in both the beer and soft drink categories by bolstering brands is the most important strategy for a manufacturer.

Also, KB is cultivating new demand with products such as *Kirin FREE*, *Yasumu Hi No ALC 0.00*%, and RTD products. KBC also creates new demand through products with value such as *Gogo-no-Kocha Espresso Tea*. We will continue to make every matter-of-course effort to market products with value.

In Australia, alcoholic beverages have grown by 5% to 8% by volume, but circumstances are changing. In the beverage and food stuffs business, private brands are being manufactured, and although the situation in the domestic market is different, even LNNF is considering how to distinguish itself from national brands.

In China, KH's strategy is to market high-end products and it has not entered into markets where there is price competition, but it will continue to research and monitor market conditions in the future.

Q. Will the domestic market for alcoholic beverages continue to contract in the future? Will the market eventually hit bottom and rebound? Also, how long will it be possible for KB to increase income despite lower revenues by reducing costs?

Miyake: The domestic population began declining in 2005. It is extremely difficult to predict when total domestic demand for alcoholic beverages will turn upward, but shifts in categories are taking place and we are developing products that will stimulate new demand for beer products and RTD. With declining demand, it is essential to minimize decreasing volumes of products. It is also important to find potential demand in inter-industry categories. For example, it is necessary to show existing products in a new way like the highball boom. We hope to not only reduce major costs such as CCT, but also to continue repeated on-site cost reductions to create structures throughout the group that can generate profits even when the top line is falling.

Q. In the past, KB's recipe for success was to establish the leading brand in new genres;

what has been the recent sales of status of *Nodogoshi Nama* and *Honkaku (Karakuchi mugi)*?

KB department head: Price competition in new genres is intensifying, and market prices are falling not only for private brands, but also for national brands. KB, however, will not easily enter into price competition. As a result, a certain degree of perseverance is required. We introduced *Honkaku (Karakuchi mugi)* to maintain *Nodogoshi Nama* as a strong brand, and it is off to a good start. We will monitor developments closely in the future.

Domestic Beverages

Q. The effects of KBC's profit structure reform effects have come full circle; is your strategy after the passage of one year to increase volume or to reduce sales costs even further? What is your concept for increasing income in the future?

KBC department head: One year has passed since the start of the full-scale profit structure reforms and KBC is starting to see the effects. Measures to strengthen core brands (*Gogo-no-Kocha*, *FIRE*) have generally resulted in higher income. We are not aiming to increase overall volume in 2010 medium-term plan, but we are seeking to increase volume of core brands, and currently things are progressing as planned. With respect to costs, we are making investments that solidify the foundations of core brands while spreading the profit reforms that we have achieved independently to sales companies and overseas affiliates.

Australia

Q. Please explain in detail about the 3.8 billion yen increase in income from LNNF's soft drinks and foods business in the period from January to March. Also, a moderate decrease in income is projected for the second half; What is the reason for the shift from higher income to lower income?

Furumoto: EBIT on a local management basis for January to March increased by AU$26 million compared to the same period of the previous year. The increase is almost entirely the result of internal efforts including lower costs for raw materials and a reduction in fixed costs achieved through integration with Dairy Farmers. We project a decline in the second half, but income was as predicted from January to March, and as a result the initial plan for the entire year remains the same. The plan for April to

September remains as adopted at the beginning of the year. There may be factors pushing costs up and other risks, but even so we intend to achieve the plan.

CCT

Q. CCT effects are appearing early; will you change the future target levels?

Miyake: The CCT include inter-business measures and on-site measures. The 19.1 billion yen target for the CCT as a whole is the cumulative result of various measures, and it is unlikely that substantial effects will be produced by individual measures. In addition to the measures currently being undertaken by the CCT, undertaking measures to increase synergy effects from new approaches is also an important issue.

Finance

Q. Financial accounting is deteriorating considerably; what are the prospects for the future?

Furumoto: Expenses are up from the previous year, but this is the result of investment for growth made in the past and expenses are not exceeding planned levels. We are enjoying the benefits of capital procurement and we do not believe that conditions will deteriorate in the future. Receipts and disbursements took a temporary turn for the worse as a result of the acquisition of the F&N shares, but we plan to reduce financing costs over the medium- to long-term using cash flows from business activities and asset liquidation.

Q. Measures to reduce assets are expected to result in a reduction of 40.0 billion yen for the year, and 20.0 billion yen was achieved in the first half. How much of that amount was achieved through the elimination of cross holdings? Will the reduction in assets decline, or is there still room for further decrease?

Furumoto: We will continue to eliminate cross holdings in the same manner in the second half. The effects of reduced assets will be produced next year and later.