Record of telephone conference:

Interim results for the fiscal year ending December 31, 2009

Date and time: Thursday 6, 2009, 5:00pm-6:30pm
Presenters: Mr. Kazuyasu Kato (President and CEO), Mr. Yoshiharu Furumoto (CFO), along with relevant department heads of other companies

Company abbreviations

KH: Kirin Holdings / KB: Kirin Brewery / ME: Mercian / LN: Lion Nathan / KBC: Kirin Beverage / NFL: National Foods / DF: Dairy Farmers / KHK: Kyowa Hakko Kirin / SMC: San Miguel Corporation / SMB: San Miguel Brewery / KMD: Kirin Merchandising

Management summary from Mr. Kazuyasu Kato (President and CEO)
***Details provided slides 3-5 of Presentation Material**

■2009 H1 results: Achieved all initial profit targets, new record for sales and ordinary income
- KB (No.1 in shipments of beer, happo-shu and new genre products for first time in 3 years)
- Strong performance at LN,NFL

■FY2009 forecasts revised:
- Consolidated operating income, ordinary income, interim net income forecasts revised up (sales and operating income forecasts revised up at KB, LN, NFL)

■2010 medium-term business plan
- ⇒Plan for Action and qualitative growth under development; aims to realize KV2015 (To be announced within 2009)
- Solving problems ahead of schedule through 8 cross company teams

■Overseas M&A: making LN a 100% owned sub.(Expect to complete share acquisition in October; LN Scheme Booklet disclosed today)
- San Miguel: Acquired shares in SMB and completed sale of shares in SMC in May

■Proposed integration with Suntory⇒Proceeding with discussions promptly and in good faith

■ Generating synergies: 14 key issues and our approach. Each initiative is proceeding according to plan. Cross-company teams (CCT) have been formed to strengthen our organization and accelerate the generation of synergies

Explanation of results from Mr. Yoshiharu Furumoto (CFO)

■2009 H1 consolidated review (details provided on slide 7):

Sales (up, new record): effect of consolidation of KHK, strong performance by KB

Operating income (down): strong performance in alcohol; LN also up on local currency base. Operating income down YoY due to impact of forex rates

Ordinary income (up, new record): translation gains on yen-denominated Group loans

Net income (down): declined due to significant extraordinary gain in FY08 H1 (changes in gains on equity in affiliates)

■2009 full-year forecasts (details provided on slide 8):

Based on sales trends until H1, KB, NFL, KHK earnings targets upwardly revised, KBC sales and operating income downwardly revised⇒KH targets for operating income, ordinary income, net income all upwardly revised.

■1H Review by segment (details provided on slides 14-20):

【Alcohol】

KB》

・KB strengthening of core brands, etc.⇒beer sales exceeded both previous year and targets

・*FREE* is included in Alcohol segment for business management purposes. Major hit: stronger than anticipated popularity led to an upward revision within one month of launch to 2.5 times the original sales target. The revised target was further revised yesterday (August 5) by 1.6 times to 2.5 million cases.

・Sales expenses down: Increase in depreciation costs due to change in period of deprecation

・Raw materials: Increase mainly in packaging materials while prices for other materials declined

ME》

・KB, KMD synergic effects⇒strong sales of daily wine, difficult market for mid- to high-priced wines, impact of economic downturn

LN》

・Beer business strong⇒profits up on local currency base/ profits down on yen base due to A$ depreciation

【Soft drinks and food】

KBC》

・Strengthened brands to achieve good sales in *FIRE* and *Gogo-no-kocha*. Focused on reducing variable sales costs, and other activities that emphasize profitability. Sales declined YoY, particularly for large containers of green tea and water.

NFL》

・Milk cost steadied

・ Integration synergies (cost synergies) with DF proceeding ahead of schedule⇒earnings up substantially on local currency base, and still improved even after exchange conversion

【Pharmaceuticals】

KHK》

- Market share of ESA compounds expanded benefiting from integration synergies⇒profits increased despite one-off outlicensing income benefit in FY2008 H1

【Other】

KHK》

- Earnings from Bio-Chemicals and Chemicals products down due to exchange rate fluctuations and raw material price fluctuations, as well as impact of market decline

【Ordinary income, net income】

Ordinary income: increase mainly due to translation gains on yen-denominated loans due to recovery in forex rate/ financial revenues improved

Net income: loss on disposal of SMC shares was offset by gain on disposal of Pernod Ricard shares, YonY change in equity of affiliates a major negative factor

■Key issues for 2H by segment / full year forecast (details provided on slides 20-25) :

【Alcohol】

KB》

- Total sales volumes unchanged. Reflecting trends: happo-shu to decline, beer and new genre to increase.
- Raw materials prices will increase packaging costs; offset this with cost reduction in raw materials to achieve same overall level as previous year
- Proceed with reductions in sales promotion expenses as planned

ME》

- Advance improvements to earnings structure

LN》

- Results down substantially due to forex rates (97.83⇒70/A$)

【Soft drinks and foods】

KBC》

- Revised sales volumes targets downward in light of harsh environment
- Implement thorough sales promotion costs reduction to achieve operating income in line with previous year

NFL》

- Milk cost expected to remain stable through fiscal year. Pursue further integration synergies with DF

【Pharmacuetical s/ Other】

KHK》

・Pharmaceuticals: maintain strong sales of H1

・Other: Market recovery expected but likely to remain difficult

■Ordinary income, net income and other forecast

・ Assuming forex rates continue at levels seen in H1, similar foreign currency translation gains /losses may be expected⇒Substantial gain compared with loss of last year

・ SMB to be included in consolidated from third quarter (forecasts based on foreign currency translation of SMB's results from April to September 2008)

・Fiscal 2008 change in equity in earnings of affiliates will affect special income and expenses, but continue with liquidation of assets.

・The D/E ratio of 0.78 (page 50), and the full-year cash flow forecast (page 48) do not include cash required for the consolidation of LN as a wholly owned subsidiary.

・Dividend payments are schedule to be made as forecast at the start of the fiscal year. (interim dividend and year-end dividend of ¥11.50 per share each⇒annual dividend of ¥23.00)

■Proposed integration with Suntory

Q. I'd like to commend you for your bold decision to pursue integration with Suntory. In what areas do you expect to see benefits if the integration goes ahead and why? What prompted your decision to pursue integration with Suntory? Suntory is describing it as a "merger on equal terms"—in what sense is it on "equal terms"? What is your view on shareholder composition?

A. (Mr. Kato) I cannot answer you question in detail at this time. In terms of the catalyst for our integration talks, both our companies are performing steadily at this time, but looking to the future we realize that there is only limited potential for growth in the domestic market, while overseas we face a tough environment amid expansion by major global players. Overseas, markets are emerging that have considerable growth potential. The integration of our two companies would enable us to build a business platform overseas and accelerate decision-making processes. We are currently targeting business development mainly in Asia and Oceania, but we could expand beyond these regions in the future. We are carrying out focused negotiations regarding the merger ratio and shareholder composition. "Equal terms" means that we are negotiating in that spirit, as equals. It does not refer to equity stakes, which is a separate issue.

Q. Do you expect to see benefits for the company as a whole, rather than for specific businesses?

A. (Mr. Kato)We are confident that by leveraging KIRIN's technology and business expertise we will be able to quickly resolve even the problems presented by the current tough environment.

Q. KIRIN has already been pursuing M&As—what kind of priority do you place on the integration talks with Suntory?

A. (Mr. Kato)Since 2007 we have been pursuing our goal of becoming a leading food and health company in Asia and Oceania as we advance KV2015. The proposed integration with Suntory would aim to realize KV2015 and would unlock extensive possibilities beyond that. At the moment there is considerable competition and collaboration taking place in the industry, with notable results being achieved in distribution and procurement. We will continue to pursue collaboration so that we can provide benefits to our customers.

Q. The integration with Suntory would provide numerous benefits in domestic alcohol and soft drinks. In what other areas do you expect to see benefits?

A. (Mr. Kato)We are taking into account our value chain and a range of other perspectives in our negotiations.

Q. What issues currently need to be resolved in the integration talks with Suntory?

A. (Mr. Kato) We will carry out a wide-ranging analysis to assess whether the integration would benefit all stakeholders. The issues of shareholder composition and merger ratio would be part of this assessment.

Q. The integration will need to be approved by the Japan Fair Trade Commission. Does this give you any cause for concern?

A. (Mr. Kato)The matter is being assessed by the Japan Fair Trade Commission prior to decision and therefore I cannot comment on this. We will cooperate fully with the assessment procedure for the commission to make a fair decision.

Q. What will be your approach to staff integration in the integration with Suntory?

A. (Mr. Kato) We have already carried out wide-ranging negotiations regarding collaborative projects in distribution and procurement. Personally, I don't see a gap between our corporate cultures to the extent that is being described in public debate. I think our companies are the essentially the same in the sense that we both have companies with proactive employees that are strongly committed to achieving the goals of the group.

Q. Your domestic integrations so far have not produced any reductions in fixed costs. This integration would produce a considerable degree of overlaps in staff and facilities—do you think you will be able to reduce costs?

A. (Mr. Kato) We will discuss all areas in which we can reduce costs, and fixed costs are part of this discussion.

Q. Regarding your benchmarks for growth in operating income following integration with Suntory, how soon after the integration would you expect to achieve profitability?

A. (Mr. Kato) I cannot comment on this matter at this time. After integration we would aim to generate a 1+1=2+α equation at the earliest date possible, and we are carrying out discussions on that basis.

Q. Should the integration go ahead, is there a possibility that you would sell businesses in which synergies were not realized?

A. (Mr. Kato) We're not yet at a stage at which I can talk in detail about adjustments to our portfolio.

Q. Regarding the integration with Suntory, KIRIN now has the larger equity stake. Would you continue to hold this after integration with Suntory?

A. (Mr. Furumoto) We have reviewed our holdings of investment securities very carefully in any eventuality, not just in the case of our integration with Suntory. We will broadly continue with our current direction.

Q. Are there any holdings that you have already sold in this 1H?

A. (Mr. Furumoto) There are, but I'm afraid I can't give you any names.

<u>Q: There seem to be a lot of obstacles to your integration with Suntory such as staffing, will you need to spend a lot on integration and rebuilding of IT systems and other areas?</u>

A: (Mr. Kato) I would certainly expect that would be necessary but we are not currently discussing specific matters.

<u>Q: Kirin has a capital relationship with a Coca-Cola group company while Suntory is Pepsico's only bottler in Japan, what will happen to your capital relationship?</u>

A: (Mr. Kato) We are not considering making a decision and taking action from our side.

<u>Q: In soft drinks in Oceania even after combining your market share to that of Suntory you won't have a very high share. Looking ahead, do you plan to take time to grow share organically or pursue acquisitions?</u>

A: (Mr. Kato) While strengthening our organic growth we would like to find partners in some regions.

<u>Q: In your next medium-term plan I understand that you intend to focus on the soft drinks business in Asia, if you integrate with Suntory will there be any change in that basic stance?</u>

A: (Mr. Kato) if you consider the attractions of the Asian markets alongside Kirin's strengths there is more room for development of the soft drinks business than the alcohol business. How this may change in an integration with Suntory depends on how those discussions progress but Suntory has already bought a soft drinks company in Thailand last year and invested in a Singapore food company and I don't think their view on this large market differs from ours.

■ On strategy:

<u>Q: You mentioned "14 issues in generating synergies" and "generating synergies by solving issues ahead of schedule", can you give some specific examples?</u>

A: For example in terms of purchasing we planned to generate 0.7 billion yen of annual synergies but we plan to implement these ahead of schedule, rather than wait till 2010 and we expect to generate 1.6 billion yen of synergies in the second half. Also in terms of those we aim to achieve in the Center of Excellence we are not being held back by our plans for 2010 we will aim to achieve results in 2009.

Q: Do you plan to move to 100% ownership of subsidiaries where you do not currently own 100%, as you plan to do with Lion Nathan?

A: We don't think that 100% ownership is optimal in all cases. Kyowa Hakko Kirin is a good example. Both Kirin and Lion Nathan agreed that 100% ownership is desirable in terms of speeding up the execution of our strategy.

Q: What has been your most notable success to date with "qualitative growth"? What is your most pressing challenge?

A: The fact that the group as a whole is taking a proactive stance toward the goal of qualitative growth. This type of group wide mobilization is our greatest accomplishment. Our most pressing challenge is to generate synergies under the 14 priority issues, particularly those centered on the CCTs (cross company teams). We intend to present the details of these in our next medium-term business plan.

Q: Was the realization of accelerated cost synergies and cost reductions at KBC made possible by changes in internal communication resulting from changes in personnel? Can you use this type of example when you integrate with Suntory and try to combine two differing corporate cultures?

A: We do not consider a change in personnel to be an accomplishment in itself. Most important was that the group as a whole could clarify organizational issues, develop a shared sense of direction for dealing with them, and as a result become more effective. And, if we do integrate with Suntory, we think that by reaching a common understanding of the issues and taking action based on that understanding, we would be able to bridge any differences in our corporate cultures.

Business operations

Alcohol beverages

Q: The good first-quarter performance is primarily attributable to the strong momentum of the new *Ichiban Shibori*. Will you be able to maintain that momentum into the future? Furthermore, what kind of consumers support the product?

A: (KB) The overall beer market shrank by 5.5% in the first half of the year, but *Ichiban Shibori* achieved positive growth. The new *Ichiban Shibori* has won the support of consumers because it has enhanced the original sense of quality and naturalness of the original *Ichiban Shibori*. Indeed, our customer service center receives plenty of positive comments about it. From here, we plan to maintain upward momentum through sustained efforts to nurture the brand. As for the age groups that support it, one characteristic is that a very broad range of people have tried *Ichiban Shibori* — from here, we will work to promote customer retention. Also, even though a relatively high proportion of *Ichiban Shibori* is sold through commercial channels, the volume handled by restaurants or bars, including bottles, is also rising.

Q: KB is doing well this fiscal year, but the hurdles for next year will be that much higher. This year *FREE* and *COLA SHOCK*, among others, have been successful — in what areas do you intend to seek improvement?

A: (KB) We do not think there has been any great change in the alcoholic beverage market this year. For *FREE*, which has been selling well, as other companies move in to the market we intend to establish a solid position for it within the beer-type beverage market. Furthermore, as for the beer, *happo-shu* and new genre categories, we will work to strengthen our core brands. Under our next medium-term business plan, we are to further advance our cost-cutting efforts while, in the merchandising area, strengthen our propositions in health-related products, were we now lead the market. We also intend to make new propositions in the RTD (ready-to-drink) market, where momentum is strong and the degree of freedom high.

Soft drinks and food business

Q: Regarding KBC, your plans call for a substantial decline in marketing expenses in the second half. Why are you doing this now?

A: (Mr. Kato) KBC faces significant challenges on the road to qualitative growth, and we want to promptly get the company in shape to meet them. We are strongly aware of the need to bring expenses down to a suitable level. We first started seeing benefits from cuts to marketing expenses in April and May. And, by continuing such efforts, we should also be able to reduce costs in the second half and beyond.

(Additional answer from KBC) What we mainly want to do is clarify control over sales & promotional expenses. Of the ¥7.8 billion budgeted for this fiscal year, about ¥3.8 billion was deductions from sales. However, after taking that into consideration, it is still a big reduction. We have been closely following guidelines and controlling our P&L, with the benefits beginning to emerge in April and May. Similarly, as for advertising expenses in the second half and beyond, we intend to redirect our efforts from the support of new products, as would previously have been the case, to the enhancement of core brand value.

Q: Will not your plan to substantially reduce marketing expenses in the second half lead to a substantial reduction in sales as well?

A: (KBC) While there is a risk of a decline in sales, we do intend to maintain close control over total earnings through monthly P/L management by chain and by brand. Furthermore, we will allocate any remaining marketing budget to the building of core brands.

Q: So, you consider yourselves to be correcting what has been an excessively high level of investment, rather than inviting a drastic decline in sales, don’t yout?

A: (KBC) We would like to improve profitability by (1) correct some inefficiencies on the pricing front and (2) improve our profitability around two core brands as two core pillars.

Q: With parties throughout the beverage industry suffering from fatigue, KBC's emphasis on profitability is epoch-making. Some even think that it will start a round of industrywide improvement. Toward this end, we believe the most important point would be to bring supermarket prices back to a suitable level. Will the merger with Suntory make this possible? — we would like to hear what you think.

A: (KBC) Hitoshi Maeda, our new president, has declared his intent to restore profitability to a suitable level, and we are now putting together a system to do so. While sales volumes are down, we have been seeing gradual improvement in marginal profit and other such measures.

(Mr. Kato) Let me add that we have yet to discuss any strategic initiatives with Suntory, whether for the soft drinks business or for any other business. We do consider it a major issue to address if the integration is effected.

Q: With regards to the China beverage business, you say that competition is intensifying. The business was brisk up to last year — what happened? What is the bottleneck to the current earnings situation?

A: (KBC) Sales of milk tea products were brisk up to the middle of last year. However, from autumn of that year, particularly after the Beijing Olympics and following the Lehman shock, the economy slowed and demand shifted to low price ranges. Furthermore, sales at convenience stores declined, and so did unit prices. KBC offerings are positioned in the premium price range. Because price competition is intensifying within that market, our sales volumes are down sharply from the previous year and, with regards to the first half, our earnings fell substantially. We hope to support profits in the second half by pursuing realistic targets for cost cutting, SKU reduction, etc.

Q: Why did you raise your earnings projections for NFL compared to initial targets?

Please give us some idea of the improvement you have in mind for now and for subsequent fiscal years.

A: (NFL) We are currently reviewing synergies from the DF merger. That said, we raised our earnings projections for two reasons, first that personnel reductions are proceeding better than expected and second that we have been able to cut procurement costs ahead of schedule. We do anticipate significant synergies in terms of personnel and procurement going forward. As for our image of earnings growth, however, that will be presented within our next medium-term business plan.

Other:

Q: If they are elected Democratic Party of Japan (DPJ) officials are talking of a plan to set a unified tax rate according to alcohol concentration. Would the current price differentials among beer, *happo-shu* and new genre products survive this change?

A: (KB) That is mentioned within the DPJ manifesto but we do not yet know the details. That said, we are and will continue to be against any tax hikes in the beer, *happo-shu* and new genre categories.

(Mr. Kato) The taxes on beer and *happo-shu* in Japan are extremely high, even on an international comparison. As before, our actions will be centered on seeking tax reductions.

Q: The Australian dollar has recently been on a recovery, and you plan to acquire LN shares on 21 October. Have you been doing any hedging ahead of this event?

A: (Mr. Furumoto) We are investigating fund procurement matters for the LN deal and have already made some arrangements. We are working under a schedule that envisions October approval.

Q: The Australian dollar is highly volatile — are you considering some sort of hedge?

A: (Mr. Furumoto) Australia continues to show stable growth and, over the medium to long term, we think we will be able to absorb changes in the exchange rate. We advance our business on the understanding that forex-translation effects are something that has to be accepted.