

Record of telephone conference:
Kirin Consolidates Schincariol Group

Date and time: Tuesday, August 2, 2011, 12:30-13:15
Presenters: Ryoichi Yonemura, General Manager of Strategy Planning Department and others.

Q. Up until now, Kirin's most business expansion has primarily been in Asia and Oceania. Why is Kirin branching out into Brazil now? When did you begin probing into this region?

(Mr. Yonemura) Asia and Oceania are still our priority regions, but for the sake of further growth, we consider high-growth, high-profitability businesses on a case-by-case basis. They approached us after the beginning of the year, and as a result of our investigation, we decided to invest given that both growth and profitability show promise.

Q. What is the future growth potential for Schincariol Participações e Representações S.A.?

(Mr. Yonemura) Up until now, Schincariol has made prior capital investment in plants. Also, since 2003, it has expanded the new "Nova Schin" product, and has also made investment matched to the growth of the product, and because of it, the burden of fixed cost increased. Amid expectations for future market growth, the operating ratio will rise, and so profitability is on track to increase. In the medium- and long-term, based on the fact that the growth rate of the market itself and the progress of inflation will lead to rises in both volume and unit prices, we expect EBITDA growth.

Q. What is Schincariol's share in the alcohol beverages business?

(Mr. Yonemura) In 2002, its share in the alcohol beverages business was in single digits in Brazil. But with the release of the Nova Schin product, this figure was elevated to somewhere around 15%. Going forward, we will draw on Kirin's development capability to raise this figure further.

Q. What are the trends in the Brazilian beer market? Is there a shift occurring toward the premium beer category?

(Mr. Yonemura) The premium beer category is growing at about 10% annually, and the growth rate for this category is higher than that of the standard category. We will make full use of Kirin's technologies in developing value-added premium products.

Q. How much is the amortization of goodwill, and what is the period of amortization?

(Mr. Yonemura) Goodwill is expected to be more than 100 billion yen. With respect to the period of amortization, though, we are currently in discussion with an auditing firm.