

Record of Analyst Briefing: Fiscal 2009 Financial Results Presentation to Analysts

Date and time: Wednesday, February 10, 2010, 6:00 – 7:30 p.m.

Presenters: President & CEO Kazuyasu Kato, CFO Yoshiharu Furumoto, and applicable heads of other companies

■ Explanation of 2010 Business Policies (President Kato; Business Policy Presentation)

- In 2010, we will address the issues of “implementation” and “qualitative expansion.”
- We have gotten off to a strong start under the 2007 medium-term plan.
- Our 2010 medium-term quantitative targets call for organic growth that does not include a quantum leap in growth, however, we will actively conduct growth investment if there are opportunities that will lead to qualitative growth.

■ Briefing concerning 2009 financial results (CFO Furumoto; Financial Results Presentation)

Concerning the discrepancy between the investor consensus and the 2010 operating income target of 133.0 billion yen:

1. Effect of National Foods’ nine-month fiscal year: the quarter with the greatest contribution to earnings will not be included.
2. Raw material cost reductions set at levels that can be achieved. Kirin Brewery: 2.2 billion yen; Kirin Beverage: 1.0 billion yen
3. Kirin Holdings expenses will increase by approximately 3.0 billion yen in the fiscal 2010 forecast. Health-related functional product development expenses, system expenses for group streamlining, and support for the Japanese national football team in the World Cup, and other expenses are temporary expenses that will contribute to higher earnings in the future.
4. Combined planned sales of *Kirin FREE* and *Yasumu Hi No ALC 0.00%* are 60,000 Kl.

=====

Questions and Answers are set forth below.

1. Termination of the negotiations with Suntory

Q. The talks on integration with Suntory have been terminated. When you were appointed as president, you discussed a ground-breaking strategy that looked 100 years ahead. Did this stance prove to be an insurmountable barrier?

Mr. Kato: I believed that under the current fierce global competitive conditions, the integration

with Suntory would make us stronger. The reasons why the negotiations did not end well are confidential, so I cannot disclose them. As a publicly traded company, however, maintaining transparency and independence are important, and I determined that continuing the negotiations any further would not be in the interests of our stakeholders. Both sides wanted to bring the negotiations to a successful conclusion, and we negotiated on friendly terms and in good faith, but unfortunately, we had to abandon the talks.

Q. Do you believe that the integration with Suntory can be considered again in the future?

Mr. Kato: The current negotiations have been completely abandoned. We are not considering a resumption of negotiations at this time. The Suntory project would have played a major role in becoming a leading company in Asia and Oceania as set as a target in the KV2015 [2010-2012 medium-term business plan]. Even when considering after KV2015, I believed it to be an attractive project. There are options other than the Suntory project with respect to our growth strategies, and we will work hard to achieve this as we have done in the past. I believe that by doing so, we will be able to carry out Kirin's global strategies.

Q. What did you obtain from the negotiations?

Mr. Kato: Even if we are among the winners, there are long-term issues that must be addressed, and now is the time for alliances and partnerships. The market has praised the negotiations for their courtesy and good faith. I have strengthened my resolve to implement our growth strategies with confidence.

Q. What will Kirin do now that it has lost an attractive potential partner? Given the scope of that vision, there are many investors who will not be satisfied with the medium-term plan.

Mr. Kato: Although the result was unfortunate, it was just one opportunity for Kirin. The negotiations have ended, and there is nothing we can do about that now. We have various proposals other than Suntory, and we will implement them with increasing speed. Our dreams have in no way been dashed and we still have many possibilities. I hope to convey this as soon as possible.

Q. Previously, in February 2009, a proposal with Coca-Cola ended in failure, and now the negotiations with Suntory (Pepsi) have also failed to reach an agreement. It seems that Kirin has lost any possible footholds to creating an alliance with a global player in the beverages industry. Could you tell me what course you will chart to enter global markets in the future? There are no large companies acting independently in Asia; are you considering acquisition of a global company that does business in Asia?

Mr. Kato: There aren't any specific global companies doing business in Asia that we are considering, but it is a possibility.

2. Approach to Future Growth Investment (overseas strategies, human resource strategies, etc.)

Q. Can you expect synergy effects from a merger undertaken on equal terms like the talks with Suntory? Will you pursue only M&A in which Kirin is the majority partner, or are large-scale, equal M&A, like the one with Suntory, also a possibility?

Mr. Kato: We are placing emphasis on majority deals, but currently there are also non-majority companies. If we have a clear vision of how we intend to grow a company in which we invest, then it need not be a majority company from the beginning. The meaning of Suntory's majority is slightly different, but the presence of large shareholders itself is not a reason for rejection. It is important that a merger partner be transparent and independent, and we cannot accept a company without these attributes. The negotiations did not proceed to the specific merger ratio as reported by the media.

Q. It is said that M&A in Asia and Oceania has settled down. Is there still room for M&A intended to achieve growth?

Mr. Kato: To say that the M&A has settled down means that business foundations have been established, and we will aggressively implement growth strategies in the future. We will carry out our integrated beverages group strategy and implement M&A that make us qualitatively stronger. Compared to Oceania, Asia in particular is lagging behind. There are also options in various different aspects of the domestic beverage market.

Q. Will there be any changes to your financial strategy of increasing cash flows and reducing liabilities over the next three years?

Mr. Kato: Our basic strategy is exactly that. If there is an attractive project, we will direct cash towards it.

Mr. Furumoto: We have not set a quota for strategic investment. Therefore, if there are no investment projects, we will allocate funds to the repayment of liabilities. This will increase our financial flexibility, and if there are any projects, we will implement them.

Q. The domestic alcohol beverage and soft drink markets are shrinking. Is overseas growth central to achieving the KV2015 plan? What is your plan here?

Mr. Kato: Asia and Oceania are the main regions. With respect to soft drinks, we are starting to see results from our prior experiences. In Asia, we will proceed with San Miguel Brewing International as a springboard. In Oceania, we will use the synergy effects from soft drinks and

milk products.

The “food and health” segment will become a core business domain for Kirin, and within this domain, soft drinks will play a leading role. Kirin is able to perform all actions within the value chain from upstream to downstream as a single group with respect to implementation of health function projects, and this is one of our major strengths. We hope to make this area a pillar of our business.

Q. What are the differences in thinking concerning overseas business of Asahi Breweries (“Asahi”) and Kirin? After investing overseas, Asahi relies on local personnel but Kirin sends personnel overseas. What are the reasons for this difference?

Mr. Kato: Basically, we want to hold a majority. Kirin provides technologies so the companies in which it invests can grow. Lion Nathan is a good example of this. Also, by holding a majority, we can generate synergy effects. If our management approaches do not match, things will be more difficult in the future.

Q. When an industry driven by domestic demand expands overseas, it seems that there are many intangible aspects of business that cannot be measured such as management and human resources that must be addressed.

Mr. Kato: Our basic approach is to send human resources overseas. We conduct human resource training programs to rapidly strengthen the skills needed for overseas business from the perspectives of internationalism, diversity, and management capabilities. If we ask our younger employees to work overseas, I think that many of them will volunteer for the opportunity.

Q. Kirin’s overseas strategies have been the subject of praise. Will it be possible to develop business in Central and South America? How do you intend to leverage Kirin’s strengths globally?

Mr. Kato: At this time, South America is not in our sights. Indústria Agrícola Tozan Ltda. sells sake in Brazil, but we are not considering using this as a base for expanding South American markets. There has been much talk of us using our strengths in soft drinks worldwide, and there is value in considering this approach.

3. 2010 Plans

Q. What are your specific plans for 2010, including plans for lower sales and higher earnings and for reducing costs?

Mr. Furumoto: We created a cross-company team (CCT) in 2009. Its activities are described on page 10 of the Business Policy Presentation, and we expect considerable cost reductions. In

production and distribution, we have already announced a reorganization of production operations and other measures, and we will also address procurement starting in fiscal 2011. Procurement covers not just raw materials, but also marketing and general purchasing, and we believe that there will be increasing benefits in the future. We also plan to reduce assets without leaving any area untouched.

Q. How long will the temporary expenses incurred in 2010 (3.0 billion yen) continue?

Mr. Furumoto: Under the 2010 medium-term plan, we will implement lean management. Efficiency will rise starting in 2011 and we hope to prevent such an increase in expenses.

Q. What is your idea of the maximum impact of the reduction in raw material costs?

Kirin Brewery: Market prices for sugar, liquid sugar, malt and packaging materials are declining, but prices for barley are rising. Based on this, we have set targets that are feasible under current conditions. There have been some comments that these are rather low targets compared to Asahi, but it is an issue of forecasting, and they may change depending on actual market conditions.

Kirin Beverage: The figures are our projections based on contract terms at this time. It is possible that conditions will change because of the cold spell and other factors, particularly with respect to coffee beans and fruit juices, but these are our forecasts right now.

Q. The plans call for Lion Nathan National Foods (LNNF) to achieve operating income of 10 billion yen. How will it achieve this target?

Mr. Furumoto: LNNF is no longer publicly traded, so from 2010 they were included in Kirin's financial results based on actual plan values rather than converted financial results from the prior year. We expect higher earnings on a local basis for both alcohol beverages and soft drinks and foods. In the alcohol beverage segment, we plan to raise earnings by A\$45 million by placing greater emphasis on premium products, making timely price revisions, and achieving cost benefits from the completion of production infrastructure updates. If National Foods' financial results were also for nine months, they would show a substantial increase on an Australian dollar basis. Milk prices have stabilized and cost benefits from the merger with Dairy Farmers are emerging. We anticipate A\$69 million in benefits in 2009 and A\$46 million in 2010 (for the entire year).

Q. For the quantitative targets for Kyowa Hakko Kirin (KHK) in fiscal 2010, there is some harsh criticism of the lack of growth in the pharmaceuticals business. Also, KHK's medium-term plan is conservative—did Kirin approve it? The plan includes substantial growth in the biochemical and chemicals segments, areas that can be greatly affected by market

conditions, but does that mean that if those targets cannot be achieved, then nothing further can be done? What is your stance for the future?

Mr. Kato: KHK basically prepares its plans on its own, but Kirin also participates in the discussions during the planning stages and in decision making. Concerning the pharmaceutical figures, we determined that they were appropriate after we received the explanations of pharmaceutical price revisions and other factors. With respect to the biochemical and chemicals businesses, it is correct that we are discussing the degree of connection with the pharmaceutical business and how we will develop them in the future.

KHK: We prepared the plans for fiscal 2010 with Kirin. We are also participating in the CCT project. The 20.0 billion yen increase in earnings in 2012 (compared to 2009) is mostly from chemical products. The increase in earnings in pharmaceuticals is small, but KHK and Kirin Pharma merged to market new antibody drugs. In 2012, we will still be in the trial stage, and there won't be any effects. Two pharmaceutical price revisions are planned for 2010 to 2012, and this will not be a time of major growth in the pharmaceutical business. Development of human antibodies is proceeding well, and we believe that steady effects from the pharmaceutical business will appear in the future.