

Record of telephone conference:

Announcement regarding proposal to make Lion Nathan a wholly owned subsidiary

Monday April 27, 2009: 13:30-14:30

Presenter: Hirotake Kobayashi,

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1. The transaction

■ When do you expect the transaction to be completed? And when will Lion Nathan be brought within Kirin?

If events proceed smoothly, we envisage that approval will be received at an extraordinary meeting of shareholders in early August, followed by approval from the various authorities, with the transaction finally completed at the end of August or in early September. We expect the transaction to have little impact on results for this year. Fully-fledged integration into Kirin would be from 2010.

■ Why have you chosen this timing to propose this transaction?

We have been aware for some time now that in pursuing our comprehensive beverages group strategy it was desirable to make Lion Nathan a wholly owned subsidiary. Our priority until now has been expanding the scale of our operations, but now improving quality. With additional factors such as the strong yen, we decided that the timing was right.

■ The EV/EBITDA multiple for this transaction is 11.8 times, with the forecast EBITDA of A\$656 million representing the median figure of generally available analyst estimates. Assuming that there are material synergy amounts that analysts have not considered in their calculations, do you think the actual multiple is a little lower than this?

The multiple is not the only criterion we are looking at. We have also considered discounted cash flow and various other methods. At this point I am unable to comment on synergies.

■ Do you plan to take out currency hedges covering the period until the transaction closes at the end of August?

We will be looking at the market, and hedging is one of the possible options.

■ How do you see the balance between yen and Australian dollar funding procurement for this transaction?

This is something we will be considering.

2. After the transaction

Operations:

■ Can we assume that Lion Nathan will continue to pursue organic growth?

The business is currently going well and forecasts for this year have been upwardly revised. Lion Nathan has strong brands and we can expect further growth.

■ In which specific areas do you intend to use the additional cash flow arising from making Lion Nathan a wholly owned subsidiary? Do you intend to increase returns to shareholders?

First we intend to repay debt early and strengthen our financial foundation. We do not intend to use the cash flow as a resource to increase investment in marketing or other such activities. If cash EPS increases, shareholder returns will also increase concomitant with our consolidated payout ratio guide of 30%.

■ One question is whether EPS growth will be positive in a few years' time even after amortization of goodwill. What level of annual growth in net profit do you expect from 2010 onward?

I am unable to comment on that.

■ Until now Lion Nathan has focused on earnings, with low levels of capital investment. With the acquisition by Kirin should we now expect lower profitability because of increased amounts of capex?

Due to higher depreciation costs arising from the refurbishment of the Auckland factory and other such works, over the next 1-2 years there will be some pressure on profitability, but we think the majority of this will be compensated for by improved production efficiency. We do not intend to prioritize capital expenditure without also considering profitability.

■ Currently the Australian beer industry is effectively a duopoly. Do you think that with the entry of KIRIN there is potential for the market structure to collapse, with a change in policy to pursue additional market share?

We have no intention of competing in an excessive manner to take more share of the Australian market. Given how attractive the market is, we think the risk lies in the potential for a third player to enter the market, and we are keeping this constantly in mind.

Governance:

■ How do you intend to contribute to Lion Nathan's management?

What hasn't been generally seen up until now is that we have been actively communicating with Lion Nathan's management over the years and building a relationship of trust. We want to become more engaged and increase the tangible elements of our relationship.

■ Will Lion Nathan's local management continue to run the company even after it becomes a wholly-owned subsidiary?

Lion Nathan has a very capable management team, and although there have been no decisions on exactly who will do what, we want to work together.

■ Is there potential for overseas personnel to join Kirin's management?

This is one of the issues that we are aware of and a topic for consideration.

3. Other

■ Kirin's debt-equity ratio will reach about 1.0 with this transaction. What is your target looking ahead?

We do not foresee any further major-scale M&A at this stage. However, we will continue to invest to make qualitative improvements in our business.

■ Since Kirin's first investment in Lion Nathan in 1998, Lion Nathan's EBITDA has doubled. In what areas do you think Kirin has contributed to this? And in making Lion Nathan a 100% subsidiary how do you think you can contribute to its performance?

Synergies in procurement are still relatively minor, but there has been contribution from the transfer of Kirin's quality control and other technical systems. Moreover, the capitalization by Kirin has lowered takeover risk and allowed Lion Nathan to concentrate on managing its business, and this has facilitated the growth of the company while building a strong relationship between Kirin and Lion Nathan. Looking ahead, Lion Nathan will gain access to a wider range of Kirin's assets in Australia. We firmly believe in the potential for Lion Nathan to grow.

■ In looking at the comprehensive beverages group strategy for Australia, it has seemed that only by acquiring a soft drinks business could real synergies be produced. However, large companies such as Coca-Cola Australia are no longer available. Is your strategy to spend the time building a business rather than acquiring an existing business?

The largest synergies certainly do lie in the soft drinks business. We are aware of the need

to strengthen National Foods' soft drinks business. In terms of whether we will invest time in building up a business rather than acquiring an existing business on the scale of CCA, we will be looking at which markets we should be in and with what products, and this will include considering options such as forming alliances with leading players in specialty markets.