

Q&A at presentation to investors and analysts

Re: Statement for period ended December 31, 2010

Date and time: Thursday, February 10, 2011, 18:00-19:30

Presenters: Senji Miyake, President and CEO and Yoshiharu Furumoto, Managing Director & CFO Representative Director

## 1. General performance

Q. The 2012 operating income target under the medium-term business plan is ¥188 billion, while estimated operating profit in 2011 is ¥152 billion. This represents a small increase in annual terms. Will you be striving to generate additional profits over and above ¥152 billion in order to achieve the target?

Miyake: The ¥152 billion operating income target for 2011 is eminently achievable. We are making every effort to achieve the targets in the medium-term business plan by bringing forward synergies and cost reduction strategies and ramping up our sales strategies. We are confident of achieving targets for cash ROE, operating income ratio before goodwill, profit improvement on cash basis and overseas ratios prior to 2012. At this stage we have no intention whatsoever of revising the targets in the medium-term business plan. Should we achieve our cash ROE target of 10% ahead of schedule, then we will aim to do better.

Q. Notwithstanding the extensive cost reductions achieved in domestic business, there appears to be scant evidence of organic growth in other areas. Do you plan to set up business partnerships in order to take on global challenges rather than trying to go it alone?

Miyake: Despite the contraction in overall growth, we have maintained top-line growth by developing products designed to stimulate new demand and create new categories, and we are confident that this will enable us to establish a competitive advantage. To this end, we are concentrating on brand marketing in particular.

Global expansion requires sustained profitability in our domestic operations. Integration and consolidation is not the only way to achieve this; tie-ups and joint ventures are another option. It is important to appreciate that we are in a period of increasingly rapid and dynamic reconfiguration of business operations.

Q. What were the key factors behind the low valuation relative to the global competition, and what do you propose to do about it?

Miyake: I cannot comment on the current valuation level. However I can say that the share price reflects our ongoing efforts to boost enterprise value. We are working to boost profitability while at the same time striving to increase the PMI effect and push brand marketing both in Japan and overseas. We are committed to enhancing enterprise value by improving both top-line and bottom-line growth.

## 2. Overseas strategy

Q. You have invested over ¥100 billion in F&N and China Resources Enterprise; when do you expect to see a return on this investment?

Miyake: The signs are good, and we expect to see concrete returns before too long. The

soft drinks market in Japan is one of the most diverse in the world, and also one of the most difficult. One of our key strengths at Kirin is our experience in this very challenging marketplace. We will combine our experience and expertise with the local knowledge of F&N and China Resources Enterprise in order to develop new products for those markets. This approach constitutes the global model at Kirin.

Q. In China you have set up a soft drinks joint venture with China Resources Enterprise. Do you have any plans to sell beer in China at some stage in the future?

Miyake: Kirin has experience of setting up operations in China, both on our own and through partnerships. But the marketplace in China today is quite different to what it was then. In China Resources Enterprise we have identified an excellent partner for the soft drinks market. In the case of beer, it is clear that we need to undertake a fundamental reform of our business structure. We plan to consider a range of options.

Q. In terms of Kirin's M&A strategy, in which areas are you looking to consolidate your foundations? What are your criteria for acquisition?

Miyake: The foundations are already there in Oceania, so Asia, including China, is our key area. With regards to investment criteria, we add a country risk to 5% WACC.

3. By operational area

Q. You were anticipating increased profits in both alcoholic beverages business and soft drink and food business from LNNF. What impact have the recent unseasonable weather and major floods during the October-December quarter of 2010 had on your estimates?

Furumoto: The October-December quarter is normally peak season for LNNF, but this year the unseasonable weather and flooding had an impact. There is certainly scope for further profit improvement and we will be doing our utmost to attain our targets.

Miyake: The Australian economy is essentially sound and we do not envisage any major turbulence in our Australian operations over the long term.

Q. Given that input costs are certain to rise, if KBC is unable to maintain top-line growth, do you still think you will be able to reach your profit targets?

Miyake: We will continue with the program of profit structure reforms launched last year. We believe there is potential for further cost reductions across the entire value chain.

Q. Why do you think the cost synergies achieved through CCTs will be better than anticipated in 2010?

Furumoto: Under the leadership of President Senji Miyake we were more pro-active across the Group, using the PDCA cycle to achieve our targets and bringing forward schedules to achieve results.