

Telephone Conference Q&A
Results for the Third Quarter of the Fiscal Year Ending December 2012

Date and time: Friday, November 2 2012, 18:00-19:00

Presenters : General Manager of the Finance and Accounting Department, General Manager of Strategy Planning Department and other heads of businesses

Brazilian business (Schincariol)

Q. The momentum in 3Q was quite good. Are there any items of concern for 4Q?

A. We didn't do anything extraordinary in 3Q—we carried out suitable strategies for each brand portfolio, area, and channel, and our organizational capability improved as well. This favorable trend has also continued since October, and we think this trend will not fall apart easily.

Q. Up until 3Q, your progress exceeded expectations. Is it possible that the final results for this fiscal year will be above target?

A. The results in 3Q were somewhat above our targets. However, prospects for the 4Q market environment remain uncertain, so we basically expect our full fiscal year results to be in line with initial expectations.

Q. What cost reduction measures are you considering for the next fiscal year?

A. We had anticipated that procurement synergies for the current fiscal year would mainly be realized in the second half, but the effects were seen faster than expected. We are currently discussing various issues for the next fiscal year including joint procurement for the Group, and are anticipating a certain amount of cost reduction effects.

The soft drinks business in Australia (Lion)

Q. Your aim is to double the operating income ratio for the soft drinks business in Australia in 2015. How much improvement do you think can be made during the next fiscal year? In addition, do you predict that sales volumes will bottom out?

A. (General Manager of Strategy Planning Department) We cannot discuss details about next fiscal year at this time, but we think a fairly large amount of cost reduction will result from the optimization of our production bases from 2013. We think we can accomplish good results next fiscal year, for the first time in a while.

In addition, we think that sales volumes will finally bottom out as well. For white milk, we are developing permeate-free milk (unprocessed milk) for national brands, and are working to differentiate this natural milk from private brands. In this way the sales level for white milk has risen drastically; this level continues to be maintained even now. We are also contributing to improving the product mix. Meanwhile, market prices continue to decline for fruit juice. In response we are releasing high-value added chilled products, reduced sugar products with great nutritional value, etc. We are also developing our distribution network, and intend to make substantial improvements in the fruit juice area in the future.

Domestic integrated beverage business (Kirin Brewery/Kirin Beverage)

Q. If, as expected, selling costs mount for the periods up to 3Q, there will be a need to

greatly cut costs for 4Q. Why did selling costs increase in 3Q, and can you actually reduce them in 4Q?

A. Regarding the selling costs up until 3Q, the market environment was severe, so we had no choice but to take proactive steps to increase product exposure in stores. We strengthened our efforts with a focus on *Kirin Nodogoshi Nama*. Consequently we saw improved sales, and performance in this area remains positive. However, as you point out, high selling costs were incurred, but overall volume is not growing. We will fully review our past activities and their cost effectiveness. At the same time, we will focus resources on our main brands, narrow our activities down to those in our areas of strength, and control costs as much as possible while proactively carrying out performance-boosting measures. We intend to devote ourselves towards the achievement of our earnings targets while simultaneously carrying out performance-boosting measures and reducing costs.

Q. You explained that no changes will be made to the full fiscal year forecasts, and that 3Q went according to plan. However, a large boost to business for domestic alcohol beverages will be particularly necessary in 4Q. How much can the related expense be offset through cost reductions alone?

A. (General Manager of Strategy Planning Department) We cannot be overly optimistic about the domestic alcohol beverages area. It will certainly not be easy to achieve our earnings targets in this area, but these were lowered in the middle of the fiscal year, and we intend to make a full-out effort to achieve them.

Q. During 3Q, Kirin Beverage's selling costs did not increase in response to the effects of increased volumes. Was this because of Mets Cola?

A. (General Manager of Strategy Planning Department) The soft drinks market was very active during the summer. This year, *Kirin Mets Cola* went on sale before the summer, and it enjoyed very good results. Another cause was the favorable sales of *Sekai-no-Kitchen-Kara, Salty Litchi*, a product that was popular as a counter-measure against heatstroke.