



## About Kirin Group Sustainability Report 2011

The Kirin Group operates in the food and health industries. Whatever we do, we strive to ensure that the natural environment will continue to be the source of food; wherever we operate, we seek to help society achieve sustainable development. That is why we call this a sustainability report. In this report, we share with you and update you on our philosophy, policy, and initiatives to carry out our corporate social responsibility (CSR).

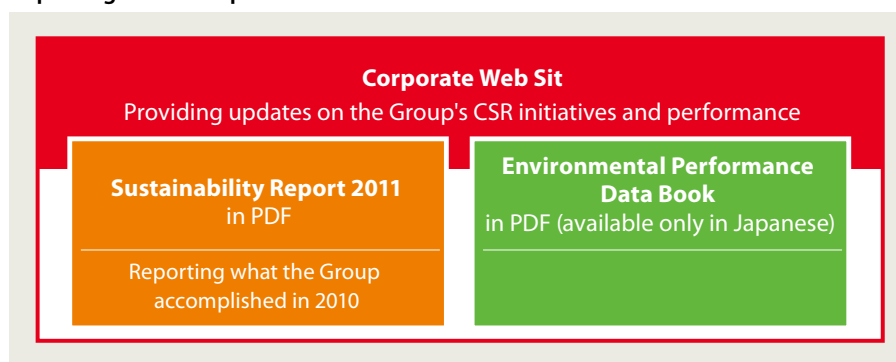
### Editorial Policy

The Kirin Group is structured around Kirin Holdings Company, Limited, a holding company that manages operating companies in the Group. Kirin Holdings plays a central role in establishing broad CSR policy and guidelines for the entire Group, and each Group company implements CSR initiatives in a manner that meets its business needs and community requirements. This report is published by Kirin Holdings on behalf of the Kirin Group, and it discusses the Group's philosophy toward CSR, what its high-priority CSR initiatives strive to accomplish, and how Group companies implement these initiatives. The report includes many examples and cases that illustrate and reflect the Group's CSR policy. Please note that several Group companies publish their own CSR reports (see Page 65) that provide more detailed information about their activities.

We referred to the guidelines listed at the bottom of this page when compiling this report. The Kirin Group will continue to review what to include in future sustainability reports.

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### Reporting Kirin Group's CSR Activities



Kirin Group's web site on CSR <http://www.kirinholdings.co.jp/english/csr/>

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### Reference Guidelines

- G3 Sustainability Reporting Guidelines, published by the Global Reporting Initiative (GRI) in 2006
- Environmental Reporting Guidelines (Fiscal Year 2007 Version), published by the Ministry of the Environment of Japan

\*A list of indicators based on GRI G3 Guidelines is available on Kirin Holdings' web site.

### Forward-Looking Statements

Statements in this report that are not historical facts are forward-looking statements based on the current beliefs, estimates, and expectations of management, and include risks and uncertainties associated with changes in domestic or overseas economic or market conditions, and changes in laws, regulations or policies in any of the countries in which the Kirin Group operates.

## Reporting Period

January 1, 2010 to December 31, 2010. Please note that environmental performance data for the Kyowa Hakko Kirin Group cover the period April 1, 2009 through March 31, 2010, with the exception of energy-use data that cover the period January 1, 2010 through December 31, 2010.

## Scope of Reporting and Data Compilation

### Scope of Reporting and Data Compilation

Where applicable, this report covers activities and accomplishments by Kirin Holdings Co., Ltd. and its 259 consolidated subsidiaries in Japan and abroad (as of December 2010), which collectively constitute the Kirin Group. On matters where group-wide information is unavailable, names of companies for which information is compiled are specified.

Environmental performance data for the Group's operations in Japan are a compilation of data from:

Kirin Brewery Co., Ltd.; Kirin Distillery Co., Ltd.; Ei Sho Gen Co., Ltd.; Kirin City Co., Ltd.; Kirin Merchandising Co., Ltd.; Kirin & Communications Co., Ltd.; Kirin Logistics Co., Ltd.; Kirin Engineering Co., Ltd.; Kirin Techno-System Corp.; Mercian Corp.; Mercom Corp.; Nippon Liquor Ltd.; Musee d'art Mercian Karuizawa; Kirin Beverage Co., Ltd.; Koizumi Dairy Products Co., Ltd.; Kirin Kyowa Foods Co., Ltd.; Kyowa Hakko Kirin Co., Ltd.; Kyowa Medex Co., Ltd.; Kyowa Hakko Chemical Co., Ltd.; Kyowa Hakko Bio Co., Ltd.; Daiichi Fine Chemical Co., Ltd.; Yokohama Arena Co., Ltd.; Yokohama Akarenga Inc.; Kirin Echo Co., Ltd.; Kirin Holdings Co., Ltd.; Kirin Business Expert Co., Ltd.; Kirin Business System Co., Ltd.; Kirin Real Estate Co., Ltd.

Environmental performance data for the Group's operations outside Japan are a compilation of data from:

Kirin Australia PTY LTD; Kirin (China) Investment Co., Ltd.; Kirin Brewery (Zhuhai) Co., Ltd.; Lion Nathan National Foods PTY LTD

## Company Profile

### Trade Name

Kirin Holdings Company, Limited

### Date of Incorporation

February 23, 1907

\*On July 1, 2007, pursuant to the transition to a pure holding company structure, Kirin Holdings Company, Limited changed its name from Kirin Brewery Company, Limited.

### Paid-in Capital

102,045,793,357 yen

### Number of Employees

275

(Number of employees of Kirin Holdings' consolidated subsidiaries: 35,150)

### Head Office

2-10-1 Shinkawa, Chuo-ku Tokyo 104-8288, Japan  
Telephone: +81-3-5541-5321

### Sales

2,177,802 million yen

(Consolidated sales from January 1 through December 31, 2009)

### Main Businesses

Strategic management and oversight of the Group, and provision of specialized services

(As of December 2010)

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## Pursuing Harmonic Coexistence with Society



The Kirin Group holds fulfilling its corporate social responsibility to be an integral part of its business management. We integrate CSR efforts into our day-to-day business operations to become more relevant and more strongly connected to our stakeholders and to help achieve a sustainable society.

**Senji Miyake**

**President and CEO  
Kirin Holdings Company, Limited**

### **Fostering Stronger Bonds**

We express our deepest sympathy to the victims of the Great East Japan Earthquake, which struck the Tohoku region on March 11, 2011, and pray for a speedy reconstruction of the affected areas.

Since its foundation in 1907, the Kirin Group has remained customer focused and quality focused, and has been operating to stay relevant and connected to its stakeholders. The Kirin Group has been closely associated with and attached to the Tohoku region, where Kirin Brewery—the Group's core

company—has its Sendai Plant, and Koiwai Dairy Products has one of its largest plants. We will support reconstruction efforts in the region to repay to its people for their years of support to us. We hope this will encourage the affected communities and families to foster stronger bonds with one another.

### **Addressing Social Issues as Part of Our Business Strategy**

In May 2010, the World Health Organization resolved to adopt the Global Strategy to Reduce the Harmful Use of Alcohol, which



defines the responsibilities and roles of the alcohol beverage industry in an effort to reduce alcohol-related problems (ARPs). To address ARPs in society, the Kirin Group has established the ARP Office in the CSR Management Department of Kirin Brewery, the Group's main arm for the alcohol beverages business. As a responsible corporate group that markets alcohol beverages globally, we take it upon ourselves to help reduce ARPs around the world. In Japan, we will continue to use Kirin Free—a non-alcohol, beer-tasting beverage—as a key element in our aggressive public campaign against drunk driving. We are now considering launching Kirin Free in the overseas markets to make the effort global.

Climate change is a challenge facing all people. It also has serious social implications for the Kirin Group's business, which relies on the bounty of nature to make products. Therefore, it is only natural that the Kirin Group defines becoming a low-carbon corporate group as one of its high-priority CSR initiatives. In 2009, we established a long-term goal of reducing by 2050 carbon footprints from our global operations by half from the 1990 level across the board, ranging from the sourcing of materials to consumption and disposal. We also offer eco-friendly products to our customers.

Our environmental stewardship extends globally. Mercian, a Kirin Group company in Japan, and Lion Nathan National Foods, a Group company based in Oceania, have co-developed fruity, high-quality wines in Australia for the Japanese market. Mercian imports these wines from Australia in bulk in specially designed plastic bags, and bottles the wines into light individual bottles in Japan. This shipping method helps reduce CO2 emissions from ocean transport by 60% compared with the conventional shipping method.

In 2010, we announced the Kirin Group's Declaration of Support for Biodiversity Conservation to reaffirm our commitment to the sustainable use and conservation of biodiversity and to helping

society achieve a harmonious coexistence with nature.

Human resources are indispensable for our business operations. In recognition of this, we will step up our efforts to fulfill our commitment to valuing our employees and embracing diversity and inclusion in the workplace. We will continue to offer greater career opportunities to female employees. Most importantly, we strive to create a corporate culture in which every employee in the Group upholds and adopts the values and the basic action stance embodied in the KIRIN WAY, engages in frank and open discussions with each other, and innovates the way in which we do business.

### Being a Responsible Global Corporate Group

The Kirin Group's business continues to expand globally. To be a socially responsible global corporate group, we have signed the United Nations Global Compact\*, the 10 principles of which give us a binding framework for our global operations. For instance, we have gone the extra mile to respect human rights—one of the principles stated in the Global Compact—by adding to the Kirin Group Compliance Guidelines a clause that prohibits forced labor and child labor.

We are proud that, when our customers have a good time, Kirin Group's products are part of it. To meet our stakeholders' needs and expectations, we will continue to adapt ourselves to changes in society and to integrate CSR efforts into our business operations. This will enable us to become more relevant and more strongly connected to our stakeholders and to help achieve a sustainable society.

We hope our collective efforts will meet your expectations.

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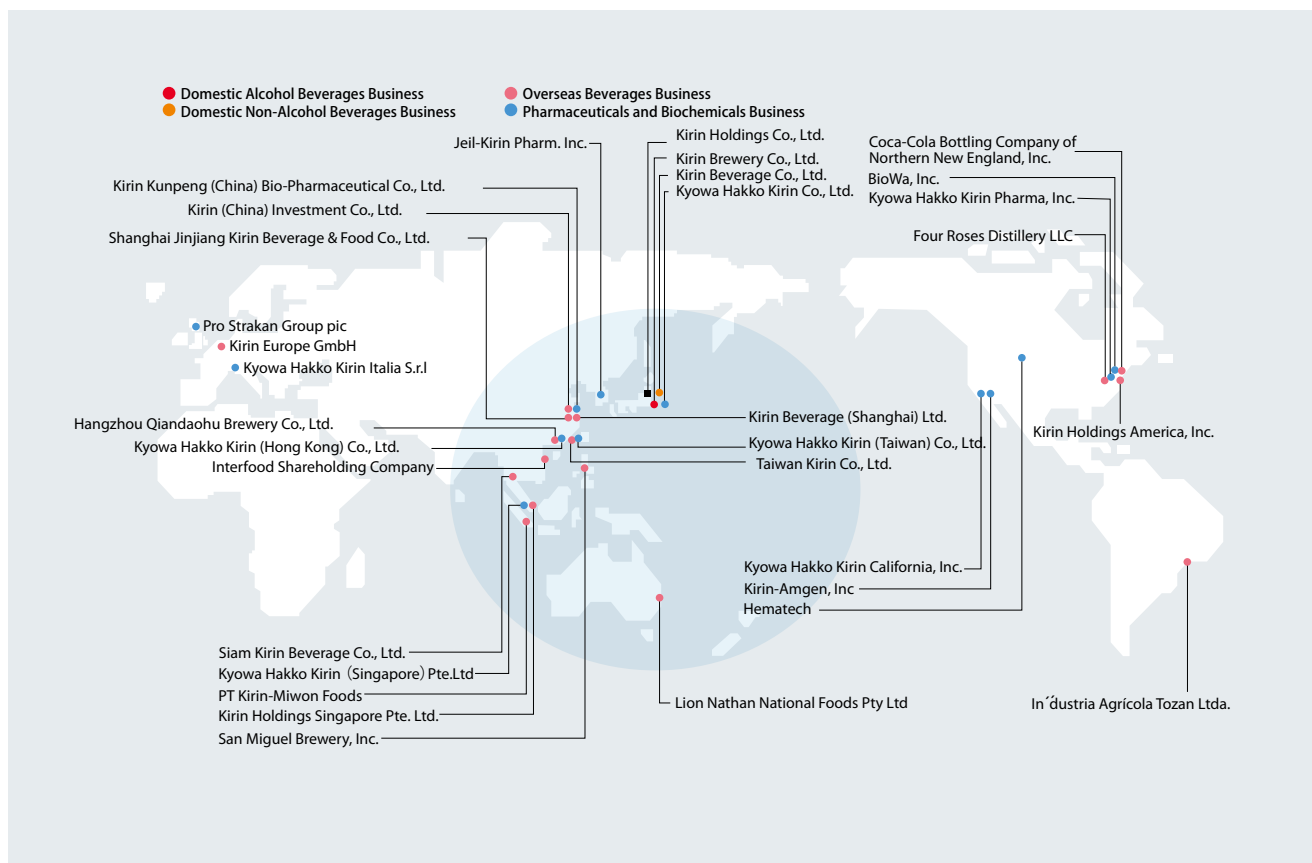
\*The United Nations Global Compact is a voluntary strategic initiative for businesses that are committed to exercising responsible, creative leadership in aligning their business operations and strategies to global efforts for sustainable development.

# About Kirin Group

## Kirin Group's Global Operations

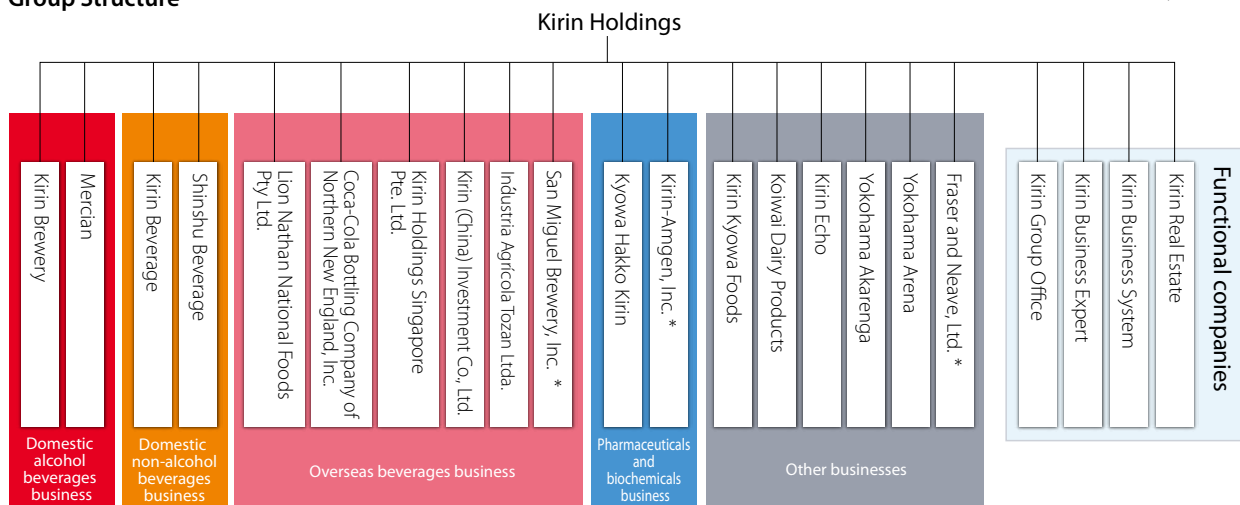
The Kirin Group is engaged in the manufacture and sales of alcohol beverages, non-alcohol beverages, foods, and pharmaceuticals in Japan, the Asia-Oceania region, and other parts of the world. As of December 31, 2010, the Group had more than 31,000 employees, and comprised

259 consolidated subsidiaries, one unconsolidated subsidiary, and 21 affiliates accounted for by the equity method. We are striving to become a leading company in Asia and Oceania under the Kirin Group Vision 2015 (KV2015) long-term business plan.



## Group Structure

As of April 28, 2011



\*Affiliate accounted for by the equity method

## Business Segments

We pride ourselves on offering products based on what people want. We pride ourselves on our ability to harness the goodness of nature through innovative technology. We pride ourselves on delivering tangible satisfaction and quality in everything we make. All of which ensures that we exceed

customer expectations. And naturally, we do not stop there. As we look forward with vision and dreams, we aim to continue offering food and health products that bring new joy to people's lives everywhere. Always a step ahead, the Kirin Group supports health, pleasure and comfort in your life.

### Domestic Alcohol Beverages Business

We deliver great taste that makes people smile.



Non-alcohol,  
beer-tasting beverages



### Domestic Non-Alcohol Beverages Business

We create a new soft-drink culture and add value to exceed customers' expectations.



### Overseas Beverages Business

We expand our beverages business in the growing Asian and Oceania markets to create new value.



Beverage products marketed in China



Beverage products marketed in Southeast Asia



Beverage products marketed in Oceania

### Pharmaceuticals and Biochemicals Business

We leverage our technical ingenuity and prowess to help people around the world enjoy healthy, fulfilling lives.



### Other Businesses

We assist people to maintain healthy and happy dietary lifestyles.



## About Kirin Group

# Kirin Group Vision

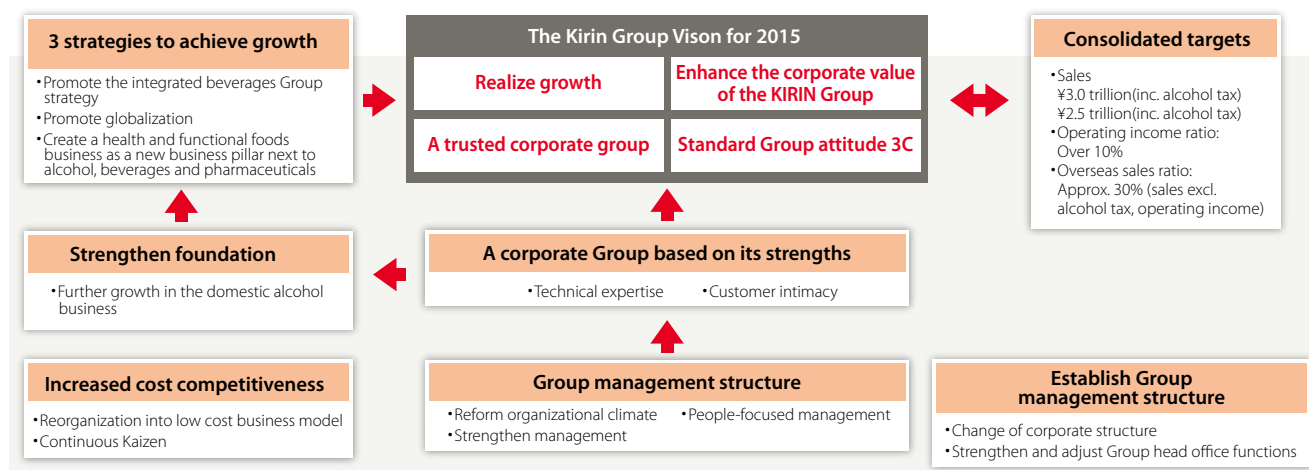
The Kirin Group states in its group vision (KV2015) the goals it strives to achieve by 2015.

Promoting CSR is one of the basic policy initiatives outlined in this vision.

### Long-term Business Plan

### Kirin Group Vision 2015 (KV2015) (unveiled in May 2006)

The Kirin Group fosters a close relationship with customers through products that bring them the joy of food and health. We integrate our expertise in fermentation and biotechnology, manufacturing, research and marketing to pursue distinctive value and the highest quality in alcohol beverages, soft drinks and pharmaceuticals businesses with the goal of becoming a leading company in the Asia-Oceania region.



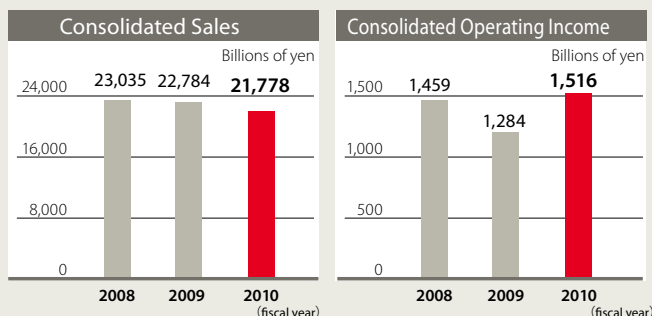
## What We Strive to Accomplish by 2015

- We aim to enhance the value of the Kirin brand both as a brand of trust and as a brand of innovation.
- We will implement three growth strategies built on the strengths of our core businesses.
  - Become an integrated beverage group by leveraging the synergy between the alcohol beverages and soft drinks businesses
  - Establish the foundation for business growth in the Asian market outside Japan by facilitating greater synergy among group companies and collaborating with external business partners
  - Use a wealth of technical expertise to establish another core business in the food and health market that bridges the beverage business and the pharmaceutical business
- As a corporate group that uses what nature has to offer to conduct business, we are committed to the sustainable development of a safe and comfortable society and proactively fulfill our social responsibilities including the preservation of the global environment.
- We will help all employees fulfill their true potential and make it a source of competitive advantage, driven by the Basic Action Stance of challenge, commitment and collaboration (3Cs).

### Basic Policy

- 1 Enhance the Kirin Group's strengths built on technical expertise and customer-relationship excellence
- 2 Encourage group companies to make a tangible contribution to enhancing the Kirin brand
- 3 Implement three strategies for strengthening the business foundation and achieving quantum-leap growth
- 4 Establish a new group management structure based on a pure holding company structure
- 5 Implement group-wide CSR initiatives and enhance organizational management of the Group

## Financial Highlights

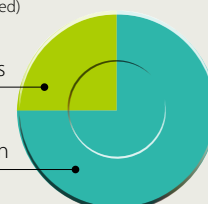


## Percentage of Sales from Overseas Operations in Fiscal 2010

(Liquor tax excluded)

Overseas sales  
25%

Sales in Japan  
75%



# Medium-term Business Plan

In the medium-term business plan currently under way, we are implementing CSR initiatives as one of the three basic policies outlined in the plan.

## 2010-2012 Medium-term Business Plan (KV2015 Stage II, unveiled in October 2009)

Positioning of 2010-2012 Medium-term Business Plan (MTBP)



Under the 2007-2009 MTBP, which was the first stage of KV2015, we laid solid groundwork for achieving quantum-leap growth in revenue by: bringing the alcohol beverages business in Japan back to growth; implementing a strategy for becoming an integrated beverage group in Japan and abroad; and allocating substantial management resources to capital investment in building a foundation for a sustained growth.

Under the 2010-2012 MTBP, we will follow through on key initiatives that will bring us closer to the goals outlined in

KV2015. Specifically, we will achieve significantly higher profitability and greater operational efficiency across the Group by undertaking a continuous structural reform and facilitating deeper group synergy. Furthermore, we will remain committed to creating new value to meet diverse customer needs and to deliver a greater joy of food and health, and also to playing an active role in the sustainable development of a safe and comfortable society in all aspects of our business operations.

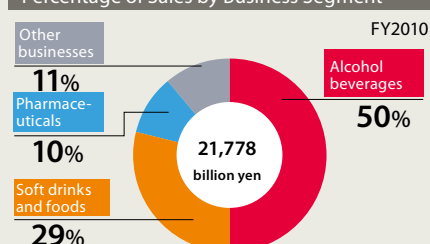
		2010 Results	2012 Plan	Change	2015 Target
Sales (billions of yen)	Liquor tax excluded	1,835.2	2,130.0	211.3	2,500.0
Operating income (billions of yen)	Before amortization of goodwill	193.6	231.0	73.3	
	After amortization of goodwill	151.6	188.0	59.6	250.0
Operating Income ratio	Liquor tax excluded. Before amortization of goodwill	10.5%	10.8%	2.6 percentage points	
	Liquor tax excluded. After amortization of goodwill	8.3%	8.8%	2.1 percentage points	10.0% or more
Cash ROE	Before amortization of goodwill	8.8%	10.0% or more		

### Basic Policy

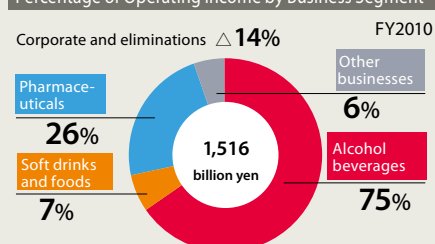
- 1 Increase the Group's corporate value by facilitating the growth of group operating companies as well as synergy among them
  - Keep pursuing a strategy for becoming an integrated beverage group
  - Generate group synergy
  - Establish technical prowess and customer-relationship excellence
  - Implement lean management principles and practices
- 2 Implement a financial strategy to increase the Group's corporate value
- 3 Pursue harmonious coexistence with society through CSR activities

## Segment Information (Liquor tax included)

### Percentage of Sales by Business Segment



### Percentage of Operating Income by Business Segment



※ Segment information provided on this page does not reflect the change in business segmentation effective January 2011.

# Our Philosophy toward CSR

## Kirin Group's Corporate Philosophy and CSR

The Kirin Group Identity Statement calls for us to focus on people, nature, and craftsmanship to redefine the joy of food and health.

The KIRIN WAY defines the values we hold most dear and the guiding principles to which all Kirin employees are expected to adhere. In the Group Action Declaration, we entered into promises with each of the four classes of our stakeholders—customers, employees, shareholders, and society.

The Kirin Group's CSR activities are guided by these philosophies and policies. As a corporate group focused on food and health, we must operate and grow our business in harmonious coexistence with the global environment and society. To help achieve a sustainable society, we have given CSR a high priority in our long-term business plans (Kirin Group Vision 2015) and medium-term business plans, and have been following through on our commitment.



## Kirin Group Identity Statement, KIRIN WAY (Values and Stance), and Group Action Declaration

### Kirin Group Identity Statement

The Kirin Group-Focused on people, nature and craftsmanship to redefine the joy of food and health

### THE KIRIN WAY

Values	Basic Action Stance
The things we each hold important	The "3Cs" that govern the actions of all Kirin employees
<b>A customer-focused approach</b> Striving to understand our customers better than any competitor; remembering the importance of communication with customers to better meet their hopes and expectations	<b>Challenge</b> <b>(Endeavour, risk-taking, action)</b> Taking individual initiative without fearing the results; responding with change and innovation
<b>A steady focus on quality</b> Relentlessly pursuing quality while perfecting our own unique technology with uncompromising attention to detail	<b>Commitment</b> <b>(Thinking it through, going the distance)</b> Giving serious thought to all matters to see their true nature; assuming responsibility for meeting goals and fulfilling the roles assigned to us
<b>Innovation</b> Thinking freely and with vision to generate new, exciting ideas; having the courage to actively propose new value	
<b>Integrity</b> Maintaining a fair-minded and earnest stance toward all business activities	<b>Collaboration</b> <b>(Concerted action, mutual assistance)</b> Working together as a team; joining forces to cooperate and connect

### Group Action Declaration

<b>Customers</b>	To use Kirin's own technology to provide safe, high-quality products and services that offer value and assurance to customers (Creation of value for customers)
<b>Employees</b>	To create a workplace in which each employee can exhibit his or her independence and creativity, taking pride in the job and enjoying a sense of meaning and purpose (Respect for human nature)
<b>Shareholders</b>	To fulfill our responsibility to shareholders from a long-term, global perspective, continuously striving to elevate our corporate value (Increase value for shareholders)
<b>Society</b>	To contribute to the sustainable development of society while carrying out business activities in an environmentally-conscious manner; to contribute to a better quality of life for people around the world (Contributing to society; concern for the environment)

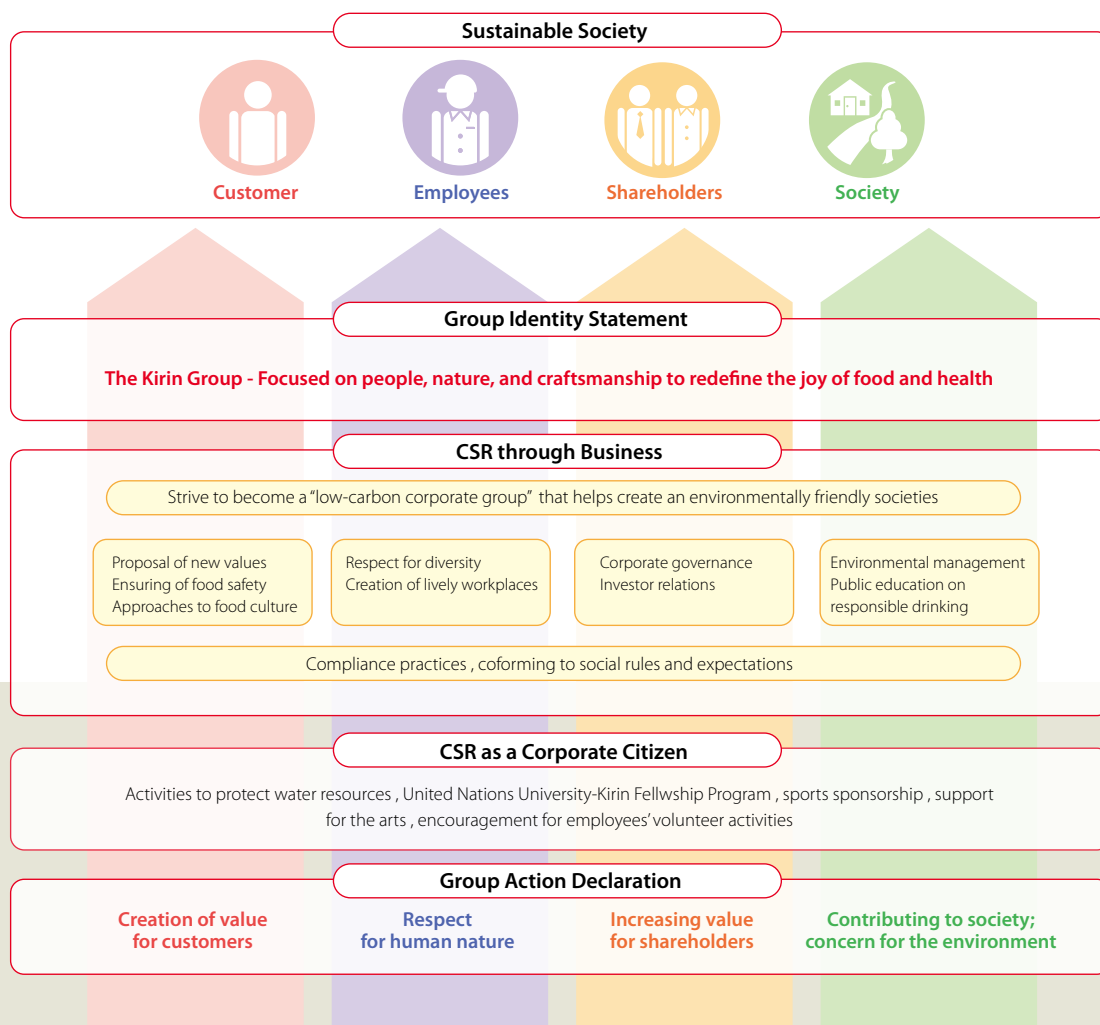
## Kirin Group's CSR Framework

The Kirin Group engages in two broad categories of CSR activities: those we conduct in our day-to-day business operations, and those we carry out as a corporate citizen. CSR activities integrated into our business operations represent the majority of our CSR efforts. These are activities that the entire Group undertakes over a medium- to long-term time frame, leveraging its core strengths. For instance, in August 2009, we set medium- to long-term reduction targets for CO2 emissions in the Group Action Plans for Becoming a Low-Carbon Corporate Group. In October

2010, we announced Kirin Group's Declaration of Support for Biodiversity Conservation as a commitment to taking biodiversity into greater consideration when conducting business.

CSR activities we carry out as a corporate citizen include those to which the Kirin Group has been committed for many years. We will continue to be a socially responsible corporate group that gives something back to the communities in which we operate.

### Kirin Group's CSR Framework





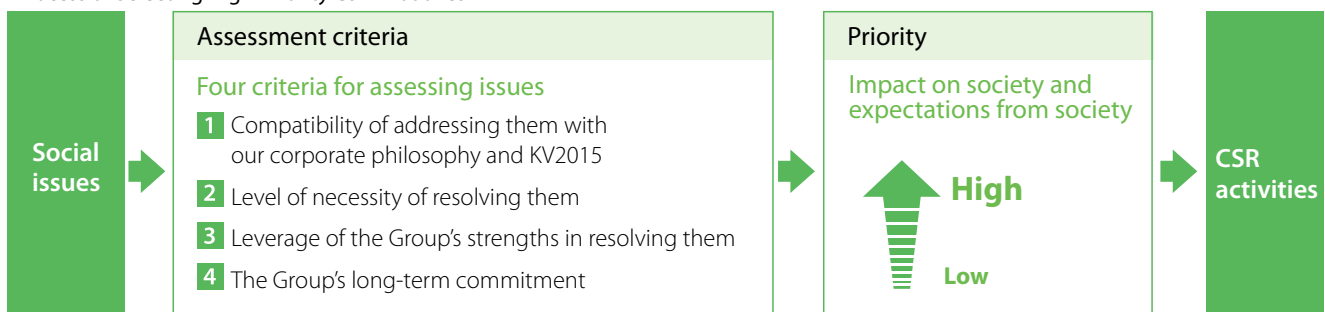
## Selecting High-Priority CSR Initiatives

The Kirin Group has reviewed its CSR policy so as to enhance and expand the CSR activities integrated into its business operations. First, we assessed a wide range of social issues using four criteria to narrow them down to those that we should address. The four criteria are: (1) whether addressing them is compatible with the thrust of our corporate philosophy and KV2015; (2) how much necessity and urgency exist for resolving them; (3) whether the Group can leverage its strengths to resolve them; and (4) whether the Group as a whole is poised to make a long-range commitment to addressing them. Second, we prioritized those social issues based on the extent

of their impact on society and the degree of expectation from society; and finally, we selected the high-priority CSR initiatives on which to focus. Becoming a low-carbon corporate group is one of the Group's medium- to long-term initiatives that have come out of this process.

Social issues do not remain static as the years go by. They change shape and scope at an accelerated pace propelled by globalization. We will review high-priority CSR initiatives from time to time so as to keep our CSR efforts relevant to anticipated changes in society.

### Process of Selecting High-Priority CSR Initiatives



### Kirin Brewery's Dialogue with Stakeholders

Kirin Brewery began facilitating stakeholder engagement in 2010 to use dialogue with stakeholders to better understand their needs and expectations and take them into account in its business decisions.

The key component of stakeholder engagement is a dialogue session between the company and its stakeholders. Two sessions were held in 2010: the first in September to discuss alcohol-related problems; and the second in November to discuss the direction of environmental stewardship. In both sessions, participating Kirin Brewery employees and experts entered into intensive discussions.

By incorporating stakeholder dialogues into Kirin Brewery's management process to identify their needs and concerns to be addressed, the company hopes to deliver results that meet the expectations of customers and society.

See Page 25



First stakeholder dialogue session



## What Kirin Group Strives to Accomplish in CSR

Category	Kirin Group's High-Priority CSR Initiatives	Goals	Kirin Group's Policies, Guidelines, and Declarations	Corresponding Principles of Global Compact*	Page Numbers in This Report
Food and Health	Promoting a healthy and nutritious diet	Help people enhance their mental and physical wellness.	—	—	P.16
	Promoting food cultures	Offer a new horizon of food lifestyle to customers to help them enjoy a rich, satisfying diet.	—	—	P.20
	Promoting responsible drinking	Promote responsible drinking and prevent problems associated with the misuse of alcohol. ● Use Kirin Free as a vehicle to get across the message against drunk driving in the Steering-Wheel Keeper Campaign. ● Educate the public on responsible drinking to eliminate the harmful use of alcohol in society.	Basic Policy and Action Guidelines for Addressing Alcohol-Related Problems	—	P.22
Food-Safety	Ensuring food safety	Deliver safe, high-quality products in good condition to customers. ● Share and disclose information about the safety and quality of our products so that customers feel confident about buying them.	● Basic Policy on Quality ● Group Principles of Action ● Quality Standards	—	P.26
Environmental Sustainability	Achieving a low-carbon society	Help achieve a low-carbon society through environmental stewardship—saving energy, saving resources, and offering eco-friendly products—across the entire value chain. ● Reduce CO2 emissions generated from our entire global value chain by half from the 1990 level by 2050 ● Reduce CO2 emissions resulting from our global manufacturing, distribution, and office operations by 1% or more annually through 2050 ● Bring CO2 emissions from our manufacturing, distribution, and office operations in Japan down to 35% below the 1990 level by 2015	● Basic Policy on Environmental Stewardship ● Action Plans for Becoming a Low-Carbon Corporate Group	Principle 7 Principle 8	P.32
	Conserving biodiversity	Take biodiversity into greater consideration when conducting business so as to help society achieve a harmonious coexistence with nature. ● Make sustainable use of natural resources ● Apply technologies to the conservation of biodiversity ● Work with stakeholders to conserve biodiversity ● Meet legal and regulatory obligations	● Basic Policy on Environmental Stewardship ● Declaration of Support for Biodiversity Conservation	Principle 9	P.36
Collaborative Relationships with Suppliers	Conducting socially-responsible sourcing practices	Step up CSR procurement efforts and maintain fair and equitable business practices to establish collaborative relationships with suppliers. ● Share the CSR Procurement Basic Policy, CSR Procurement Guidelines, and Green Procurement Basic Policy with suppliers to solicit their support and cooperation, and work with them to promote CSR procurement practices.	● CSR Procurement Basic Policy ● CSR Procurement Guidelines ● Green Procurement Basic Policy	Principles 1 through 10	P.44
Valuing Employees	Valuing employees and embracing diversity and inclusion	Respect employees' initiative and individuality and create a corporate culture that inspires employees with diverse talents to reach their full potential. ● Continue to educate employees on human rights, including the prevention of harassment ● Create a workplace environment in which female workers feel welcomed and valued ● Promote the hiring of people with disabilities	● Group Action Declaration ● Compliance Guidelines ● Charter for Hiring of People with Disabilities	Principles 1 through 6	P.48
	Enhancing occupational safety and health	Keep workplaces safe and clean so that employees feel comfortable working in them. ● Take preventive measures to manage employees' mental wellness	● Compliance Guidelines	—	P.49
	Supporting employees' work-life balance	Help employees maintain a healthy work-life balance so that they feel motivated to exercise initiative and creativity and to feel proud and enthusiastic about their jobs. ● Continue to ensure that employees observe appropriate work hours	● Group Action Declaration ● Compliance Guidelines ● Charter of Work-Life Balance	—	P.52
	Investing in employees' professional growth	Improve employees' professional skills and foster greater organizational excellence to sustain the growth of the Kirin Group. ● Carry out human resources development programs that support the Group's global strategy	● Group Action Declaration ● Principles of Human Resources Management	—	P.53
Community Outreach Programs	Nurturing the young generation	Be a good corporate citizen by helping nurture the young generation and contributing to the development of communities we serve.	—	—	P.54
Accountable Management System	Keeping the company on track	Establish a sound corporate governance structure to promote the quantum-leap revenue growth as outlined in the Kirin Group Vision 2015 long-term business plan. ● Implement an internal control system, make continual improvements to it, and report its operational status and issues to the Board of Directors	● Internal control system	Principle 10	P.59
	Keeping shareholders informed	Ensure transparency, fairness, and continuity in disclosing information timely and maintaining interactive communication with shareholders and investors. ● Disclose information in accordance with the provisions of the Financial Instruments and Exchange Act of Japan and with the Securities Listing Regulations enforced by the Tokyo Stock Exchange	● Disclosure Policy	—	P.62

※ See Page 15

## CSR Management

### System for Keeping Long-Term CSR Initiatives on Track

The Kirin Group uses the PDCA (Plan-Do-Check-Act) cycle<sup>1</sup> to manage its CSR activities.

Many of the CSR activities carried out within the Group have become an integral part of its business operations. Therefore, we have incorporated the monitoring of CSR practices and achievements into KISMAP<sup>2</sup>. The compliance management system and quality management system—both fundamental to

our business operations—have been in place for years and are continually upgraded.

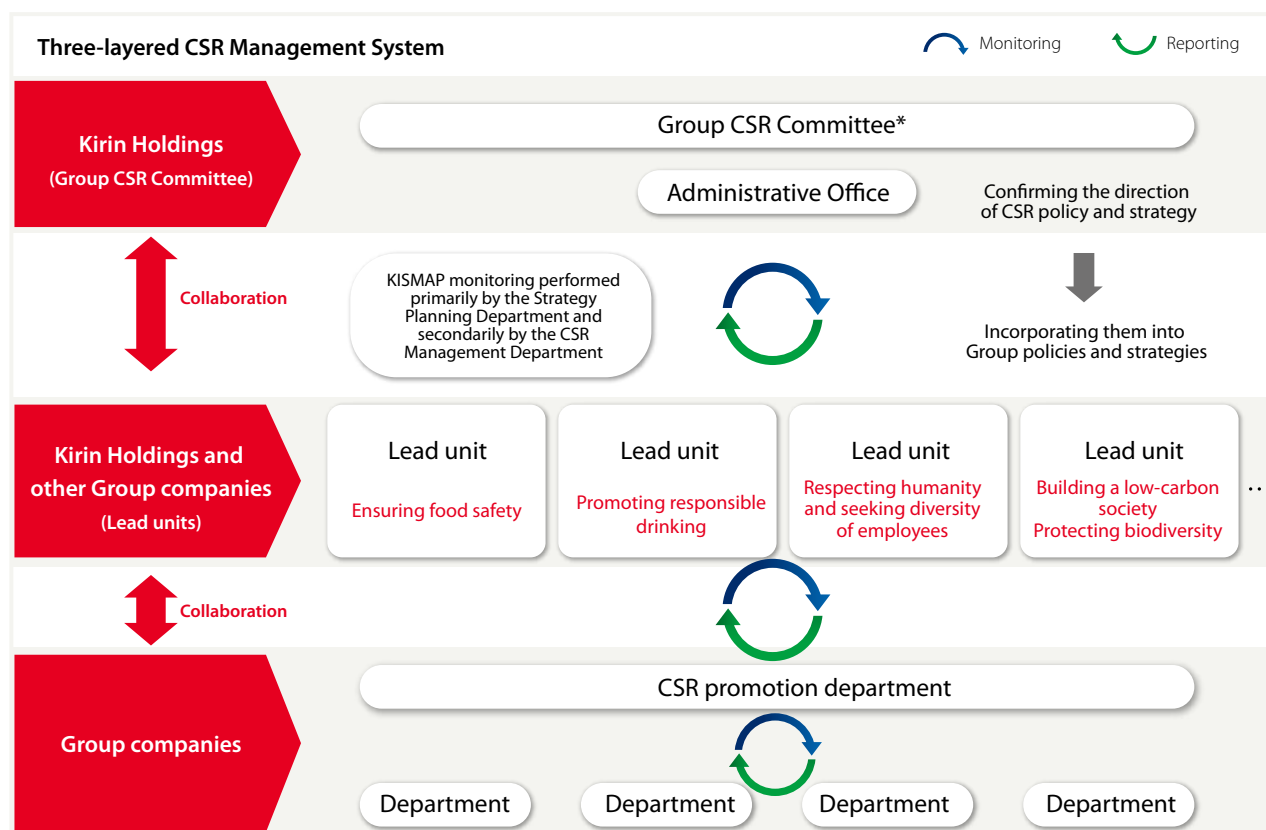
To step up our CSR efforts, we also address longer-term issues. The Group CSR Committee formulates and implements plans to deal with longer-term issues and monitors progress and achievements.

### Three-Layered CSR Management System

A PDCA-based, three-layered management system keeps CSR activities conducted by Group companies on track. In the top layer, we have the Group CSR Committee comprising officers of larger Group companies, and in the bottom layer are Group companies that carry out CSR activities on a daily basis. In between, a lead unit has been set up for each CSR theme—such as environmental management and socially responsible sourcing—that leads and monitors CSR activities carried out

by Group companies under each theme. In this three-layered management system, the Group CSR Committee, lead units, and Group companies implement and monitor CSR activities using the PDCA cycle, individually and jointly. The CSR Management Department of Kirin Holdings takes part in the monitoring performed by the company's Strategy Planning Department of the progress on the 14 high-priority CSR initiatives.

**KISMAP:** Kirin Innovative & Strategic Management Action Program, the Kirin Group's performance management system based on the balanced scorecard method.



\*Members of Group CSR Committee

Chairman : President of Kirin Holdings  
 Vice-chairman : Director in charge of CSR at Kirin Holdings  
 Committee members : Full-time directors and key department managers of Kirin Holdings, and presidents of major group companies

## Concerted CSR Efforts across the Kirin Group

The Kirin Group has been expanding its business globally. To remain socially responsible wherever we operate, we strive to keep abreast of the mainstream of CSR policies and practices evolving in the global arena and adopt them.

A Kirin Holdings director in charge of CSR attended the 40th annual meeting of the World Economic Forum held in Davos in January 2011, to get up to speed with the latest developments in global social trends.

Top executives of larger Kirin Group companies from around

the world meet annually to exchange insights and ideas about management strategies and CSR initiatives. This process helps them make concerted efforts in implementing CSR initiatives. In November 2010, the ISO 26000 international standard was released to provide guidance on social responsibility for private and public sector organizations. We will review the standard to ascertain how we can use it to set priorities for our CSR initiatives.

## Kirin Group Participates in the United Nations Global Compact

The United Nations Global Compact is a voluntary, global initiative for companies committed to exercising creative leadership in maintaining responsible business practices and sustainability. The Compact asks participating businesses to accept, support, and practice the 10 universally accepted principles outlined below in the areas of human rights, labor, environment, and anti-corruption. The Kirin Group announced its participation in the Compact in September 2005, and has

since been working to align its employee relationships and its business operations ranging from procurement and R&D to manufacturing and marketing with the 10 principles. The table on Page 13 shows how the Kirin Group's 14 high-priority CSR initiatives correspond to the UN Global Compact's 10 principles.

See Page 13



### The UN Global Compact's 10 Principles

Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	make sure that they are not complicit in human rights abuses.
Labor	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory labor;
	Principle 5	the effective abolition of child labor; and
	Principle 6	the elimination of discrimination in respect of employment and occupation.
Environment	Principle 7	Businesses should support a precautionary approach to environmental challenges;
	Principle 8	undertake initiatives to promote greater environmental responsibility; and
	Principle 9	encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	Principle 10	Businesses should work against corruption in all its forms, including extortion and bribery.

### In the Wake of the Great East Japan Earthquake

Immediately after the Great East Japan Earthquake struck the Tohoku region on March 11, 2011, Kirin Holdings and other Group companies in Japan established an emergency response headquarters that set out to verify the safety of Kirin Group employees and their families, and to provide relief aid to people in the affected areas. Some of the factories operated by Group companies in the Tohoku region sustained equipment damage. They have

since received assistance from other factories operated by the Group and secured raw materials from suppliers to minimize the impact of the earthquake and its aftermath on their operations.

In addition to the emergency relief aid that the Kirin Group offered to the affected areas immediately after the disaster, we will assist our customers, our business partners, and communities in their ongoing reconstruction efforts.



# Food and Health

## Our Goal

Each of the Kirin Group companies engaged in beverage, food, and pharmaceutical businesses aligns its R&D, product development, manufacturing, and marketing processes to create value that meets the health needs of customers. The Kirin Group has been listening to customers and translating their health needs

into a variety of products that have gained broad acceptance. We will continue to focus our technical and creative prowess on "people, nature and craftsmanship to redefine the joy of food and health" as called for in the Kirin Group's Identity Statement.

## Our Approaches

As a growing number of Japanese are suffering from lifestyle-induced diseases linked to an unbalanced diet and a lack of physical exercise, the medical community is shifting its focus from therapeutic care to preventive care, which includes encouraging a good diet to ensure good health. The age-old concept that originated in China that "medicine and food have the common benefit of promoting good health" is becoming all the more relevant today. People will become more health conscious and have more diverse values and needs for healthy living.

In 2008, the Kirin Group launched the cross-company Kirin Health Project. Participating Group companies brought their technical expertise to the project and created intercompany synergy to jump-start the health food and beverage business. As a result, four Group companies introduced in 2010 the first wave of Kirin Plus-i brand products that cater to health-conscious consumers. Through the Kirin Health Project, we will continue to offer new products to customers to help them eat healthy and live healthy.

### Companies Participating in the Kirin Health Project



### The Kirin Health Project Helps People Connect Socially

We believe that being healthy is not just for your own good, but is at the core of your capacity to bond with others—your family and children, your friends, your neighbors, and your coworkers. You can make your life happier and more fulfilling by bringing to it a greater sense of health and wellness. The Kirin Health Project strives to help people become healthy and connect socially with each other. The Kirin Group has a portfolio of technologies that provide solutions in and around the health and functional food category. We leverage all these technologies to facilitate synergy in creating products that make people healthy and happy, starting with one person and spreading to an entire society.



**Katsunori Inoue**  
Project Leader  
Health and Functional  
Food Business Promotion

## Keeping up with the Growing Health Trend

The Kirin Group offers products that meet the growing needs of health-conscious customers. Kirin Brewery markets alcohol beverages with low-calorie, low-sugar, and low-purine-body content, such as *Tanrei Green Label* low-malt beer and *Kirin Chu-hi Hyoketsu* ready-to-drink liquor. Mercian has in its lineup of wines the Bon Rouge series, which is richer in polyphenol antioxidant than ordinary wines. Kirin Beverage offers low-sugar, non-sugar, and low-fat varieties of its *Gogo-no-Kocha* black tea drinks and *Kirin Fire* coffee drinks to health-conscious consumers. In the food category, Koiwai Dairy Products offers low-fat milk and yogurt and products with functional health benefits; Kirin Kyowa Foods offers a non-calorie sweetener and freeze-dried foods with functional ingredients; and Kyowa Hakko Bio markets medical foods and the Remake-series health foods. We will continue to leverage our technical expertise to develop new products that offer customers a wider variety of alternatives to meet their health needs.

### Kirin Group's Products that Offer Health Benefits

	Low calorie content/ no calorie content	Low sugar content	Low purine body content	Low fat content	Containing functional ingredients*
<b>Kirin Brewery</b>					
Low-malt beers and non-malt beers	●	●	●		
Non-alcohol,beer-tasting beverages					●
Chu-hi and cocktails	●	●			
<b>Kirin Beverage</b>					
Black tea drinks	●	●		●	●
Coffee drinks	●	●			
Sports drinks and health drinks	●				●
Soft drinks	●	●			●
<b>Koiwai Dairy Products</b>					
Dairy products				●	●
<b>Kirin Kyowa Foods</b>					
Sweeteners	●				●
Processed foods					●
<b>Kyowa Hakko Bio</b>					
Health foods					●
Medical foods					●

\*Plus-i brand products included

## R&D Efforts to Meet Health Needs

Kirin Holdings conducts research in the fields of food and health at its Central Laboratories for Frontier Technology. Other Kirin Group companies undertake R&D projects focused on products and manufacturing technologies in their research facilities to create and deliver new value in food and health

### Central Laboratories for Frontier Technology

The Central Laboratories for Frontier Technology serves the entire Kirin Group by developing pioneering technologies in the fields of food and health and by providing a coordinated

### Mercian

Researchers at Mercian's Product Development Research Laboratory investigate the health benefits of wine with their counterparts from

### Kyowa Hakko Bio

Kyowa Hakko Bio's Healthcare Products Development Center leverages the wealth of its life-science knowledge and techniques in cell biology, physiology, and nutrition to study food components with health benefits and

The Kirin Group provides product information to help customers make an informed decision in choosing the right products for their health needs. In addition, we publish on our web site highlights of the R&D results that the Group companies produce.

technical infrastructure. It also works with other research institutions in Japan and abroad to ascertain how food ingredients affect human health.

outside the company, and examine the ways in which wine goes with food.

evaluate how they work in living organisms; develop new ingredients; develop and produce supplements; and provide technical assistance to marketing staff.

### Products marketed by Kirin Group companies



Kirin Brewery



Mercian



Kirin Beverage



Koiwai Dairy Products



Kirin Kyowa Foods



Kyowa Hakko Bio  
<http://www.kyowahakko-bio.co.jp/english/products/>

**Kirin Holdings:R&D**  
<http://www.kirinholdings.co.jp/english/rd/index.html>

**Mercian:R&D**  
<http://www.kirinholdings.co.jp/english/rd/index.html>



## Helping People Suffering from Diseases Live a Better Life

Kyowa Hakko Kirin strives to develop groundbreaking new drugs, such as therapeutic antibodies, with a sense of mission to deliver them as fast as possible to as many people in the world suffering from diseases as possible. The company focuses its forward-looking R&D

efforts on cancer, kidney, and immunological diseases to take advantage of its expertise in antibody technology, and works to establish proprietary drug-discovery technologies and industry-leading manufacturing technologies for biotechnology-based drugs.

### Fighting Intractable Diseases with Therapeutic Antibodies

Therapeutic antibodies, in which Kyowa Hakko Kirin has proven expertise, engage the innate immune system to cure diseases. The good thing about them is that they identify and attack only malignant cells such as cancer cells and cause few side effects. Expectations are growing for therapeutic antibodies to

provide effective solutions to treat diseases that respond poorly to conventional drugs. Kyowa Hakko Kirin will continue to leverage its technical prowess to develop innovative new drugs as fast as possible and provide them globally for people suffering from diseases.

### Providing Online Information about Diseases and Therapeutic Antibodies

Kyowa Hakko Kirin, with the assistance of experts, provides information about diseases and their treatment in an easy-to-digest fashion on the microsites within its web site. The company also provides information on therapeutic antibodies using graphics and video images on its dedicated microsite.



Microsite on therapeutic antibodies

### Studying How the Immune System Works

Kyowa Hakko Kirin has been sponsoring the La Jolla Institute for Allergy & Immunology (LIAI), a California-based non-profit research institute, since its inception in 1989. One of LIAI's missions is to discover the fundamental mechanisms of immune system disorders such as atopic dermatitis and asthma. The institute's research findings, which shed light on the causes of such disorders, have received international acclaim in academic conferences and leading science journals. Kyowa Hakko Kirin will continue to support LIAI's research into immunology and allergy, and work closely with its researchers. The company's goal is to use the results of its basic research to develop

innovative drugs as soon as possible for people with immune system disorders.



Researchers at the La Jolla Institute for Allergy & Immunology

### Extending Financial Assistance to Bioscience Research Projects

The Kato Memorial Bioscience Foundation was established in 1988 to promote bioscience in Japan. It provides financial assistance to research projects, international collaboration, and research workshops. In fiscal 2010, the

foundation sponsored 25 research projects in medical science and biotechnology, 31 researchers who made presentations at international bioscience conferences, and 10 bioscience conferences.

**Antibody pipeline**  
<http://www.kyowa-kirin.co.jp/english/rd/antibody/pipeline/index.html>

**Microsite on therapeutic antibodies for general audience**  
<http://www.kyowa-kirin.co.jp/english/rd/antibody/pipeline/index.html>

**R&D expenditures**  
 In fiscal 2010, Kyowa Hakko Kirin spent 44,064 million yen in R&D, equivalent to 11% of its net sales.

## Helping Developing Countries Solve Food-related Problems

### United Nations University-Kirin Fellowship Program

Although many Asian countries have achieved remarkable economic success, they still have serious food-related problems, such as food shortages and malnutrition of their peoples. The Kirin Group, which operates food and health businesses in Asia and Oceania, has been sponsoring the United Nations University-Kirin Fellowship Program since 1993. This program assists developing countries in Asia in their efforts to solve food problems and achieve healthy socioeconomic growth.



Researchers on the 2010 Fellowship Program

Achievements	<ul style="list-style-type: none"> <li>The program has sponsored 88 up-and-coming fellows from nine Asian countries in their food science research from its inception in 1993 through 2010.</li> </ul>
Program outline	<ul style="list-style-type: none"> <li>It provides financial assistance to research projects in food science in the hope that it will help developing countries in Asia solve their food problems on their own.</li> <li>It also helps fellows take the knowledge and technical skills they gain through research in Japan back to their home countries to promote scientific, technological and social progress in their communities.</li> </ul>
Whom to sponsor	<ul style="list-style-type: none"> <li>Five food researchers and scientists selected annually from universities and research institutions in Asian countries by United Nations University and the National Food Research Institute (NFRI) in Tsukuba, Ibaraki Prefecture, of the National Agriculture and Food Research Organization.</li> <li>The program provides financial assistance to fellows for one-year research projects at NFRI and for follow-up research for up to two years after they return to their home countries.</li> </ul>

### Comment by a Fellow on the 2010 Program

#### Hossain Uddin Shekhar from Bangladesh

I am researching the functional benefits of ordinary fruits and vegetables that people in Bangladesh eat every day. My goal is to find ways to turn their functional benefits into health benefits. If information about their benefits is compiled in a database, we will be able to have a good idea of what mix of daily produce helps prevent what diseases. This would help impoverished people in Bangladesh maintain good health as fruits and vegetables do not cost much. I am excited about working on this pioneering research area.



Hossain Uddin Shekhar

### Kirin Group Endorses the "Table For Two" Program

Today's world faces two contradicting food-related problems. On one hand, 1 billion people suffer from malnutrition and hunger in developing countries; on the other hand, another 1 billion in developed countries have obesity and other health problems as a result of overnutrition. The Table For Two program was launched in Japan in 2007 to address these two contradicting social issues with a single set of solutions. This is how it works. When you buy a low-calorie, healthy menu item at a participating restaurant, the restaurant donates 20 yen (25 cents) of your payment to a school lunch program in a developing country; a school lunch costs about 20 yen per person in developing countries. The Kirin Group introduced the Table For Two program in company cafeterias in two of its Tokyo head offices in January 2011. Employees have responded enthusiastically to the program saying, "I

feel great that my small act can make a difference in spreading the joy of food and health to the rest of the world" and "I feel like I am really part of a larger society." The Kirin Group will continue to play a role in addressing food- and health-related social issues with global implications, and to work with a society to achieve sustainable growth.



Company cafeteria in one of our Tokyo head offices

# Kirin Institute of Food and Lifestyle

## Exploring the Future Lifestyle of Food

Deteriorating food cultures and a food crisis around the world are a wake-up call to an affluent and comfortable dietary lifestyle that many people have come to expect. The Kirin Group acknowledges this reality and addresses food-related social issues that begin at home. The Kirin Institute of Food and Lifestyle researches people's dietary habits and food cultures to identify new trends. The institute then works with customers and Group employees to develop a vision of future food

lifestyles and to define what role the Kirin Group should play in turning that vision into reality.

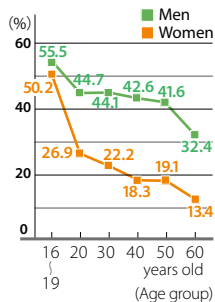
Analyzing people's dietary lifestyles involves looking at the food they eat, their everyday lives, their values, and their psychological and physiological behavior. The institute conducts food and lifestyle research from various angles and makes research findings publicly available through the web site and press releases.

## Nurturing Food Literacy in Youth

The Kirin Institute of Food and Lifestyle has found that young people do not care much about what they eat. We hope to reverse this trend and nurture food literacy—the ability to eat the right food, to prepare the right meal

and to choose the right food—among young people so that they can make healthier food choices and start thinking about the future lifestyle of food.

Percentage of people who have little or no interest in food



A pyramid of Gogo-no-Kocha bottled black teas showcased in the National Museum of Emerging Science and Innovation in Tokyo. The display will make its way to Hong Kong and the Netherlands in 2011.



Children learning about the sense of taste in the Kirin Kids School of Great Taste

### Kirin Kids Class on the Secrets of Great Taste

In 2010, Kirin Holdings sponsored the "It's A Tasty World – Food Science Now!" food exhibition held at the National Museum of Emerging Science and Innovation in Tokyo. During the event, eight Group companies held 14 sessions of the Kirin Kids Class on the Secrets of Great Taste to give children an opportunity to learn the importance of diet and the quality of what they eat.



Kirin Kids Class on the Secrets of Great Taste

### Kirin Kids School of Great Taste

Since 2008, we have been offering children hands-on food education programs at Kirin Group plants in Japan to teach them to use their five senses to learn about what they eat.

#### Program about fermentation

Children have fun learning about the intricacy of the fermentation process through microscopic observation and experiments.

#### Program about the sense of taste

Children have fun learning about the mystery of the sense of taste through experiences that delight their five senses.

### Food Education in Soccer Classes for Children

We have been offering food education to elementary students attending the Kirin Soccer Field, a soccer class for children, since 2009. Using information boards and a brochure titled "Eat Healthy to Become a Better Soccer Player: the Secrets of Good Dietary Habits", we help them develop the healthy, strong bodies required to enjoy playing soccer. We also encourage them to talk about food at the table with their families.



The Secrets of Good Dietary Habits

### Partnership Program with the University of Tokyo

We have been running a partnership program with the School of Arts and Sciences of the University of Tokyo since October 2008. Kirin employees and university students conduct collaborative study on a sustainable food culture that evolves around what we eat every day.

In 2010, we took up the theme of globalization and food to study how the influx of students of different nationalities and food cultures into the university fosters an understanding of diverse cultures on the campus. The participating students summarized the study into a booklet and offered copies to new students who enrolled in the university in April 2011.



## Employees Participating in the Forum on Future of Food and Health

The Kirin Group launched the Forum on Future of Food and Health in 2009. Employees and executives of Group companies meet twice a year to discuss what the Group can do to help people enjoy fulfilling dietary lifestyles. Themes from past forums include future food and health lifestyles, the human perception of good taste, changing diets and dining styles in Asia, and happy dietary lifestyles in the future. The forum begins with a keynote speech by a guest speaker, which is followed by presentations on improving dietary lifestyles by food researchers from Asian countries studying in Japan on the United Nations University-Kirin

Fellowship Program. The forum then breaks into group sessions to discuss what the Kirin Group can do to help people lead better dietary lifestyles. We will take up in future forums two of the most popular themes from the past: food cultures and beverages in Asia; and nutrition and health.

In the fifth forum held in January 2011, the Kirin Institute of Food and Lifestyle talked about what changes would shape future food lifestyles, based on its study on projected consumer trends for 2025.

We will continue to develop insights into how to help people enjoy fulfilling dietary lifestyles.



General session at the forum



Group sessions at the forum

## Information on Food and Lifestyle

The Kirin Institute of Food and Lifestyle conducts multifaceted research on food and lifestyles and regularly publishes its findings in reports.

In 2010, the institute published research reports on how young people who had started their careers immediately after graduating from college thought of drinking and their work; what people over 20 thought about going out for a drink with their coworkers; how they liked drinking in beer gardens; how they enjoyed year-end parties; and about their intension to watch on TV the Japan National Team play in World Cup soccer games in South Africa. The institute also reports quarterly research

findings on how people over 20 enjoy seasonal foods, their plans for vacations, and their attitudes and concerns about health.

In addition, the institute publishes reports on global beer production and consumption by country and on per-capita beer consumption by country, based on findings derived from questionnaires sent to brewers associations overseas and the latest statistics available overseas.

Furthermore, it analyzed food lifestyles of 10,000 Japanese men and women from 16 to 69 and identified 10 distinctive patterns of food lifestyles, including "upscale food lifestyle" and "streamlined food lifestyle."

# Socially Responsible Approaches to the Alcohol Business

## Our Goal

While alcohol beverages give joy and pleasure to people, consuming them in an irresponsible manner has its costs. As a socially responsible corporate group that manufactures and markets alcohol beverages, the Kirin Group takes it upon itself to address alcohol-related problems in a straightforward and appropriate manner. We have been undertaking a wide range of activities in collaboration with local

and international communities to prevent and eliminate high-risk drinking. These activities include raising public awareness about responsible drinking; establishing and enforcing stringent voluntary standards on alcohol advertising; training our employees; and participating in industry-wide programs and campaigns against the harmful use of alcohol in Japan and abroad.

## Basic Policy

The Kirin Group, true to its identity statement of being “focused on people, nature and craftsmanship to redefine the joy of food and health,” strives to prevent high-risk drinking that may result in a variety of problems and to promote responsible drinking in a society.

## Action Guidelines

- 1 In the belief that responsible drinking has its merits and facilitates communication among people, we educate the public on sensible drinking.
- 2 Acknowledging that alcohol beverages have an intoxicating effect on people and that excessive drinking may lead to alcohol dependency, we conduct public-awareness campaigns on the potential problems that harmful use of alcohol may cause to prevent such problems.
  - Preventing underage drinking    ● Preventing drunk driving
  - Preventing reckless drinking    ● Discouraging pregnant women from drinking
- 3 We strictly adhere to laws and regulations, voluntary standards set up by the industry, and our own voluntary standards in conducting our business while promoting responsible drinking and preventing high-risk drinking.
- 4 We support public campaigns and grassroots activities to prevent harmful use of alcohol.
- 5 We establish a responsible-drinking drive month in which all employees are encouraged to participate in a training session or a self-development program.

## Our Approaches

### ARP Office

In May 2010, the World Health Organization (WHO) resolved to adopt the Global Strategy to Reduce the Harmful Use of Alcohol, which defines the responsibilities and roles of the alcohol beverage industry in an effort to reduce alcohol-related problems (ARPs). It also calls for each alcohol beverage company to commit

itself to helping reduce ARPs and act on the commitment. The Kirin Group established the ARP Office in Kirin Brewery in February 2011 to step up our efforts to address social issues and health risks associated with drinking as part of our ongoing campaign against the harmful use of alcohol.

### The Vision behind the WHO Global Strategy to Reduce the Harmful Use of Alcohol

- Improve health and social outcomes for individuals, families and communities with considerably reduced morbidity and mortality due to the harmful use of alcohol and the ensuing social consequences.
- Promote and support local, regional and global actions to prevent and reduce the harmful use of alcohol.

## Educating the Public and Employees on Alcohol-Related Problems

### Educating the Public

We educate the public on alcohol and health by making information available to all age groups through a variety of communication media. For instance, we have distributed more than 6 million copies of a brochure titled "The ABCs of

Alcohol and Health."

We also provide quizzes on alcohol and a self-test on drinking habits on our web site as part of our public education programs.

### Communication Tools to Raise Public Awareness on the Harmful Use of Alcohol and Responsible Drinking

(As of December 31, 2010)

	Media Type	Released in	Target Audience	Total Copies Distributed
<i>The ABCs of Alcohol and Health</i>	Brochure	1996	General public	6,761,500
<i>Drinking and Health: Students Edition/ Adults Edition</i> (no longer available)	CD-ROM	2000	Junior high school students/ Adults	182,700/ 14,200
<i>Underage Drinking</i> (no longer available)	VHS video	1993	High-school and college students	33,000
<i>Minors and Alcohol: Revised Edition</i>	VHS/DVD	2005	Junior high school students	27,200
<i>Minors and Alcohol: Revised Edition</i>	DVD	2006	International audience and people with hearing disabilities	
Learn about and Enjoy Alcohol and Health	Web site	2002	General public	
How to Enjoy Drinking Responsibly	Web site	2001	General public	

### Supporting the Designated Driver Campaign Using Kirin Free

Kirin Brewery uses Kirin Free—a non-alcohol, beer-tasting beverage—as a vehicle to get across its message against drunk driving and to generate increased public support and awareness of a designated driver and safe ride campaign called the "Steering-Wheel Keeper Campaign."

In the spring and fall of 2010 when a national traffic safety campaign was underway, the company marketed nationwide a limited version of Kirin Free in bottles bearing the Steering-Wheel Keeper Campaign symbol (pictured on the right). During these periods,

to further spread the message against drunk driving, Kirin Brewery ran TV ads to promote the campaign; hung campaign posters in restaurants, convenience stores, and supermarkets; and distributed 20,000 bottles of Kirin Free to people on the street at 30 locations around Japan.

Kirin Group companies in Japan print the campaign symbol on employees' business cards as a symbol of our commitment to the cause. Kirin Brewery plans to print the campaign symbol also on its beer cans to boost public awareness of the campaign.

### Training Programs Developed to Prevent the Harmful Use of Alcohol

As the Kirin Group's Basic Policy on Addressing Alcohol-Related Problems states, we strive to prevent high-risk drinking that may result in a variety of problems and to promote responsible drinking in society.

People drink alcohol to have a good time; however, irresponsible drinking poses health risks and may lead to drunk driving.

Using a training program we have developed under the supervision of the National Hospital

Organization Hizen Psychiatric Center, we encourage our employees in Japan to assess their drinking habits and practice responsible drinking so that they can continue to enjoy alcohol for the rest of their lives. We will develop a similar training program for the general public to help reduce health problems and alcoholism caused by excessive drinking in society. This will be our second public program after the one on preventing underage drinking.

### Responsible-Drinking Initiatives by Lion Nathan

Lion Nathan National Foods' alcohol beverages business has been supporting many programs to tackle the misuse of alcohol and help champion a healthy-drinking culture. One area of alcohol misuse is underage drinking. The company supports Youth Off the Streets, an Australian NPO engaged in a youth-

care program to prevent underage drinking. The program's goals include: helping young people develop self-confidence and a sense of responsibility; rehabilitating young people with alcohol-related problems; and helping young mothers acquire parenting skills.



**The ABCs of Alcohol and Health**

A brochure that discusses alcohol and health in an easy-to-understand manner



**Steering-Wheel Keeper Campaign**

One way to avoid drunk driving is, when a group of people drive their cars to a restaurant or a bar for a drink, to choose a designated driver from among them who agrees to have no alcohol during the meal and to drive the others home. This campaign is intended to encourage Japanese drivers to follow this practice, and is managed by the Japan Traffic Safety Association, the Japan Foodservice Association, and the Japan Automobile Federation.



In December 2010, Kirin Brewery held a PR event to promote the Steering-Wheel Keeper Campaign in time for the Christmas party season. Professional tennis player Kimiko Date Krumm (left) and Kirin Brewery President Matsuzawa (right) at the PR event.

# Socially Responsible Approaches to the Alcohol Business

## GAP Group

An industry coalition representing leading beer, wine, and spirits companies in the world, and established to work with stakeholders to prevent and mitigate alcohol abuse and misuse.



"Stop Underage Drinking" symbol

## Example of the Kirin Group's voluntary standards on alcohol advertising

■ Do not use a scene of a woman drinking alone in broad daylight.

**Self-Regulatory Code of Marketing & Advertising Practices and Container Labeling for Alcoholic Beverages**  
<http://www.brewers.or.jp/workshop/self-pdf/>  
 Self-Regulatory\_eng.pdf

## Kirin Fund against Drunk Driving

In 2010, we added the Kirin Fund against Drunk Driving as an option in our special benefit program for shareholders. One million yen was raised through the 3,000-yen-per-person fund

and donated to the Japan National Organization Welfare of Victims of Automotive Accidents. We hope this gives our stakeholders an opportunity to think about responsible drinking.

## Joining Forces with Trade Associations

The Kirin Group has joined the Global Alcohol Producers Group (GAP Group)—an international trade organization that provides alcohol beverage companies with a channel of dialogue with the WHO—and has been globally carrying out projects to reduce adverse effects of alcohol overuse. After the WHO adopted a

resolution titled "Global Strategy to Reduce the Harmful Use of Alcohol" in May 2010, trade associations in the Japanese alcohol industry have been working with the government to develop initiatives to address alcohol-related problems including those specific to the Japanese market.

## "Stop Underage Drinking" Campaign

We have been participating in the "Stop Underage Drinking" campaign organized by the Brewers Association of Japan since its inception in 2005. Participating alcohol beverage companies show the "Stop Underage Drinking"

symbol in their TV and print advertisements, and the association communicates the campaign message to convenience stores, supermarkets, liquor stores, and junior high and high schools around the country.

## Voluntary Standards on Alcohol Advertising

The Kirin Group has adopted the Self-Regulatory Code of Marketing & Advertising Practices and Container Labeling for Alcoholic Beverages, established by the Japan Liquor Industry

Council, which comprises eight alcohol trade groups in Japan. As a leading alcohol beverage manufacturer, we have even established more stringent voluntary standards on advertising.

## Voluntary Initiative to Prevent Accidental Consumption of Low-Alcohol Beverages

In accordance with the voluntary guidelines established by the Japan Spirits & Liqueurs Makers Association for labeling low-alcohol beverages, such as chu-hi and cocktails, that contain fruit juices, we clearly print the "Alcohol Beverage" logo on containers of our low-alcohol beverage products so that customers do not mistake them for soft drinks. Moreover, in April 2007, we became the first alcohol beverage company to add a cautionary note against drinking by pregnant women near the "Alcohol Beverage" logo.

### ■ Cautionary Note :

You must be 20 or older to drink alcohol. Women who drink while pregnant or breastfeeding may risk affecting the health of their babies.



## Responsible Drinking Initiatives Outside Japan

In January 2011, the Australian federal government released the findings of an independent review of Australia's labeling regulations. Ahead of the government's reaction to this report, Lion Nathan National Foods' alcohol beverages business has agreed to

voluntarily adopt consumer health messages that support responsible drinking choices, including during pregnancy. The company has taken this proactive approach to ensure that it continues to meet evolving community expectations for more information on primary packaging.

## Countdown to a Global Launch of Kirin Free

Kirin Brewery is considering launching Kirin Free—a non-alcohol, beer-tasting beverage currently available only in Japan—globally, following test marketing on the West Coast of the United States. Drunk driving is a serious social problem in the United States, one of the most motorized countries in the world. Kirin Free would give U.S. drivers an opportunity to enjoy beer-tasting beverages without worrying about driving under the influence. The company will gear up for a full U.S. national launch of Kirin Free after conducting test marketing on the West Coast. It will also consider marketing Kirin Free, made possible with the world-first technology\*, in other parts of the world if consumer demand warrants.

\*In the beer-tasting beverage category (source: Kirin Brewery)

## Training Our People on Responsible Drinking

### ■ Japan

#### Training on Promoting Responsible-Drinking

All employees of Kirin Group companies in Japan attend training sessions on responsible drinking during the responsible-drinking campaign month in April. Designated staffers in charge of promoting responsible drinking provide on-site training. In addition, by-rank

training sessions are conducted for employees-to-be, new employees, and new managers. Kirin Brewery's Sendai Plant and a local police station gave plant employees a "Meister Against Drunk Driving" training course.



Training on promoting responsible drinking

### ■ Overseas

#### Kirin Brewery (Zhuhai) Co., Ltd.

Kirin Brewery (Zhuhai) trains employees and other stakeholders on responsible drinking every year. In 2009, all employees received training aimed at preventing drunk driving. In 2010, 200 sales people and drivers received

more intensive education on the Chinese traffic laws and the company's regulations against drunk driving. The company has been enforcing sanctions against drunk driving by employees since August 1, 2009.

#### Lion Nathan National Foods

Lion Nathan National Foods clearly and regularly communicates its responsible drinking policy to employees. The company also runs an internal social responsibility initiative, which equips employees with the three Ps (Plan, Pace and Protect) as a tool to help them make

responsible choices in the workplace and at work-related social functions at which alcohol is consumed. The company encourages its people to play a leading role in promoting responsible drinking.

#### Kirin Brewery's First Dialogue Session with Stakeholders

Held at Kirin Brewery's head office in Tokyo on September 7, 2010

Kirin Brewery held the first dialogue session with stakeholders on the subject of alcohol-related problems. After President Matsuzawa opened the session with a welcoming statement, four stakeholders—a representative from a consumer group, a psychiatrist, a representative from a bartenders' association, and a CSR expert—discussed with members of Kirin Brewery

how to address drunk driving and other social issues associated with drinking. Participants also talked about what role Kirin Brewery should play in reducing the harmful use of alcohol in society. After the session, the company shared internally the opinions, insights, and requests provided by the stakeholders, and developed action plans. The following are a few examples.

Opinions and requests provided by the participating stakeholders	Action that Kirin Brewery should take
Kirin Brewery should step up its efforts to address alcoholism and other health problems, such as organ failure and cancer, induced by excessive drinking.	<ul style="list-style-type: none"> <li>● Collect information about health problems for which excessive drinking is presumed to be responsible, and disclose the information verified as facts</li> <li>● Carry out a public awareness campaign on responsible drinking</li> </ul>
As more women drink alcohol, Kirin Brewery should address alcoholism and other health problems that may affect them.	<ul style="list-style-type: none"> <li>● Collect information about women's health problems for which excessive drinking is presumed to be responsible, and disclose the information verified as facts</li> <li>● Stop running advertisements that explicitly encourage women to drink (in June 2010, Kirin Brewery banned, from its advertisements, scenes of a woman drinking alone in broad daylight)</li> </ul>
Kirin Brewery should become more socially responsible as an alcohol beverage company, such as by making its voluntary standards on alcohol advertising more stringent, in accordance with the Global Strategy to Reduce the Harmful Use of Alcohol, adopted by the WHO in May 2010.	Acknowledging that the WHO's global strategy calls for alcohol beverage companies in the world to address alcohol-related problems, play a proactive role in reducing the harmful use of alcohol in society by addressing wide-ranging social issues and health risks associated with drinking

▶ See page12

#### External stakeholders who participated in the dialogue session

- **Eiichiro Adachi**  
Research Chief  
Head of ESG Research Center  
The Japan Research Institute, Ltd.
- **Aro Ino**  
Deputy Director  
Kasumigaura Clinic
- **Tomomi Imanari**  
Chairperson  
Japan Specified Non-profit Corporation to Prevent Alcohol and Drug Problems (ASK)
- **Kazuya Watanabe**  
Chairman Hotel Barren's Association, Japan
- **Facilitator Kazutaka Ookubo**  
Partner, CSR Promotion Officer  
Certified Public Accountant





# Food Safety

## Our Goal

Consumers are increasingly concerned about what they eat. The Kirin Group strives to ensure that our products are of the highest quality by performing some of the most stringent quality-assurance practices in the food and beverage industry. Group companies follow a standardized quality assurance manual, which begins with the Kirin Group Basic Policy on Quality—a

commitment to ensuring product safety and customer satisfaction. This commitment reflects the Group's core value that stands for being customer focused and quality focused—a value that has been running through the Group since the early days of Kirin Brewery. The manual includes the Group Principles of Action and the Kirin Group Quality Standards.

### **Kirin Group Basic Policy on Quality**

**We make it our highest priority to ensure product safety and customer satisfaction.**

#### **1. Increase Customer Satisfaction (A customer-focused approach)**

We make it our highest priority to listen to our customers, value their feedback and respond to it from their viewpoint. We realize that a dialogue with our customers give us a good opportunity to make incremental improvements to quality and customer satisfaction, which results in better products down to fine details.

#### **2. Provide Safe and Reliable Products (A steady focus on quality)**

We offer safe and reliable products and services to our customers in all aspects of our business activities ranging from the sourcing of raw materials through product development, manufacturing and inspection to distribution and marketing so as to retain their trust in us.

## Our Approaches

Kirin Group companies have become certified under ISO 9001 (international standards for quality-management system) to achieve stringent quality standards. Group companies continually improve product quality as measured against the Kirin Group Quality Standards, using a quality-management system for performing as-is analyses, identifying issues, and implementing the PDCA cycle. In addition, we have established within Kirin Group Office the Quality Assurance and Environmental Management Department, which is tasked with centrally managing and coordinating quality assurance efforts and environmental

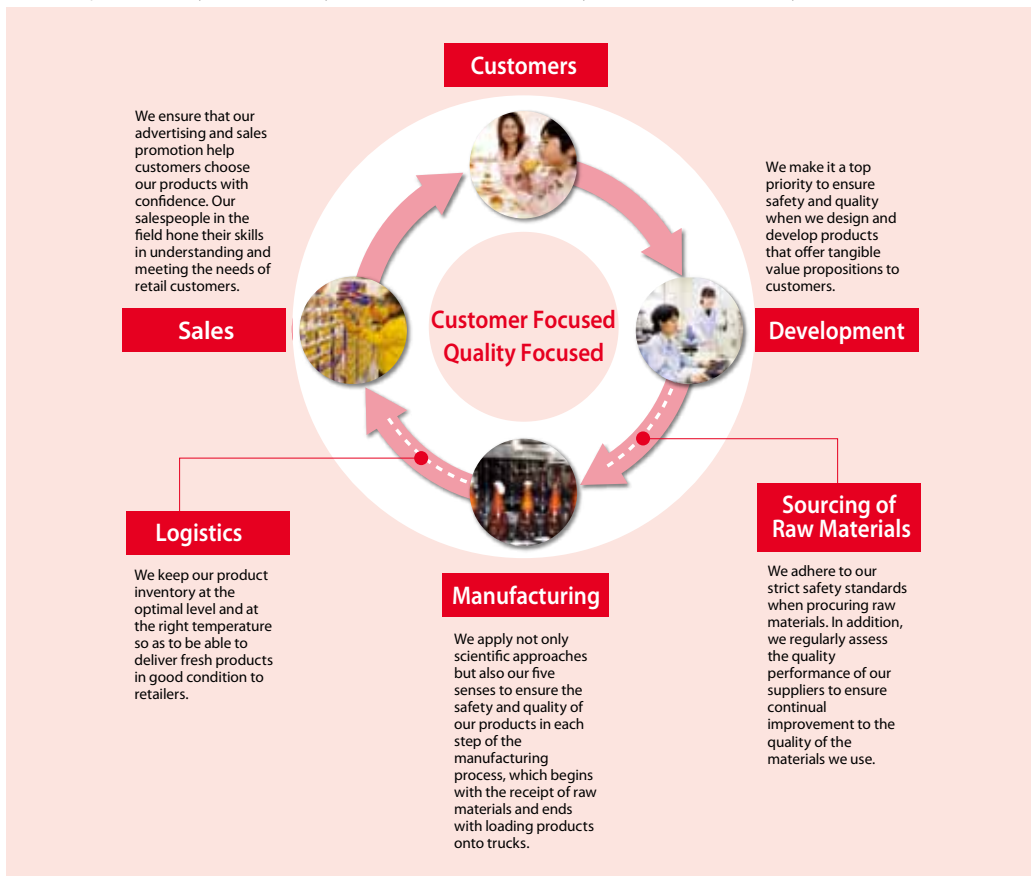
initiatives carried out within the entire Group. Kirin Brewery has in place a traceability system that enables the acquisition, storage, tracking, and retrieval of the history and quality inspection results of each product over its entire life cycle—ranging from the receipt of raw materials through to delivery to retailers. The company publicly discloses the information recorded by the system to enhance the trustworthiness of its products. Other Group companies in Japan and abroad plan to implement a similar traceability system to continue to earn the trust of stakeholders around the globe.

### **End-to-end Quality Inspection System**

The Food Safety Assurance Center in the Quality Assurance and Environmental Management Department of Kirin Group Office uses the latest scientific knowledge and analysis technology to detect and examine traces of harmful substances and microbes that contaminate and spoil food, and to appraise the safety of food materials and products that the Kirin Group uses and markets. The center has also developed and implemented

the PLANET centralized data management system for automatically acquiring quality information and evaluation results of malt, hops, yeast, and other materials used to make Kirin beer. This system enables the center, Kirin Brewery's factories, the Laboratory for New Product Development, and suppliers in Japan and abroad to share and have quick access to registered data on quality, bringing greater efficiency to their quality-control efforts.

## Ensuring the Safety and Quality of Our Products in Every Phase of the Life Cycle



## Responsibilities of the Food Safety Assurance Center

Ensuring the safety of products is one of the most fundamental responsibilities that a food company has to fulfill. The Food Safety Assurance Center uses



Evaluation team at work

its sophisticated ability to analyze materials and products to assist Group companies in their quality-assurance efforts. The center keeps abreast of the latest information and developments related to food safety, analyzes risks, develops new analysis methods, and conducts evaluation tests to mitigate risks. The center's wide-ranging responsibilities include: (1) evaluating raw materials, supplementary ingredients, and beverage products made in Japan and abroad; (2) providing technical assistance to analyses performed in factories; (3) managing hygiene in factories; (4) investigating and responding to customer feedback; (5) ascertaining if Kirin Group

products meet the regulatory requirements and internal specifications; and (6) controlling the quality of giveaways and in-store samples used for sales promotion. Quality-assurance experts working in the center constantly improve their expertise in analysis techniques and hone their sensitivity and far-sightedness so that they can provide technically credible quality assurance to Kirin Group products and meet customers' expectations for quality and safety. In addition, the wealth of technical expertise, knowledge, and experience that these experts have accumulated enable them to quickly identify developments that threaten food safety and act against these threats.



Analyzing water using a GC-MS (gas chromatography-mass spectrometry) instrument

## User-Friendly Packaging for Every Customer

### Universal Design

Containers and packages protect products and ensure they are delivered to customers in pristine condition.

The packaging we use for our products meets high standards of quality and safety and is eco-friendly. In addition, we incorporate user-friendly universal design\* features into our packages so that customers of all ages and genders enjoy our products with ease and comfort.

Kirin Brewery's Packaging Development Center develops containers and packages that meet strict quality, safety, and environmental requirements under diverse real-world conditions. The center takes a customer-focused approach to developing user-friendly packaging, whether it is glass bottles, cans, PET bottles, or cartons.

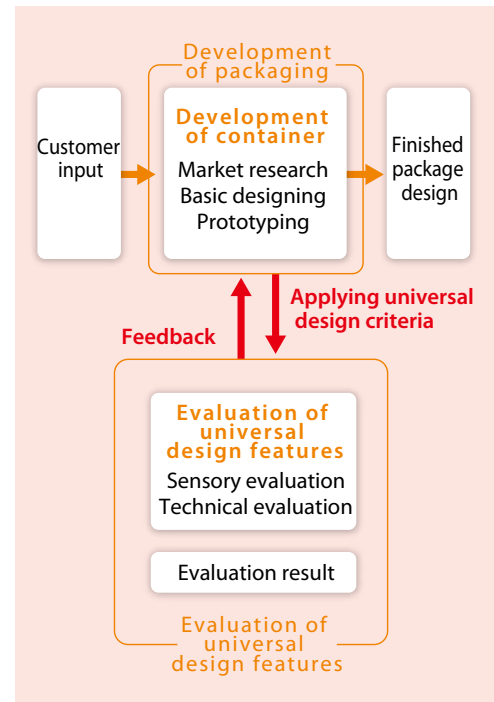
For instance, the ingenuity of the engineers in the center created a new advanced pecology bottle, the industry's lightest PET bottle (as of March 2010), for Kirin Alkali Ion Water. In addition to being light, the new bottle sports many universal design features: Its shape makes it easy for a person with small hands to hold; it is easy to squash after use; and its cap is easy to grasp,

twist, and open. Our engineers also worked on a shipping carton for canned beers; they beveled the carton's four vertical edges to give it an octagon-shaped structure, which resulted in greater ease of handling and a reduction in cardboard usage. It is a good example of user-friendly and eco-friendly design.



※ Design features and elements incorporated into a product to make it accessible to people of all ages, genders, abilities, cultures, languages, and nationalities.

### System to Evaluate Universal Design Features of a Package



Kirin Brewery Packaging Development Center

### Evaluating the Quality of Cans and Bottles as Vigorously as Package Manufacturers

Kirin Brewery has developed its own measuring equipment to evaluate the quality of cans and bottles designed for its products.

The company takes a scientific approach to evaluating universal design features in packaging by using an electromyograph, which records electrical activity that hand and arm muscles produce when they pick up and hold a can or a bottle. The data are analyzed to determine what needs to be done to the design of cans and bottles to make them easier to hold.

The Kirin Group takes ergonomic consideration into account when incorporating universal design elements into its containers.



Electromyograph



## Communication with Customers

### Customer Centers Play a Pivotal Role in Product Improvement

We believe maintaining good communication with customers is an integral part of delivering safe, high-quality products and services that they can trust and enjoy.

In 2010, Kirin Brewery received 36,000 inquiries, requests, and feedbacks about its products and services from customers by phone and email. Kirin Beverage received 31,000; Mercian had 4,500; and Koiwai Dairy Products had 4,400. We realize that when customers contact us they do so out of trust in and expectations for our products and services. Kirin Brewery holds a Customer Feedback Meeting every month, in which staffers from the Customer Center and the Marketing, Sales, Production Control, Technical Development, and

CSR Departments share customer feedback and brainstorm actions to be taken for improvement. In 2010, the center proposed at these meetings 38 ideas for improvement, 16 of which were implemented. General managers of customer centers in Group companies meet once a month to exchange information, and their staffers attend joint operator-training sessions.



Kirin Brewery's Customer Center

### Keeping in Touch with Customers Through Factory Tours

Kirin Brewery's nine factories and Kirin Distillery's Fuji-Gotemba Distillery in Japan are open to public tours, giving visitors a hands-on opportunity to learn with their own five senses about how beers and whiskies are made. Tour guides show and tell visitors what is going on in each step of the manufacturing process to demonstrate how much care we take to ensure the safety and quality of our products. Visitors also have an opportunity to attend a beer

seminar and a summer class on the environment. In September 2010, Chateau Mercian winery reopened after renovation to serve as a hands-on information center where visitors can delve into the intricacy of domestic wines and taste them.

We value comments and feedback made by visitors during factory tours.



Tour of a Kirin Brewery factory

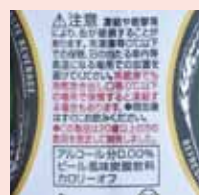
#### An example of using customer feedback for improvement Customer feedback

The label on the Kirin Free can reads, "The contents may freeze when stored at a sub-zero temperature." When I stored it in a refrigerator running on a medium setting, it froze.



#### What we did about it

Non-alcohol, beer-tasting beverages, such as Kirin Free, freeze at a higher temperature than regular beers and low-malt beers. Based on the customer feedback, we changed the label to read, "The contents may freeze when stored in a sub-zero temperature, such as near a cold air outlet in a refrigerator." We will continue to use customer feedback to improve our products and services.



### Expert Advice

#### Kirin Group's Approaches to Ensuring Food Safety

The way the newly established Quality Assurance and Environmental Management Department coordinates group-wide quality-assurance efforts shows how seriously the Kirin Group takes quality improvement. Likewise, the gist of what the Food Safety Assurance Center is trying to accomplish is on the right track to earning the greater trust of an increasingly safety-conscious consumers. I would suggest that the Kirin Group go the extra mile to disclose more information—both positive and

negative—about the quality of its products. This would exceed consumers' expectations for food safety. ISO 26000 standards were released in 2010 to provide international guidelines for social responsibility, and I expect that the Kirin Group will use the standards to set priorities for its CSR initiatives. I hope the Group will continue to lead the industry in ensuring food safety by addressing a broad range of consumer issues and interest through expanded and enhanced touch points with them.



**Yukiko Furuya**  
Board Member  
Nippon Association of Consumer Specialists

# Environmental Sustainability

## Our Goal

The Earth is facing a multitude of environmental issues—climate change, natural resources running dry, water scarcity, and the conservation of biodiversity—that affect all living things. Any one of these issues, if left unattended, would be serious enough to undermine the Kirin Group's ability to continue to deliver food and health to customers.

In October 2008, we updated the Group's environmental policy to include a declaration of commitment to become a low-carbon corporate group. In 2009, we set aggressive numerical targets across the value chain in the Kirin Group's Action Plans for Becoming a Low-Carbon Corporate Group, and have since made progress in saving energy, saving resources, and reducing water usage. We have also been working to conserve biodiversity as outlined in the Kirin Group's Declaration of Support for Biodiversity Conservation, announced in October 2010.

The Kirin Group affects the environment at each stage of its value chain—from sourcing of raw

materials to consumption to recycling—directly through its business operations and indirectly through suppliers and consumers. These effects have wide-ranging and global implications. The more our business has grown in size and scope, the more deeply we recognize the importance of ensuring sustainability.

The Kirin Group uses what nature provides for us to create products that are beneficial to people's lives. Therefore, ensuring a harmonious coexistence with nature and the sustainable use of its blessings remain among the top priorities on our corporate agenda. Our goal is to continue to expand our business while helping make a sustainable society a reality. As a first step, we will tackle environmental issues affecting our value chain in two ways: by reducing the environmental load directly associated with our business operations and by encouraging our suppliers, customers, and other stakeholders, and working with them to address environmental issues.

### Kirin Group's Environmental Policy

<b>Basic Policy</b>	The Kirin Group, which delivers food and health, is committed to creating a prosperous society that lives in harmony with nature. To achieve this objective, we are helping to preserve the environment by adopting low-carbon operations in all our businesses and offering tangible environmental benefits to customers.
	<ol style="list-style-type: none"> <li>1 Implementing the Basic Policy in every aspect of business along the entire value chain</li> <li>2 Conducting ongoing assessments and audits to ensure follow-through on the policy's implementation</li> </ol> <p>are the two guiding principles underlying our environmental practices. We align the leadership of the Group's senior management and the involvement of all employees toward making environmental stewardship an integral and vitally important part of business management, for which we set challenging goals.</p>
<b>Action Guidelines</b>	<div> <div> <b>Legal compliance</b>            We hold the high moral ground to be compliant with environmental laws, agreements and voluntary standards.         </div> <div> <b>Environmental management system</b>            We establish an environmental management system that is in line with the management strategy so as to make continual improvements to our environmental stewardship.         </div> <div> <b>Environmental performance</b>            We save resources and energy, curb greenhouse gas emissions, prevent environmental pollution, and implement the three Rs—reduce, recycle and reuse—initiatives for waste materials.         </div> <div> <b>Technology development</b>            We develop technologies that respect nature and benefit both the natural environment and customers.         </div> <div> <b>Environmental training</b>            We continuously develop human resources who can make a difference in promoting environmental stewardship.         </div> <div> <b>Communication</b>            We conduct community-oriented green activities and strive to retain the trust of our stakeholders by keeping them constantly informed of our practices for environmental stewardship.         </div> </div>

## Environmental Stewardship across the Entire Value Chain



## Our Approaches

### Kirin Group's Environmental Management System

Kirin Group Office, a shared-service entity within the Kirin Group, has taken over responsibility for quality assurance and environmental management for the entire Group. This arrangement is intended to continually improve the Group's environmental management and enhance its environmental governance.

The Kirin Group has been establishing an environmental management system based on the ISO 14001 international standards on

environmental management, and an increasing number of our offices and plants have become certified under ISO 14001. Moreover, to integrate by-site environmental management systems into an enterprise-wide management system, Kirin Brewery became the first beer company in Japan to receive company-wide certification under ISO 14001 in June 2008, and Kyowa Hakko Kirin also obtained company-wide certification in May 2009.

### Declaration of Environmental Commitment

Following up on the Kirin Group's Action Plans for Becoming a Low-Carbon Corporate Group, each of the larger companies in the Group has declared its commitment with society to meet the

environmental challenges relevant to its business. These companies have integrated environmental commitment into their management objectives and have been working to deliver results.

This Sustainability Report covers key subjects related to the Kirin Group's environment stewardship. Detailed data are available in the Kirin Group Environmental Data Book, which discusses the Group's environmental management system, ISO 14001 certification, environmental accounting, history of its environmental stewardship, and site data.

# Moving Toward a Low-Carbon Society

## Reducing CO<sub>2</sub> Emissions Throughout the Value Chain

### Kirin Group's Action Plans for Becoming a Low-Carbon Corporate Group

Climate change significantly affects the Earth's ecosystems, water resources, and food supply, and poses serious health and safety risks to humanity. It could also affect the Kirin Group's business, whose sustainability relies on the bounty of nature.

To address the pressing issues of climate change, the Kirin Group has made "becoming a low-carbon corporate group" a central focus of its CSR activities

integrated into day-to-day business operations. In August 2009, we devised a strategy for mitigating global warming and set a medium-term target for reducing CO<sub>2</sub> emissions directly associated with our business to step up our Group-wide efforts. We also established long-term targets for reducing CO<sub>2</sub> emissions throughout our value chain ranging from R&D to disposal and recycling.

#### CO<sub>2</sub> Reduction Targets

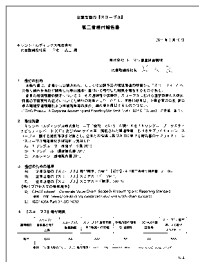
Weighing the balance between the Earth's finite natural CO<sub>2</sub> absorption ability and the CO<sub>2</sub> emissions created by mankind,

- 1** We will reduce CO<sub>2</sub> emissions generated from our entire global value chain by half from the 1990 level by 2050. [▶ See Pages 32 and 33](#)
- 2** We will reduce CO<sub>2</sub> emissions resulting from our global manufacturing, distribution and office operations by 1% or more annually through 2050. [▶ See Page 42](#)
- 3** By 2015, we will bring CO<sub>2</sub> emissions from our manufacturing, distribution and office operations in Japan down to 35% below the 1990 level. [▶ See Pages 34 and 35](#)

Reduction targets apply to the value chains of all Group companies throughout the world. (Formulated on August 3, 2009)

#### Life cycle assessment (LCA)

A technique to quantify and assess the use of resources and the environmental load associated with all stages of a product's life cycle—from sourcing of raw materials to manufacture, use, and disposal—and their environmental impact on the Earth's environment and ecosystems.



Independent Rating Report for Scope 3 issued by Deloitte Tohmatsu Evaluation and Certification Organization

#### Greenhouse Gas (GHG) Protocol

International initiative established by the World Resources Institute and the World Business Council for Sustainable Development in 1998 to develop and provide international standards for corporate GHG accounting and reporting.

#### Scope 3

The GHG Protocol defines three "scopes" (scope 1, scope 2, and scope 3) for GHG accounting and reporting purposes. Scope 3 accounts for indirect GHG emissions that are a consequence of the activities of a reporting company, but occur from sources not owned or controlled by the company.

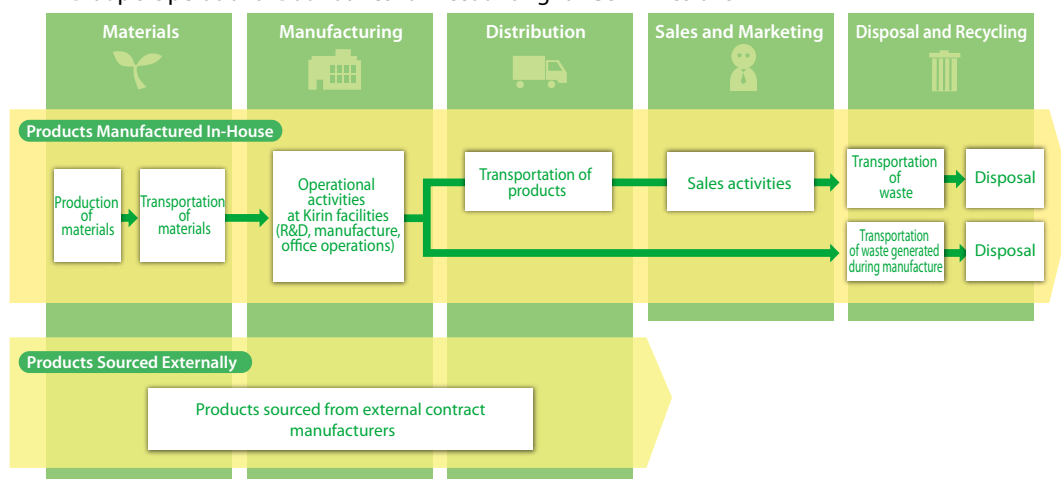
### Accounting for CO<sub>2</sub> Emissions along the Entire Value Chain

To minimize our CO<sub>2</sub> emissions throughout the value chain in the medium-to-long term, we first need to ascertain how much CO<sub>2</sub> is generated directly from our manufacturing, distribution, and office operations, and how much from other sources in the value chain—such as from the sourcing of materials, sales and marketing, and disposal and recycling.

The Kirin Group delineates and assesses the environmental load across its value chain using the life-cycle-assessment (LCA) method. In 2010, we established the Kirin Group's Standards for Calculating Value-Chain Emissions of CO<sub>2</sub>

and ascertained our CO<sub>2</sub> emissions throughout the value chain for the first time. To ensure the reliability and transparency of the standards, we obtained a Scope 3 rating from Deloitte Tohmatsu Evaluation and Certification Organization Co., Ltd. Of the 244 consolidated subsidiaries (66 in Japan and 178 overseas) in the Group, 73 companies (34 in Japan and 39 overseas) accounted for their CO<sub>2</sub> emissions across their respective value chains for 2009, which represent 94%, or 6.4 million tons a year, of the total CO<sub>2</sub> that the Kirin Group emitted along its global value chain.

#### Kirin Group's Operational Boundaries for Accounting for CO<sub>2</sub> Emissions



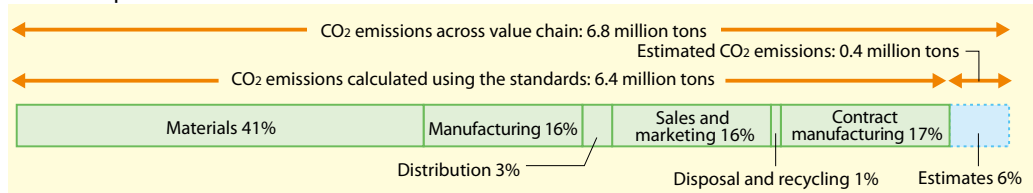


## Calculated Value-Chain Emissions of CO<sub>2</sub> and How to Reduce Them

Of the total CO<sub>2</sub> emissions across the Kirin Group's value chain in 2009, 41% came from the sourcing of materials, 16% from in-house manufacturing, 16% from the sales and marketing, 3% from distribution, and 1% from disposal and recycling. CO<sub>2</sub> emissions by contract manufacturers accounted for 17% of the total.

We use these findings to efficiently and effectively achieve the Group's medium- to long-term targets for reducing CO<sub>2</sub> emissions while stepping up our efforts to save resources, save energy, and create eco-friendly products. That is how the Kirin Group integrates environmental stewardship into its business operations.

### Kirin Group's Value-Chain CO<sub>2</sub> Emissions in 2009



## How We Calculate Our Value-Chain CO<sub>2</sub> Emissions

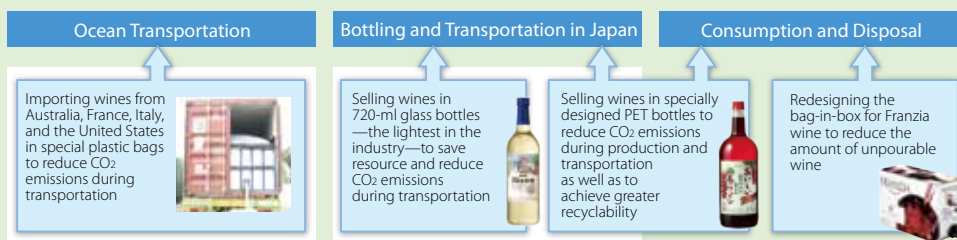
When calculating the Kirin Group's total value-chain CO<sub>2</sub> emissions, we set organizational boundaries to include consolidated subsidiaries of Kirin Holdings. Of the 15 categories of CO<sub>2</sub> emission sources in the Scope 3 defined by the GHG Protocol, we chose six categories that offer greater opportunities for emission reduction as the Group's operational boundaries for accounting for its CO<sub>2</sub> emissions. We obtained value-chain CO<sub>2</sub> emissions by aggregating the volume of activities (consumption of raw materials, energy usage, and transportation

volume) performed in each stage of the value chain multiplied by the CO<sub>2</sub> emission intensity. To obtain the volume of activities, we used primarily the Kirin Group's own data and supplemented them with data published by industry associations. To obtain the CO<sub>2</sub> emission intensity, we relied on public databases—data published by government agencies, data published by industry associations, and data in the inter-industry table in the order of priority.

### Mercian's Approaches to Reducing Environmental Load across its Value Chain

Mercian's efforts to reduce environmental load extend to all stages of its products' life cycles from bottling at facilities in Japan and abroad to transportation to consumption to disposal. The company imports wines, including Australian wines co-developed with Lion Nathan National Foods, to Japan not individually in glass bottles but in bulk in specially designed plastic bags, and bottles them into individual bottles in Japan. This method helps keep the wines in good condition and reduces CO<sub>2</sub> emissions by 60% during ocean transportation. Mercian's domestic wines are sold in 720-ml glass

bottles that weigh 284 grams each—15 grams lighter than their predecessors—and are the lightest in the Japanese wine industry (as of August 2010). Moreover, some of Mercian's branded wines are sold in PET bottles designed specifically for wines; producing and transporting PET bottles generates less CO<sub>2</sub> compared with glass bottles. As these PET bottles are recyclable, they help save resources. Mercian has worked with Kirin Brewery to redesign a three-liter bag-in-box for its Franzia wine. The redesigned container reduces 94% of the amount of wine left unpourable in the earlier design.



### Measures Kirin Group Companies Have Taken to Reduce Value-Chain Environmental Load

#### Materials (Standardized can-end design)

Kirin Brewery and Suntory, two leading beer companies in Japan, have standardized the design of the ends for their aluminum cans to reduce the use of aluminum.



#### Manufacturing (Renewable energy)

We are deploying power generation systems that run on solar energy, biogas, and wind power.



In April 2007, Kirin Brewery signed a 10-year sponsorship agreement with Yokohama City for its wind power generation project.



#### Distribution (Producing PET bottles in-house)

Kirin Beverage makes PET bottles in-house in its plants, emitting less CO<sub>2</sub> compared with having them delivered in trucks to the plants from suppliers.



#### Disposal and recycling (Biogas power plant operated by the Amita Group)

Kirin Beverage provides coffee grounds as a substrate to a biogas power plant in northern Kyoto Prefecture.



# Moving Toward a Low-Carbon Society

## Efforts to Achieve 35% Reduction in CO<sub>2</sub> Emissions

### Challenge 25 Campaign

A nationwide campaign to mitigate global warming initiated by the Ministry of the Environment of Japan, calling on the public and businesses to take action to reduce CO<sub>2</sub> emissions. Among its corporate participants are 46 Kirin Group companies, including Kirin Brewery, Kirin Beverage, Mercian, and Kyowa Hakko Kirin. In addition, as of September 2010, 18,000 Kirin Group employees, representing 73% of the total workforce of the participating Group companies, were active in the campaign as citizen participants.



### EEO Program

A program initiated by Australia's federal government for large corporations to review and implement cost-effective ways to increase their energy efficiency, improve their productivity, and reduce their GHG emissions.

### High-efficiency gas-fired boiler

Kirin Brewery has replaced its heavy oil-fired boilers with high-efficiency gas-fired boilers to reduce CO<sub>2</sub> emissions.



### Biogas power generation

Kirin Brewery generates electricity with a cogeneration system using biogas produced by wastewater treatment facilities in its plants.



### NAS battery

A rechargeable, large-capacity battery with a long cycle life. Since 2006, Kirin Brewery's Toride Plant has been using NAS batteries, which—combined with an in-house power generation system running on biogas and natural gas—help reduce CO<sub>2</sub> emissions from the plant.

## Reducing CO<sub>2</sub> Emissions in Manufacturing, Distribution, and Office Operations

The Kirin Group strives to reduce CO<sub>2</sub> emissions resulting from its manufacturing, distribution, and office operations in Japan to 35% below the 1990 level by 2015, and to reduce CO<sub>2</sub> emissions from these operations around the globe by 1% or more annually through 2050.

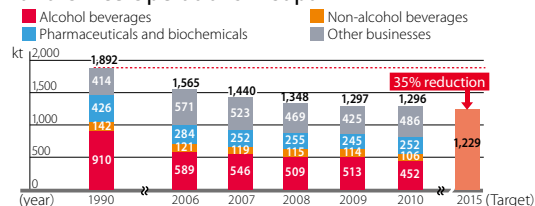
We have been working to reduce CO<sub>2</sub> emissions in a manner relevant to our business. In our plants, we have been switching to gas boilers; been using renewable energy; installed an electricity-and-heat cogeneration system powered by biogas; and streamlined manufacturing processes. In addition, we have shifted toward greater use of rail for freight transportation, and begun switching to a fleet of eco-friendly cars for salespeople in the field.

All these efforts enabled us in 2010 to reduce CO<sub>2</sub> emissions from our manufacturing, distribution, and office operations in Japan by 32%, or 596,000

tons, from the 1990 level.

We will continue to work hard to achieve our goals of reducing value-chain CO<sub>2</sub> emissions across the Group.

### CO<sub>2</sub> Emissions from Manufacturing, Distribution, and Office Operations in Japan



Scope of reporting: Kirin Brewery Co., Ltd.; Mercian Corp.; Kirin Distillery Co., Ltd.; Ei Sho Gen Co., Ltd.; Kirin Logistics Co., Ltd.; Kirin Engineering Co., Ltd.; Kirin Techno-System Corp.; Kirin Merchandising Co., Ltd.; Kirin City Co., Ltd.; Kirin Beverage Co., Ltd.; Shinshu Beverage Co., Ltd.; Kirin Kyowa Foods Co., Ltd.; Koiwai Dairy Products Co., Ltd.; Kyowa Hakko Kirin Co., Ltd.; Kyowa Medex Co., Ltd.; Kyowa Hakko Chemical Co., Ltd.; Kyowa Hakko Bio Co., Ltd.; Daiichi Fine Chemical Co., Ltd.; Kirin Holdings Co., Ltd.; Kirin Business Expert Co., Ltd.; and Kirin Real Estate Co., Ltd.  
Amounts of CO<sub>2</sub> emissions shown above include those reported as a specified consigner pursuant to the Japanese Act on the Rational Use of Energy.

## Manufacturing

The Kirin Group's efforts to reduce CO<sub>2</sub> emissions from its manufacturing operations include making manufacturing processes leaner, achieving greater energy efficiency through fuel switching, and using more renewable energy.

When Kirin Brewery renovated its Shiga Plant in 2010, the company built into the plant a host of sophisticated energy-saving technologies—including a waste-heat recovery system, a system for recycling and reusing water in the cleaning process, a high-efficiency ammonia refrigeration system, and high-efficiency small once-through boilers—and switched fuel from heavy oil to natural gas. As a result, the plant cut its CO<sub>2</sub> emissions by half from the 1990 level.

Kirin Brewery has been working toward the goals of, by 2012, reducing CO<sub>2</sub> emissions by half and the CO<sub>2</sub> emission intensity by 45% in its factories, both from the 1990 level; and of reducing the emission intensity during product transportation by 6% from the 2006 level. The company plans to set new reduction targets for 2012 through 2015.

Kirin Beverage has switched fuel for its boilers to natural gas in its Maizuru Plant. Kyowa Hakko Kirin has also stepped up its efforts to reduce energy usage, to switch to alternative fuel, and to recycle

waste materials in its plants; for instance, to power LED-lit signage, the company has installed in its Fuji Plant a photovoltaic system on the roof of the formulating facility—the location that receives the most sunlight during daytime.

Lion Nathan National Foods' dairy and drinks business continued to roll out the Australian federal government's Energy Efficiency Opportunities (EEO) program that was established to identify opportunities to reduce energy usage. The company implemented many programs, such as recovering energy previously lost and reusing it, installing high-efficiency burners on boilers, adopting new air compressors, replacing to high-bay LED lamps, and turning off lights and equipment when not in use. To date, these programs resulted in a saving of 90 terajoules of energy.

### Kirin Group Plants and Offices in Japan Using Energy-Efficient Equipment and Renewable Energy Sources

Equipment	Installation
Gas boilers	Installed in 24 plants and offices since 1980
Photovoltaic system	Installed in 12 plants and offices since 1996
Wind-power system	Since 2007, Kirin Brewery has been participating in the Wind Power Generation Project initiated by the City of Yokohama
Cogeneration system	Installed in 7 plants and offices since 2002

## Carbon Disclosure Project

The Carbon Disclosure Project (CDP) is a project initiated by a non-profit organization of the same name established by institutional investors and financial institutions, and is based in the United Kingdom. It publishes a report on GHG emissions produced by large corporations around the world as well as on their strategies to reduce them. In 2010, the CDP published a report on 500 large corporations around the world (Global 500), of which 42 were Japanese companies, including Kirin Holdings. We scored 82 points out of a possible 100 in the Carbon Disclosure Score, and ranked second among the Japanese firms.

## Distribution

The Kirin Group reduces CO<sub>2</sub> emissions from its distribution operations through a modal shift from truck to rail and shared delivery of products to retailers, and by improving the load efficiency of its trucks.

Kirin Beverage became certified with the Eco Rail Mark for its extensive use of rail freight in March 2006. In 2010, the company worked with national retailers to promote this modal shift, resulting in an additional reduction of 280 tons of CO<sub>2</sub>. This brought the total annual CO<sub>2</sub> reduction through the modal shift



to 6,670 tons in 2010.

Kirin Brewery became certified with the Eco Rail Mark in 2010, and reduced CO<sub>2</sub> emissions by 7.3%, or 4,500 tons, from the previous year.

Mercian imports wines in bulk in specially designed large plastic bags, and bottles them in Japan to reduce CO<sub>2</sub> emissions during ocean transportation.

Kirin Brewery and Kirin Beverage share delivery trucks with the Suntory Group and Sapporo Breweries to reduce the environmental load associated with the physical distribution of products to retailers.

## Sales and Office Operations

To curb CO<sub>2</sub> emissions from sales and office operations, the Kirin Group is switching to eco-friendly cars for salespeople in the field, and working to reduce energy usage at its data center. Kyowa Hakko Kirin has been replacing its fleet of cars for its medical representatives in the field with hybrid cars since 2009. Kirin Brewery is phasing in fuel-efficient, low-emission cars to replace all vehicles in its fleet.

Kirin Business System, which manages information systems for the Group, made its power-intensive data center more energy efficient. By switching to

shared servers and implementing virtual storage solutions that enable the use of a single server as if it were multiple servers, the company reduced the number of servers in its data center and cut its power consumption by 6.2% from 6.31 million kWh in 2009 to 5.92 million kWh in 2010.

Yokohama Akarenga switched to LED lighting in its public spaces and 23 tenant stores and restaurants, resulting in the reduction of power usage by one-third and a substantial reduction in CO<sub>2</sub> emissions.

### Eco Rail Mark

A certification granted to a business whose extensive use of rail for freight transportation is judged to be beneficial to the environment.

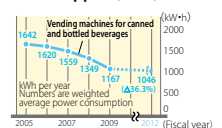
### Eco-friendly cars

In 2010, six companies in the Kirin Group—including Kyowa Hakko Kirin, Kirin Brewery, Kirin Beverage, and Mercian—added 120 hybrid cars and other eco-friendly cars to their fleets. The Kirin Group has 2,650 eco-friendly cars and subcompacts in its fleet in Japan.

### Energy-saving vending machines

Vending machines for canned and bottled beverages are designated as specified machines under the Japanese Act on the Rational Use of Energy. Kirin Beverage has been switching to energy-efficient vending machines running on a heat pump. In summer of 2011, the company will carry out a scheduled rolling shutdown of cooling units in some of its vending machines for a few hours a day and completely turn off others in the area served by Tokyo Electric Power Company to cut power consumption by more than 24% in its vending machines installed in the area.

### Annual Power Consumption of Beverage Vending Machines per Unit Shipped (kWh)



Source: Japan Vending Machine Manufacturers Association

## Expert Advice

### Environmental Stewardship Initiatives Built around Sustainability

What impresses me the most about the Kirin Group's environmental stewardship initiatives is that they are built around sustainability and take a comprehensive approach to addressing issues of global warming, biodiversity, water resources, and saving resources.

The Kirin Group took a significant step in the right direction when it accounted for CO<sub>2</sub> emissions along its entire value chain and had its calculation standards reviewed and verified for reliability and transparency by a third-party institution. Visualizing value-chain CO<sub>2</sub> emissions is an important step for a company to take to reduce them. I am glad to see the Kirin Group making a steady progress toward its medium- to long-term goals of reducing carbon emissions. External sources are responsible for some of a company's value-chain CO<sub>2</sub> emissions, and those portions are often difficult to ascertain. I would suggest that the Kirin Group assess to what extent external sources influence its total emissions and how much opportunity exists to mitigate external influence when the Group considers expanding the boundaries for accounting for its CO<sub>2</sub> emissions.

I also find it a positive move that the Kirin Group has addressed and committed to reducing both CO<sub>2</sub> emissions directly associated with its business operations and those

from external sources, such as suppliers, in its Action Plans for Becoming a Low-Carbon Corporate Group. When the Kirin Group became one of the first corporations to announce a declaration of support for biodiversity conservation, it reaffirmed its position as a corporate group that makes products from the bounty of nature.

I would suggest that the Kirin Group discuss in a future sustainability report how Group companies divide roles and responsibilities among them to collectively achieve the Group's environmental goals. I also encourage the Kirin Group to step up its collaborative efforts with other companies, such as shared delivery of products to retailers.

I hope the Kirin Group will continue to lead the industry with its pioneering and effective approaches to environmental stewardship.



**Kosuke Ikehara**  
Climate Change Project Leader  
World Wide Fund for Nature Japan

# Conserving Biodiversity

## DBJ Environmental Rating

Japanese financial institutions have begun to consider corporate practices to conserve biodiversity in their financing decisions. The Kirin Group has received from the Development Bank of Japan (DBJ) the highest rating in the evaluation of its efforts to conserve biodiversity.



## Saving a Wetland in Wither Hills Winery

Wither Hills, Lion Nathan National Foods' winery in New Zealand, has undertaken a conservation of Rarangi wetlands, whose indigenous biological diversity is of significant ecological value to the region. Wither Hills' conservation project at the wetlands includes eradicating and controlling weed, replanting natives as well as protecting the rare plant listed as "vulnerable" by the International Union for Conservation of Nature. This project has been largely led by Wither Hills' staff and a local ecologist, in conjunction with the region council and the Biodiversity Fund of New Zealand.



Wither Hills Winery



Mariko Vineyard

## Kirin Group's Declaration of Support for Biodiversity Conservation

The Kirin Group relies on what nature has to offer to conduct its business, and it recognizes the importance of conserving the Earth's biodiversity. In October 2010, the 10th Conference of the Parties to the Convention on Biological Diversity (COP10) was held in Nagoya, Japan, in which the Strategic Plan of the Convention on Biological Diversity, also known as the Aichi Target, for 2011 and beyond was adopted. As efforts for biodiversity conservation were gaining

global momentum, the Kirin Group announced its Declaration of Support for Biodiversity Conservation in October 2010.

This declaration reflects what the Kirin Group has been doing all these years, and it reaffirms the Group's unwavering commitment to the sustainable use and conservation of biodiversity. We believe these efforts will help society achieve a harmonious coexistence with nature.

### Kirin Group's Declaration of Support for Biodiversity Conservation

The Kirin Group, which relies on the bounty and goodness of nature to conduct its business, recognizes the importance of conserving the Earth's biodiversity. We take it upon ourselves to help conserve biodiversity so as to be able to continue to bring a greater joy of food and health to our customers.

#### 1. Make sustainable use of natural resources

In our business operations, we use natural resources with biodiversity consideration in mind so that people around the world can continue to enjoy and appreciate the rich bounty of nature.

#### 2. Apply technologies to conservation of biodiversity

We apply the portfolio of technologies we have acquired through business operations to the sustainable use and conservation of biodiversity while delivering a new joy of food and health to our customers.

#### 3. Work with stakeholders to conserve biodiversity

We incorporate biodiversity considerations into our ongoing environmental stewardship efforts and work with customers and communities to conserve biodiversity.

#### 4. Meet legal and regulatory obligations

We meet our obligations under laws and international treaties that govern the conservation of biodiversity to ensure that the rich bounty of nature is shared among people around the globe.



(Announced on October 6, 2010)

## Making Sustainable Use of Natural Resources

The Kirin Group integrates the sustainable use of resources and biodiversity considerations into its procurement policies and practices. The Group also promotes sustainable agriculture to prevent farmland from being abandoned and nature from being destroyed. In 2010, we began assessing the influence that our suppliers of black tea leaves—one of our primary procurement items—might have on local biodiversity. The assessment has found that the suppliers have little adverse influence on biodiversity.

Mercian conserves and manages biodiversity in its Mariko Vineyard in Ueda, Nagano Prefecture. The 12.5-hectare vineyard was converted largely from idle farmland in 2003. When developing the site, Mercian was careful to preserve the landscape, paying attention to the natural environment and scenery in the area. The company uses fertilizer and agrochemicals with a low environmental load and has switched to mist spraying to reduce the amount of agrochemicals used on the vineyard.

### Kirin Beverage Sri Lanka Friendship Project

Kirin Beverage has been using black tea leaves harvested in Sri Lanka to give a distinct taste to its Gogo-no-Kocha (afternoon tea) brand of bottled teas for 25 years. To thank tea estates in Sri Lanka as well as to strengthen bonds with them, the company has initiated a community outreach program.

The people in Sri Lanka who work on tea estates picking tea leaves all year round live in communities near the plantations. Public schools in the communities are not well equipped—they lack well-stocked libraries. Kirin Beverage has been donating books to school libraries since 2007 so that children in the communities have good books to read. Through this friendship project, the company gives something back to the people in Sri Lanka for harvesting tea leaves that give Kirin's bottled teas a distinct taste.



Students of Loolecondra School who received books



## Applying Technologies to Conservation of Biodiversity

The Kirin Group has developed a portfolio of proprietary technologies inspired by nature and which is expected to benefit the sustainable use and conservation of biodiversity. For instance, we have a technology to propagate plantlets from the tissue of a plant, and this technology can be used to restore a commercially logged forest to its natural state faster. The cardboard and paper packages we use for our products are produced from forest resources. To make those resources sustainable along the upstream value chain, we have been working with a paper company in a project to apply our propagation technology to growing tree

seedlings.

Kirin Holding's Central Laboratories for Frontier Technology has discovered that lignin glycoside—a complex composed of polysaccharide and lignin extracted from milling fractions of barley—induces a strong immune activation in an animal. The laboratory has found that the complex activates an immune system also when administered orally to an animal. These findings can lead to the prevention of infectious diseases in dairy cows and to the reduced use of antibiotics for them—a contribution to sustainable livestock and dairy farming.

## Working with Stakeholders

Conserving biodiversity protects the interests of local communities. The Kirin Group works with customers and local partners to conserve biodiversity in the communities. When Kirin Brewery builds a factory, the company recreates a space in it that fits seamlessly into the surrounding natural environment. Kirin Brewery's Kobe Plant built in its premises a biotope site in 1997, in which plant workers and local residents have been protecting and breeding golden venus chub, a fish species threatened with extinction. As the number of fish in the biotope is remaining

stable at a few thousand, they are investigating how to bring the fish back to the natural environment. The plant also makes the biotope site available to local children so that they can observe fish and aquatic insects. Kirin Beverage supports the Borneo Conservation Trust Japan, an NPO working to protect forests and establish a rescue center for wild animals in Borneo. The company installed vending machines with built-in donation boxes for the cause first in Asahiya Zoo in Hokkaido in 2009, and has since been installing them in other parts of Japan.

## Meeting Legal and Regulatory Obligations

To ensure that the rich bounty of nature is shared among people around the globe, the Kirin Group respects the principles of the Convention on Biological Diversity and adheres to national laws that govern the conservation of biodiversity. Kirin Holdings has become a promotion partner for the Declaration of Biodiversity by Nippon Keidanren and a member of the Japan Business and Biodiversity Partnership to spearhead the Kirin Group's efforts to integrate biodiversity considerations into its business operations. The Eco-First Promotion Conference, a cross-industry environmental association chaired by Kirin Brewery, sponsored the Open Symposium

on Biodiversity in Nagoya and the Eco Sayings Contest, both as part of COP 10 Partnership Projects. In the sayings contest, elementary and junior high students from all over Japan submitted entries of their own sayings about living creatures. In October 2010, COP 10 adopted the Nagoya Protocol on access to genetic resources and the fair and equitable sharing of benefits arising from their utilization. The Kirin Group has established guidelines on access to genetic resources, which outline the use of generic resources in a manner that benefits people around the world.

### Kirin Group's Principles on Access Management of Genetic Resources

1. Respect international agreements on biodiversity.
2. Gain access to genetic resources with prior informed consent of a country providing such resources. Do not introduce or use genetic resources of unknown origin.
3. Properly manage the use of genetic resources, including the fair and equitable sharing of benefits arising from their use, in accordance with international treaties.

### Eco Sayings Contest

The contest asked elementary and junior high students to submit original sayings about treating living creatures and nature with respect and about sharing this planet with other living creatures. From all over Japan, 484 sayings were submitted, and several good ones were commended. This event raised awareness of biodiversity among children and their parents as well as other members of the public.



Certificate of excellence awarded to a contest winner

### Nature observation project

Kirin Brewery makes biotope sites in its plants available for children to learn about the environment.



Children observing fish in a biotope area in a summer science project (Top: Okayama Plant; Bottom: Kobe Plant)



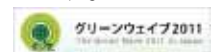
Golden venus chub—a species threatened with extinction—protected and bred in the biotope site in Kirin Brewery's Kobe Plant



Vending machine with a built-in donation box for a conservation project in Borneo

### Green Wave 2011

Green Wave is a global campaign to encourage young people to plant trees and think about biodiversity. To celebrate the International Day for Biological Diversity on May 22, Green Wave participants in different parts of the world plant trees, thereby creating a figurative "green wave" around the world. In Japan, in response to the call of the Ministry of the Environment and a couple of other ministries, Kirin Brewery participated in the campaign in 2011.

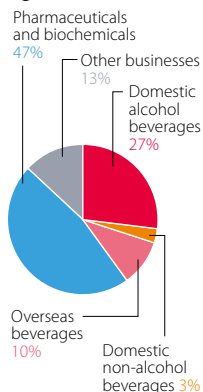


# Promoting Sustainable Water Resources Management

## CDP Water Disclosure

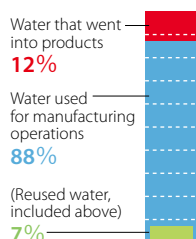
In addition to publishing carbon emissions by large corporations around the world, the CDP has launched a program to disclose the usage of water resources by corporations. The Kirin Group participated in the program in 2010.

## Percentage of Water Usage by Business Segment in 2010



## Usage of Water in Manufacturing of Alcohol and Non-alcohol Beverages in Japan in 2010

As more water is used for manufacturing operations than goes into products, reducing water usage in manufacturing makes good environmental sense.



\*Resource efficiency of fresh water:  
1,000 kl per 100 million yen  
1,000 kl per ton of products

## Kirin Group's Efforts to Conserve Water Resources

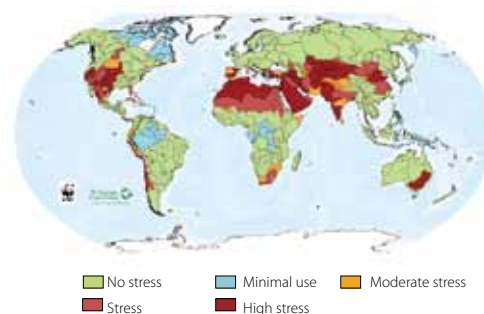
The Kirin Group uses nature's bounty of the land and waters to conduct business—we rely on finite water resources to make our products.

The United Nations predicts that, by 2025, two-thirds of the world's population will live under water stress. Fresh water resources are unevenly distributed in the world, and water is already extremely scarce in some regions. Climate change might make the matter even worse. The Kirin Group recognizes that securing a stable supply of water and using it effectively is crucial to its global business. We address this challenge from various angles, ascertaining the risks and opportunities associated with them.

The Kirin Group's efforts to conserve water resources have focused on three key areas: using water more efficiently; treating wastewater properly; and protecting water sources. In 2010, the Group used 89.3 million m<sup>3</sup> of water in its global operations—80.0 million m<sup>3</sup> of which was used in Japan, and 8.9 million m<sup>3</sup> in Oceania. In

Australia, which has been experiencing a severe drought, Lion Nathan National Foods is striving to reduce its water usage to 10% below the 2009 level by 2015. Kirin Group companies share water-conservation measures that have worked among them to achieve greater results.

## Surface Water Abstraction Stress to Rivers



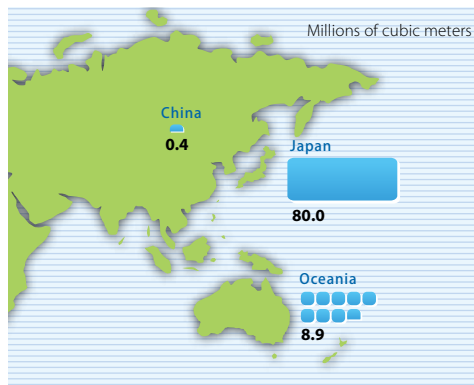
Copyright 2008 by The Nature Conservancy and World Wildlife Fund, Inc. All Rights Reserved.

(Source) Freshwater Ecoregions Of the World (<http://www.feow.org>)

## Kirin Group's Efforts to Conserve Water Resources

Using water more efficiently	<p><b>We reduce our water usage by:</b></p> <ul style="list-style-type: none"> <li>•Designing a factory layout in a manner that minimizes water usage, such as by placing utility facilities at dispersed locations within a factory site</li> <li>•Redesigning cleaning processes and using more recycled wastewater (cascading)</li> </ul>
Treating wastewater properly	<p><b>We treat wastewater before discharging it into rivers and oceans by:</b></p> <ul style="list-style-type: none"> <li>•Applying more stringent voluntary standards for treating wastewater than required by law to minimize its load on the environment</li> </ul>
Protecting water sources	<p><b>We protect sources from which we draw water by:</b></p> <ul style="list-style-type: none"> <li>•Preserving forests that protect and reproduce water sources</li> </ul>

## Amount of Fresh Water We Use in Regions in which We Have Large Manufacturing Facilities



## Technical Innovations to Use Water More Efficiently

The Kirin Group spares no effort to reduce water usage in its factories through conservation and the reuse of water.

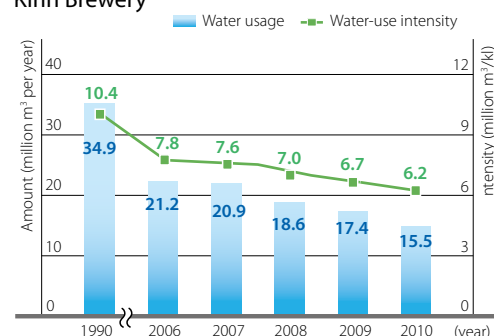
In 2010, Kirin Brewery reduced water usage in manufacturing by 56%, and the water-use intensity by 40% from the 1990 level. The company brought its water-use intensity in its brewery division from 6.7 m<sup>3</sup>/kl in 2009 down to 6.2 m<sup>3</sup>/kl in 2010.

In particular, its Kobe Plant achieved one of the lowest water-use intensities in the Japanese beer industry as a result of vigorous efforts to save water such as by reusing cleaning water for tanks, which constituted the bulk of water usage.

The Kyowa Hakko Kirin Group has quantified the resource efficiency of fresh water\* and uses the result to develop ways to make more

efficient use of cooling water in its factories. The group has reduced water usage by pumping less groundwater and implementing, in 2007, a water-circulation system optimized for water

## Water Usage and Water-Use Intensity in Kirin Brewery



temperature and use, including the recycling of cooling water for alcohol distillation columns. Lion Nathan National Foods' alcohol beverages business reduced its water consumption per liter of product by 4% in 2010, and its dairy and drinks business reduced its usage by 7%. This was achieved through improved housekeeping practices and participation in various state government water saving programs. Castlemaine Perkins Brewery built a wastewater-treatment facility with a subsidy from the state government in 2008. Wastewater is treated using reverse osmosis membranes and reused in cooling towers and boilers, and for cleaning. As a result, the brewery improved its water usage per unit

of production for one liter of beer to 2.38 liters of water in 2010, which was 2.9 liters in 2009 and 9.5 liters before the treatment facility was installed. This is one of the best water-saving performances achieved by a brewery in the world. The company's dairy and drinks business continued to make progress in reducing the amount of water used per liter of milk bottled, bringing several sites into line with best practice-levels for milk plants.



Castlemaine Perkins Brewery

## Treating Wastewater Properly

The Kirin Group treats wastewater before discharging it into rivers and oceans. To minimize the load of wastewater on the environment, we implement a more stringent voluntary standards for wastewater treatment than required by law. Kirin Brewery's beer factories generate wastewater that contains high levels of sugars and carbohydrates originating from raw materials as well as low-concentration wastewater such as used cleaning water. All wastewater is first piped

into balancing tanks and then treated using anaerobic and activated-sludge methods before being discharged. Kyowa Hakko Kirin recovers high-purity phosphoric acids from wastewater and offers them as agricultural materials. As phosphoric acid resources are in short supply globally, the company seeks to market recovered phosphoric acids for a variety of applications.

### Reverse osmosis membrane

This membrane acts as a filter for impurities while allowing water to pass through, and it is used to purify water and to desalinate seawater.



Wastewater-treatment facilities (Top: Anaerobic treatment facility; Bottom: Activated sludge treatment facility)



Phosphoric acid-recovery facility

## Protecting Water Sources

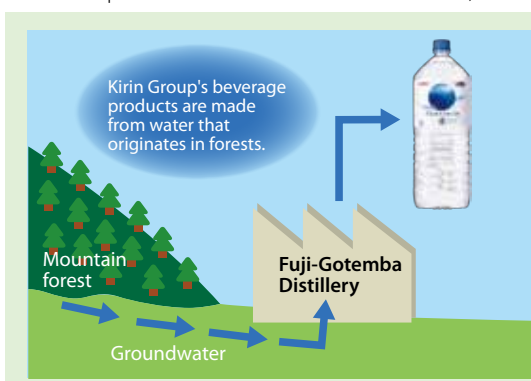
Forests perform vital services including the conservation of biodiversity, prevention of sediment disasters, and most important—the recharging of groundwater. Since Kirin Brewery started preserving forests at water sources near its breweries in 1999, the project has extended to other Group companies and involved local communities. In 2010, we undertook forestation projects in 18 locations in Japan, and 2,000 participants planted trees and removed underbrush.

Our project to protect water sources comprises three components: forestation at water sources;

voluntary environmental conservation around our factories and offices; and community environmental conservation carried out with groups of community members. In 2010, 7,890 employees and their family members took part in the project. In 2011, we plan to encourage local communities to get involved in the project to promote the International Year of Forests.



Forest preservation project in Kouchi Prefecture



### Protecting Underflow Water from Mt. Fuji

Kirin Holdings has found that the groundwater that Kirin Distillery's Fuji-Gotemba Distillery pumps comes from underflow water that has been purified through sediment layers in Mt. Fuji for half a century from rain and snow water that had sunk underground 2,000 meters or higher above sea level on the eastern slope of the mountain. To protect the water sources at the foot of Mt. Fuji, the Kirin Group plants trees along a road that runs through the watershed protection forest near the water sources. We also prune branches and thin trees in the forest to optimize growth. We use these well-managed water resources to make our products.

### International Year of Forests

The United Nations has declared 2011 as the International Year of Forests. Kirin Brewery supports the United Nations' efforts to raise awareness of sustainable conservation of forests, and works with local governments and forest cooperatives in Japan to protect water sources.



Kirin Distillery's Fuji-Gotemba Distillery

# Saving Resources and Using them Wisely

## Carton for six 350-ml cans of beer

The carton, made of fewer squares of thinner paper, is 6% lighter than its predecessor.



## Kirin Hypa juice in paper container

Kirin Hypa juices have been sold in recyclable paper containers since 2004, a switch from containers made of a combination of paper and aluminum.



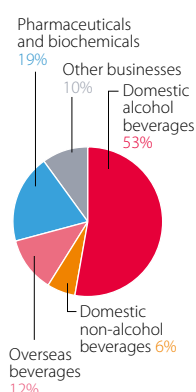
1.PET bottles for Kirin Nama Cha green tea drinks and Kirin Amino Supli drinks weigh 38 grams each and those for Kirin Alkali Ion Water weigh 35 grams each.

## Industry's Collection and Recycling Rates for Beverage Cans and Bottles in Japan in 2009

Recycling rate for aluminum cans	93.4
Recycling rate for steel cans	89.1
Collection rate for PET bottles	77.5
Percentage of glass bottles crushed into cullet	74.2

Sources: Japan Aluminum Can Recycling Association, Japan Steel Can Recycling Association, Glass Bottle Recycling Promoter Association, and the Council for PET Bottle Recycling

## Percentage of Waste Materials Generated by Business Segment in 2010



## Green Packaging

Containers and packages serve several purposes including preserving the quality of contents and making products easy for customers to handle. These packages are made from finite resources and become waste after use. The Kirin Group takes packaging seriously and seeks to reduce its environmental load. To make better use of finite resources as well as to reduce, reuse, and recycle packaging materials, we established the Guidelines for Designing Green Packaging in 1998 and updated them in 2008.

Kirin Brewery's Packaging Development Center has been working on technologies to improve the quality and reliability of packages and, at the same time, reduce their environmental load. The center shares with the Group companies the technologies it develops to shed weight from packages, to produce packages from a smaller amount of materials and from greener materials, and to make them easy to recycle.

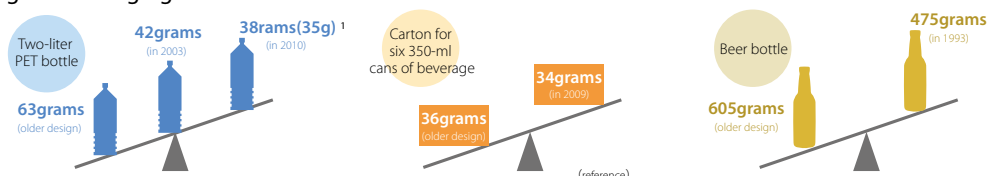
The Kirin Group has taken a series of measures to make packages lighter. For instance, Kirin Brewery

has switched to lighter returnable glass bottles for beer, made the walls of aluminum cans thinner, and switched to the smaller 204 diameter can end. Kirin Beverage has reduced the weight of its two-liter PET bottles. We have also been working to help increase the recycling rate for used containers and packages. Kirin Beverage, for instance, uses recyclable containers for its Kirin Hypa juices. Moreover, we have streamlined shipping cartons for our products with the consent of distributors and retailers.

## Kirin Brewery Rolls Out the Industry's Lightest Beer Can

In 2011, Kirin Brewery, working with three manufacturers of aluminum cans, developed the industry's lightest 350-ml beer can that weighs 14 grams, 7% lighter than its predecessor that weighed 15 grams. The company plans to also make its 500-ml beer cans lighter by the end of 2011. Kirin Brewery will be switching to lighter cans made of a smaller amount of aluminum to help reduce CO<sub>2</sub> emissions during the manufacturing of aluminum cans.

## Lighter Packaging

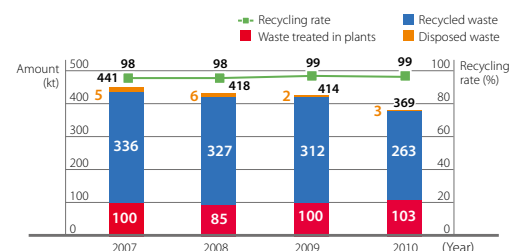


## Better Use of Resources

### Reducing and Recycling Waste Materials

In the Kirin Group, alcohol and non-alcohol beverage businesses in Japan and abroad generate the majority of waste materials. We are continually reducing waste and maintaining a high recycling rate for it while developing ways to make better use of industrial by-products we generate instead of throwing them away. Factories in Kirin Brewery, Kirin Beverage, and Kirin Distillery maintain a 100% recycling rate for the waste materials they generate.

### Amount of Waste Materials Generated and their Recycling Rate in Group Companies in Japan



### Developing Better Ways to Recycle By-Products and Waste Materials

The Kirin Group recycles by-products and waste materials it generates and makes value-added materials from them. Kirin Brewery breaks old, damaged plastic shipping pallets into fragments and recycles them into new pallets. Recycling a pallet generates 26 kilograms less CO<sub>2</sub> than making a new one from pristine materials; this translates into an annual reduction of 2,700 tons in CO<sub>2</sub> emissions.

The company commercially produces nutrients for mushroom beds from spent brewing grains, which accounts for the majority of by-products it generates.



Recycled plastic shipping pallet



# Developing Eco-Friendly Products

## Offering Customers Eco-Friendly Products

To foster a society that cares about nature, the Kirin Group is establishing guidelines for developing and marketing eco-friendly products with a low environmental load.

Mercian's guidelines define criteria for designating a product as eco-friendly from the perspectives of low CO<sub>2</sub> emissions, biodiversity, and resources

conservation over the product's entire life cycle from materials, manufacturing, and distribution to consumption, after-use disposal, and recycling. We reduce overall environmental load across our entire value chain based on the assessment of environmental profiles of our products.

## Eco-Friendly Products Developed and Marketed by Kirin Group Companies

### Mercian

#### Guidelines for Eco-Friendly Products

Life-Cycle Stage	Criteria
Materials	Biodiversity consideration, lighter container, reduced CO <sub>2</sub> emissions
Manufacturing	Reduced CO <sub>2</sub> emissions, reduced use of organic solvent, use of solvent with proven safety
Distribution	Reduced CO <sub>2</sub> emissions, lower environmental load
Consumption	Environmental labeling, easy-to-handle container, lower environmental load
Disposal and Recycling	Reduced waste materials after use, ease of scrapping, recycling, and disposing

A product is designated as eco-friendly if it meets criteria in two or more stages of its life cycle.

#### Example: PET Bottle for Wine

In August 2010, Mercian started marketing seven varieties of wines in PET bottles that it co-developed with Kirin Brewery.

The light, shatter-resistant PET bottle keeps wine in good condition thanks to its oxygen-barrier feature developed using patented technology. Another benefit of the PET bottles is that producing and transporting them generates less CO<sub>2</sub> compared with glass bottles, and that they are recyclable, including plastic caps.



### Kirin Beverage: New Advanced Pecology Plastic Bottle

Kirin Beverage has been using new advanced pecology plastic bottles for its Kirin Nama Cha green tea drinks since 2010. The new bottle is lighter than its predecessor and has universal design elements for greater usability. In addition, it is made in part from plant-based materials, and requires less oil to manufacture. The two-liter pecology bottle for Kirin Alkali Ion Water weighs 35 grams, the industry's lightest two-liter PET bottle\*. The new pecology bottle has won the following awards: Appropriate Packaging Award in the Japan Packaging Contest

2010, hosted by the Japan Packaging Institute; Asian Star Award in the Asian Star Contest 2010, hosted by the Asian Packaging Federation; and WorldStar Award in the WorldStar Competition 2010, hosted by the World Packaging Organisation. Kirin Beverage established its guidelines for eco-friendly products in April 2011.

\* As of March 2011



### Kirin Brewery: Corner-Cut Cardboard Case

A corner-cut case is a wrap-around cardboard shipping case, the four corners of which are beveled off, and which requires less paper to make. Moreover, a filled corner-cut carton is easier to carry and handle. Kirin Brewery began using these corner-cut cartons in 2004, and uses them for 24-can packs of beverages from its entire lineup—250-ml cans, 350-ml cans, and 500-ml cans of beer, low-malt beer, chu-hi, and non-alcohol beer-tasting drinks (imported beverages not included).



### Kirin Kyowa Foods: Dia Yeast REIZO

Kirin Kyowa Foods established its guidelines for eco-friendly products in December 2010. One of eco-friendly products the company offers is baker's yeast named Dia Yeast REIZO, which temporarily stops working at low temperature and resumes fermentation when brought back to an operational temperature. This enables bakery companies to use only the amount of dough necessary for baking, resulting in reduced energy use and less waste.



# Controlling Chemical Substances and Preventing Pollution

## PRTR

Pollutant Release and Transfer Register. A system under which businesses are required to report the amount of chemical substances they release to the environment or transfer to other businesses.

## Numbers of employees\* participating in environmental training programs in 2010

- Waste management: 249
- Wastewater treatment: 29
- Internal audit and environmental laws and regulations: 150

\*Numbers of employees who attended training programs given by Kirin Brewery Techno Academy and Kirin Holdings

## Environmental Regulatory Compliance and Risk Management

Kyowa Hakko Kirin, because of the nature of its business, handles a large amount of chemical substances. Under its Basic Policy on Environment, Safety and Product Safety, the company undertakes Responsible Care activities that include stringent assessment of the safe handling of chemical substances from the research phase through to their use and disposal. The Pharmaceutical and Chemical Products Division at Mercian has set a goal of reducing its total discharge of chemical substances specified by PRTR to one-fifth or less of the 2002 level in 2012, and is working toward that goal. The Kirin Group assesses and cleans up any soil contamination before selling a property. In 2010, a malfunctioning wastewater-treatment

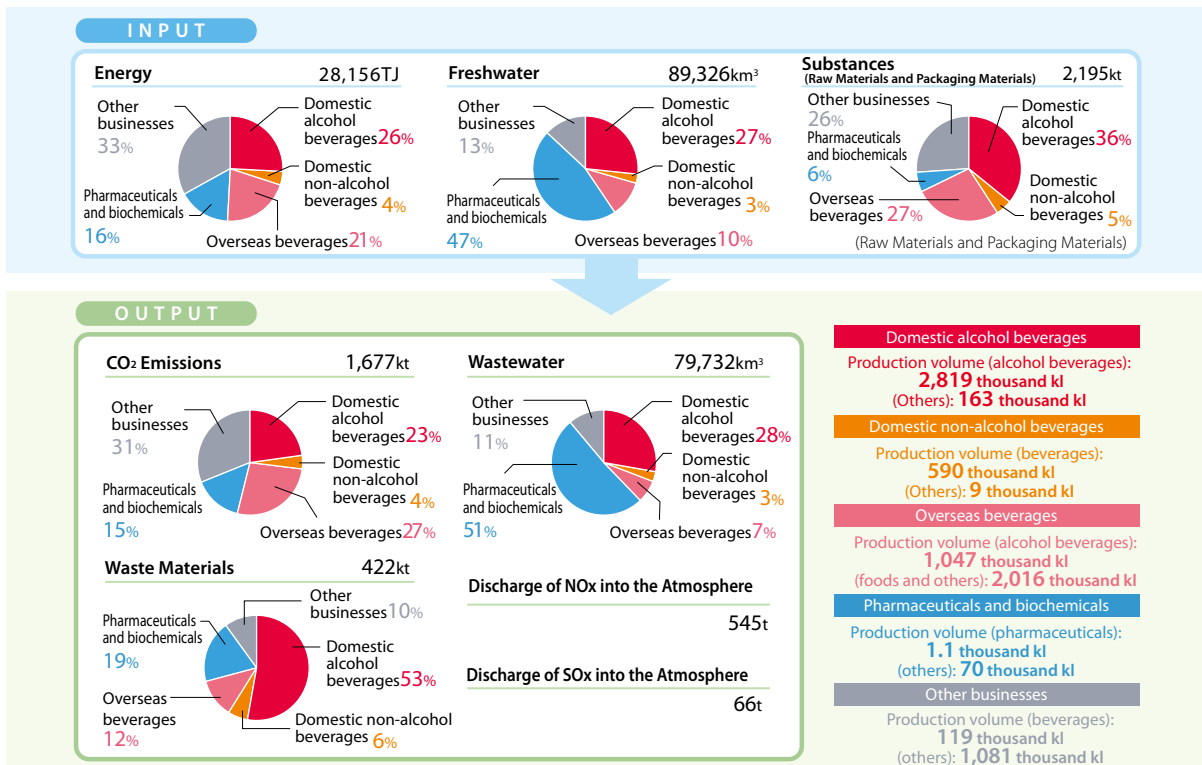
facility in one of our plants discharged wastewater that exceeded local effluent standards. We immediately fixed the problem and, to prevent recurrence of similar incidents, have since been exercising tighter control over wastewater-treatment operations and more vigorously monitoring the discharge of wastewater. We regularly train our employees on environmental management as we believe that having a good understanding of environmental risks is essential to mitigate such risks.



Environmental training for employees

## Material Balance

The Kirin Group ascertains the effects that its business operations may have on the environment and uses the findings to take action to reduce environmental load. Shown below are the results for material balance broken down by business segment for 2010.



Domestic alcohol beverages business	Kirin Brewery Co., Ltd.; Kirin Distillery Co., Ltd.; Ei Sho Gen Co., Ltd.; Kirin City Co., Ltd.; Kirin Merchandising Co., Ltd.; Kirin & Communications Co., Ltd.; Kirin Logistics Co., Ltd.; Kirin Engineering Co., Ltd.; Kirin Techno-System Corp.; Mercian Corp.; Mercom Corp.; Nippon Liquor Ltd.; Musee d'art Mercian Karuizawa
Domestic non-alcohol beverages business	Kirin Beverage Co., Ltd.; Shinshu Beverage Co. Ltd.
Overseas beverages business	Kirin (China) Investment Co., Ltd.; Kirin Brewery (Zhuhai) Co., Ltd.; Lion Nathan National Foods Pty Ltd.
Pharmaceuticals and biochemicals	Kyowa Hakko Kirin Co., Ltd.; Kyowa Medex Co., Ltd.; Kyowa Hakko Bio Co., Ltd.; Daiichi Fine Chemical Co., Ltd.
Other businesses	Kirin Kyowa Foods Co., Ltd.; Koikai Dairy Products Co., Ltd.; Yokohama Arena Co., Ltd.; Yokohama Akarenga Inc.; Kirin Echo Co., Ltd.; Kyowa Hakko Chemical Co., Ltd.; Kirin Holdings Co., Ltd.; Kirin Business Expert Co., Ltd.; Kirin Business System Co., Ltd.; Kirin Real Estate Co., Ltd.

\*Environmental performance data for the Kyowa Hakko Kirin Group cover the period April 1, 2009 through March 31, 2010, with the exception of energy-use data that cover the period January 1, 2010 through December 31, 2010. Environmental performance data for Shinshu Beverage reflect those compiled by Nagano Tomato from January 1, 2010 through September 30, 2010 and those compiled by Shinshu Beverage from October 1, 2010 through December 31, 2010.



# Progress Report on Declaration of Environmental Commitment

Each of the larger companies in the Kirin Group has announced its declaration of environmental commitment (Eco-First Commitment in Kirin Brewery) and has been working to fulfill the commitment.

	Action Category	Achievement in 2010
Kirin Brewery	Saving resources	Continued to implement the three Rs (reduce, reuse, and recycle) initiatives for containers and packages. Worked with can manufacturers to make beer cans lighter. Achieved a better-than 90% collection rate for specially designed returnable glass bottles. Continued to promote recycling of aluminum cans and glass bottles. Continued maintaining a 100% recycling rate for industrial waste materials in all of its factories since 1998.
	Low carbon emissions	Reduced CO <sub>2</sub> emissions to 233,000 tons, 62% below the 1990 level, as a result of a renovation of its Shiga Plant, an upgrade of factory equipment that used fluorocarbon refrigerant, reduced energy use based on analysis of energy-use structure, recycling of plastic shipping pallets, and the adoption of new transaction policy in supply chain.
	Water resources	Conducted a water-source protection project that comprised three components: forest preservation at water sources, voluntary environmental conservation, and community environmental conservation. Encouraged employees of other Kirin Group companies nearby and local residents to get involved in the project, with the cumulative number of project participants reaching 30,000 at the end of 2010.
Kirin Beverage	Saving resources	Reduced the weight of two-liter PET bottles from 42 grams to 38 grams and 35 grams, saving 2,456 tons of PET plastics in 2010. Continued maintaining a 100% recycling rate for industrial waste materials in its Shonan Plant and Maizuru Plant.
	Low carbon emissions	Implemented a series of measures to reduce CO <sub>2</sub> emissions in manufacturing, distribution, and sales phases in its value chain: switching fuel for its boilers to natural gas in its Maizuru Plant; working with retailers to accelerate a modal shift; and incorporating an energy-efficient heat pump into more than 93% of new vending machines installed in 2010.
	Eco-friendly products	Began using new advanced two-liter <i>pecology</i> bottles, the industry's lightest two-liter PET bottles (as of March 2011) and featuring universal design elements. The new bottle won WorldStar, Asian Star, and Japan Star Awards. <a href="#">▶ See Page 41</a>
	Environmental management and community dialogue	Maintained and upgraded its environmental management system to remain certified under ISO 14001. Published an environmental report to keep customers and communities informed of its environmental initiatives and performance.
Kyowa Hakko Kirin	Low carbon emissions	Emitted 700,000 t-CO <sub>2</sub> of GHG, a reduction of 6.3% from the 2005 level. Implemented renewable energy solutions: a photovoltaic system in operation in its Fuji Plant all year round, and another installed in a new facility in its Tokyo Research Park in September 2010. Had switched a total of 339 vehicles for salespeople in the field to hybrid cars by the end of 2010, with a goal of having a fleet of 1,000 hybrid cars by 2014.
	Saving resources	Continued to conduct green procurement from supply-chain partners. Maintained a zero-emission rate in recycling industrial waste for the sixth consecutive year.
	Water resources	Engaged in the Kirin Takasaki Water-Source Forestation Project since 2007. Co-sponsored the Kirin Fuji-Sanroku Water-Source Forestation Project with Kirin Distillery since 2009, conducting improvement cutting in the forests at the foot of Mt. Fuji. Participated in many other activities to protect water sources.
	Conservation of local environment and ecosystems	Worked with local governments and residents to conserve environment and ecosystems in the areas served as water sources to its factories—around Lake Ohara in the upper Saba River and in the reservoir in the Mitou area in Yamaguchi Prefecture, and in national forests east of Lake Shikotsu in Hokkaido. Worked with local residents to clean up and weed streets and clean up rivers near its Sakai Plant, Takasaki Plant, Yamaguchi Production Center, Ube Plant, Tsuchiura Plant, and Fuji Plant.
Mercian	Low carbon emissions	Reduced CO <sub>2</sub> emissions from manufacturing operations in continued business segments (wine, pharmaceuticals and chemicals, and fish feed) by 2.2% from the previous year. Began using the industry's lightest 720-ml glass bottles. Began marketing wine in specially designed PET bottles to reduce CO <sub>2</sub> emissions during transportation and to make it easier for consumers to handle them.
	Saving resources	Continued to recycle industrial waste materials to keep the amount of disposed waste below the 2004 level as called for in the company's medium-term goal.
	Low environmental load	Improved the filling process so that it could handle PET bottles for wine.
Kirin Kyowa Foods	Low carbon emissions	Emitted 14,059 tons of CO <sub>2</sub> from manufacturing, distribution, and office operations, down 3.5% from the previous year.
	Saving resources	Stepped up efforts to recycle industrial waste materials it generated, and achieved a 99.4% recycling rate.
	Eco-friendly products	Introduced 29 new products that met the criteria for eco-friendly products.

**Eco-First Program** A program that the Ministry of the Environment of Japan has initiated to encourage corporations to be environmentally responsible and ask them to make an environmental commitment with the Minister of the Environment.

# Collaborative Relationships with Suppliers

## Our Goal

Today's consumers are increasingly interested in knowing how a manufacturer delivers safe, reliable, eco-friendly, and high-quality products and services to them through its supply chain. To ensure that our products and services meet their expectations, we establish and maintain collaborative relationships with our suppliers. To meet consumers' expectations for safety, performance, and quality, we work closely with our suppliers and encourage them to adopt CSR practices while we adhere to our environmental and ethical procurement policy. We have in place—under the Kirin Group Procurement Basic Policy—the CSR Procurement Basic Policy and the CSR Procurement Guidelines. The CSR Procurement Basic Policy comprises five key areas of operational relevance: compliance, environmental concerns, quality assurance, risk management, and information security. These

five areas collectively provide the basis for the Kirin Group's CSR procurement practices.

### Policies and Guidelines on Procurement Management



## Our Approaches

### Policies and Guidelines on CSR Procurement

In 2010, as part of our efforts to establish stronger collaborative relationships with our suppliers, we created the Kirin Group Suppliers Guidebook and provided copies to all of our suppliers. This guidebook contains information about the Group's procurement policies and practices as well as requests to our suppliers to build and sustain long-term partnerships.

### Kirin Group's CSR Procurement System

In 2010, Kirin Group Office, one of the functional companies within the Group, established the Procurement Department, which is responsible for developing, implementing, and managing procurement strategies for the entire Group. Kirin Group Office is taking over the procurement responsibilities of domestic Group companies (including affiliated companies) for which more than 50% of the voting shares are

### Key Contents of Kirin Group Suppliers Guidebook

#### Chapter 1. Kirin Group's Principles of Procurement

- Kirin Group's procurement policies

#### Chapter 2. Kirin Group's Procurement Practices

- Organizations responsible for procurement, a list of materials, goods and services procured, what the Kirin Group expects from its suppliers

#### Chapter 3. Building and Sustaining Long-Term Partnership.

- Kirin Group's approaches to building and sustaining long-term partnerships with its suppliers

owned by Kirin. We are working to standardize policies and guidelines on CSR procurement to enhance the Group-wide CSR procurement system. Our mid-term goal is to establish a unified governance structure to step up CSR procurement efforts by Group companies around the world.

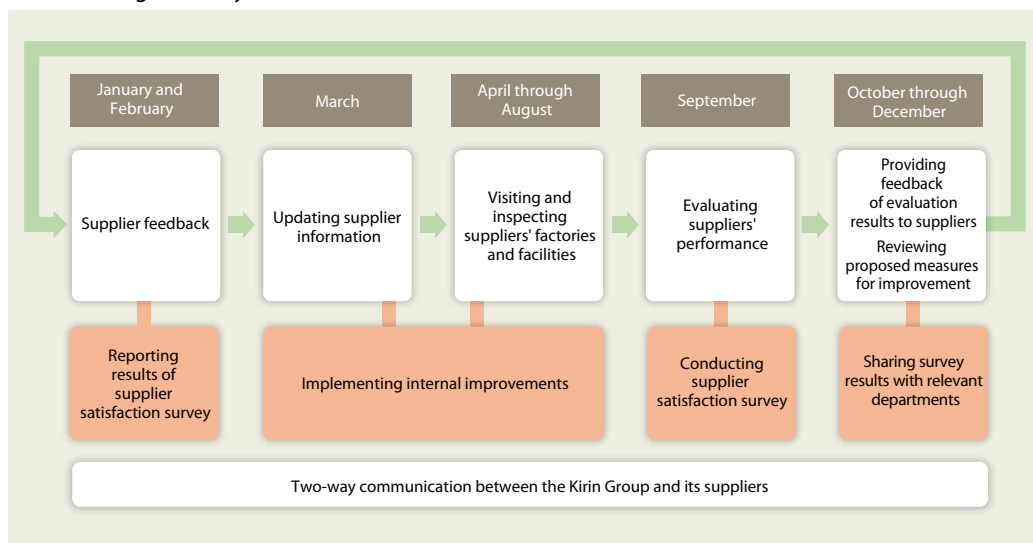
## Building Relationships of Trust with Suppliers

### Ensuring Compliance in Procurement Practices

We ensure that our procurement practices meet our compliance requirements. In addition, to establish win-win relationships with suppliers in good standing through two-

way communication, we have built a supplier satisfaction survey and a supplier performance review into the Plan-Do-Check-Act (PDCA) management cycle.

### PDCA Management Cycle



### Survey to Measure Suppliers' Satisfaction

We periodically conduct a supplier satisfaction survey to find out what our suppliers think of our procurement policies and practices, and we use the findings to maintain and improve partnerships with our suppliers. In 2010, we sent out questionnaires to 237 key suppliers doing business with Kirin Brewery and Kirin Beverage, and received 192 responses. The survey is administered anonymously, and returned questionnaires contain both positive and critical comments on the way we procure materials. We use those comments to improve our procurement practices and, ultimately, to make partnerships between Kirin and its suppliers more effective and productive.

### Reviewing Suppliers' Performance

When we start business with a new supplier, we assess how well they understand the Kirin Group's CSR policy and guidelines. In 2010, we assessed the compliance of 345 newly registered suppliers with the CSR Procurement Guidelines, and conducted on-site inspections of 63 new and existing suppliers to ascertain their CSR performance. In these assessments and inspections, we found no case of noncompliance by suppliers from the CSR perspective.

### Examples of our practices rated favorably by suppliers

- Kirin's staffers conduct procurement practices in a manner consistent with compliance and CSR requirements.
- Kirin pays invoices from suppliers promptly.
- Kirin's procurement staffers follow a unified set of standards and procedures when conducting receiving inspections.

### Examples of our practices rated unfavorably by suppliers

- The manner in which Kirin sets an annual purchase volume with a supplier.
- Level of expectation for return Kirin gives to a supplier for its proposal for a new product and for curbing costs.

### Examples of our practices that need improvement (open-ended comments)

- Kirin does not give immediate feedback to suppliers.
- Kirin accepts only a few proposals for new technology submitted by suppliers.

When we review each supplier's CSR performance, we give it a rating of 1 to 10 in a comprehensive evaluation with a total possible rating of 100 points. We also ask our suppliers about specific environmental and quality issues and ask them to address those issues on an ad hoc basis. We then provide our suppliers with feedback to help them continually improve their CSR and quality performance. For instance, in 2010 we began a biodiversity survey with tea growers overseas.

## Working with Suppliers

### Partnerships with Suppliers

#### Mercian Works with Grape Farmers

Where and how grapes are cultivated and harvested, and by whom, determine, in no small part, the taste of wine made from them. Mercian's Château Mercian Winery in Japan buys grapes directly from its contract farmers on a continual basis. This practice is intended to ensure long-term sustainability of the agriculture in the region, and the company shares this objective with the farmers. Mercian employees regularly visit contract grape farmers in Yamanashi, Nagano, Fukushima, and Akita Prefectures to inspect the grapes growing in their vineyards and to provide quality-improvement advice on bud nipping, propagating of new vines, and pruning of vines—depending on

the season.

Mercian will continue to work with grape farmers to bring great-tasting wines to wine lovers.



Hands-on seminar on bud nipping to improve the quality of grapes and to determine yield

#### Kirin Brewery and Mercian Work with a Public Research Institution on Research on Plum Wine Aroma

Since 2006, Kirin Brewery and Mercian have been working with the Plum Research Center in Wakayama Prefecture to research the aroma of plum wine made from fully ripened nankoume, a plum variety cultivated primarily in Wakayama Prefecture. The latest joint research analyzed

aroma constituents of two plum wines—one made from under-ripe green plums (conventionally made plum wine) and the other from fully ripened yellow plums—and found that the latter had a much fruitier aroma. The research also identified the conditions optimum for cultivating nankoume plums that give a strong ripe aroma.

Using the research findings, Kirin Brewery made a new plum wine from fully ripened nankoume. The new product is named Ume Makkoi (rich and thick plum wine) and has been test-marketed in selected restaurants in Japan since March 2011. Kirin Brewery will continue to work with plum producers to find ways to develop new plum wines that appeal to a broad range of consumers.



Maceration test of plums

#### Collaborative Approach to Making Packaging More Eco-Friendly

The Kirin Group implements proposals made by its suppliers to make its products better, safer, and more eco-friendly, to bring greater efficiency to its business processes, and to reduce costs. In particular, Group companies and their suppliers work together to redesign packaging to make it more eco-friendly.

##### Lightweight E-Flute Shipping Cartons

Kirin Beverage has worked with a manufacturer of cardboard to make its shipping cartons 27 grams, or 20%, lighter (per piece) than conventional cartons without compromising sturdiness. The company began using a thinner, lighter E-flute carton to ship 30 190-gram cans of Fire-branded coffee drinks in August 2010; as of June 2010, this carton was the industry's lightest carton designed to ship 30 190-gram cans of drinks (source: Kirin Beverage). Kirin Beverage will start using the eco-friendly shipping cartons also for other products.





## CSR Procurement Practices by Kirin Group Companies Outside Japan

Kirin Group companies outside Japan conduct CSR procurement practices to address local social issues. Lion Nathan National Foods' alcohol beverages business ensures that its procurement processes are ethically and environmentally sound, and works closely with suppliers to improve its quality, service, and productivity. The company helps its suppliers develop innovations in packaging options, materials, and equipment. It also supports them in the development and implementation of sustainable farming practices. In 2010, the company introduced a comprehensive questionnaire for all new suppliers and for those not previously audited. While the questionnaire was only applicable to suppliers of its alcohol beverages business, all suppliers across the

company will be required to complete the questionnaire in the future.

### The questionnaire to suppliers

- Quality & product safety
- Quality systems
- Management of components
- Facilities
- Security, safety and environment
- Business continuity planning
- Sourcing, employee and community relations

Once this initial assessment has been completed, the company either accepts suppliers on the basis that they meet its standards or conducts additional audits on a case-by-case basis.

### Working with Farmers – Lion Nathan National Foods

Lion Nathan National Foods' dairy and drinks business works with the farming community to create a supply chain that delivers a four-way win: for farmers, for customers, for distributors, and for the company. To this end, the company works closely with dairy farmers to provide support and

help involve them in programs run by Dairy Australia, a dairy industry association. For instance, a particular area of focus for the dairy industry is to have an integrated response to climate change and natural resource management. This is being facilitated through specific Dairy Australia programs such as:

#### ● Research into efficient use of resources and implication of policy and trading.

Activities include: undertaking a lifecycle analysis in response to policy and market imperatives around climate change; increasing farm extension activities on soil fertility levels and water quality in catchments; and incorporating research and development into nutrient-use efficiency in forage extension activities.

#### ● Lower Murray Darling basin review.

Activities include: working with government in developing effective policy that aids the international competitiveness and sustainability of the industry.

#### ● Life cycle analysis in response to policy and market imperatives.

Activities include: providing farmers with practical help to manage climate change; developing mitigation options to help industry respond to carbon policies; and analyzing and documenting appropriate farm systems and infrastructure responses to changes in water availability and policy.

The company also funds and hosts workshops in Queensland and Tasmania in conjunction with Dairy Tasmania. These educate not only its employees but also all dairy farmers in how to deal with mastitis, an inflammatory reaction of the udder tissue in cows. In doing so,



the company helps ease the effects of the condition on cows and ensures that the milk it delivers is of the highest quality.



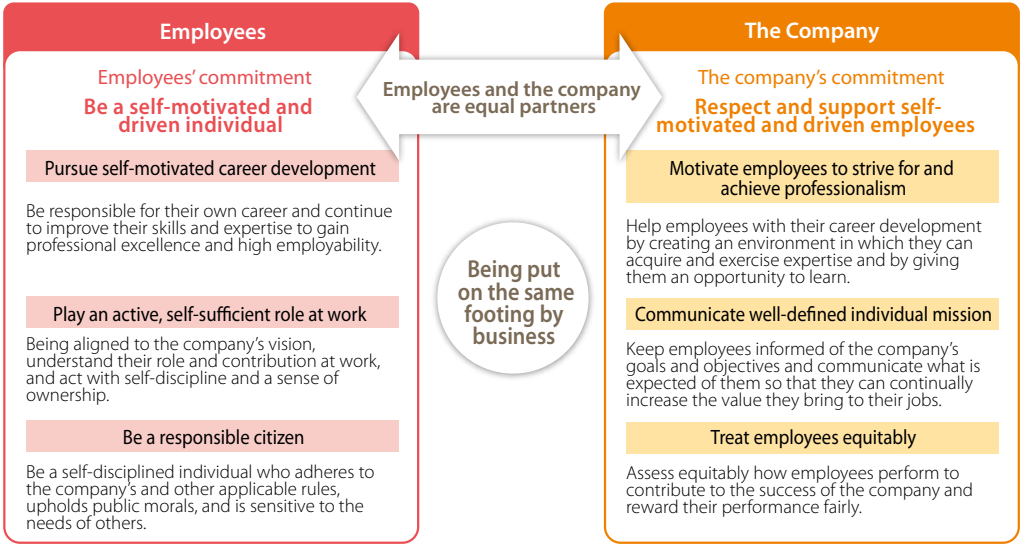
# Valuing Employees

## Our Goal

Derived from its Corporate Philosophy, the Kirin Group pledges respect for humanity in its Action Declaration; the declaration states that the Group is committed to “creating a workplace in which each employee can exhibit her or his independence and creativity, taking pride in

the job and enjoying a sense of meaning and purpose.” In the belief that employees and the company are equal partners brought together by common business goals, this is what the company expects from employees and what the company will do for them.

**Kirin's Principles of Human Resources Management: Valuing Employees**  
 Out of respect for each employee's initiative and individuality (humanity) to keep improving and expanding her or his professional skills, we create a workplace environment that ensures each employee has the opportunity to bring out her or his unlimited potential.



## Our Approaches

Human resources managers from seven group companies\* convene the Group Human Resources Management Committee every month. In this committee, they discuss the long-term strategic agenda and proposed new policies concerning human resources management, and share a common understanding of the Group's

philosophy toward employees including respect for humanity. This ensures that, when each group company implements its own human resources practices that reflect its business strategy and needs, those practices are in line with the group-wide, unified philosophy.

\*Kirin Holdings, Kirin Brewery, Kirin Beverage, Mercian, Kyowa Hakko Kirin, Kirin Kyowa Foods, and Kirin Group Office



## Relationships with Labor Unions

The Kirin Group management considers labor unions an important partner in maintaining a healthy employer-employee relationship. Management and labor unions interact with each other to build and sustain a winning

corporate culture. Labor-management councils held in Group companies provide a forum through which management and employees maintain a stable relationship.

## Ensuring Occupational Safety and Health

The Kirin Group defines in its Compliance Guidelines occupational safety and health as one of the Group's key operational considerations, and gives it the highest priority to ensure the safety and health of employees. We comply with relevant laws and regulations and keep workplaces safe and

clean so that employees feel comfortable working in them.

With the growing public awareness of issues relating to workplace mental health, we take a preventive approach to managing employees' mental wellness.

## Respecting Human Rights

The Kirin Group's policy of adhering to laws and regulations as well as to social ethics is expressly outlined in the Kirin Group Compliance Guidelines. The guidelines state in their "Relations with Society" and "Respect of Human Rights and Prohibition of Discrimination" sections that the Group respects employees' human rights, bans discrimination and harassment in workplaces, and strongly opposes child labor and forced labor. We regularly update the Compliance Guidelines to keep them relevant to changing social requirements.

### "Relations with Employees—Respect of Human Rights and Prohibition of Discrimination" (An excerpt from the Kirin Group Compliance Guidelines.)

Always strive to maintain a workplace environment that is safe and comfortable to work in, respect everyone's human rights, and do not engage in acts that lead to discrimination.

- 1 Do not engage in any form of discrimination based on differences of race, ethnicity, nationality, social status, lineage, sex, disability, health conditions, ideology, faith, occupation or occupational status.
- 2 Do not engage in violence, verbal abuse, defamation, slander, forced work via intimidation, bullying, or any other violations of human rights.
- 3 Support and adhere to internationally accepted principles that prohibit any form of forced labor and that ensure the effective abolishment of child labor.
- 4 Implement human rights training and other human rights education activities throughout the company and actively participate in these activities.

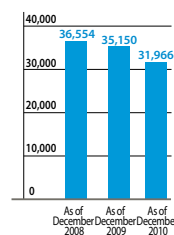
### Group-Wide Efforts to Respect Human Rights

We train employees on human rights and compliance every year. In 2010, 97% of Group employees participated in human rights training sessions focused on owning homes against the backdrop of human rights observance; they learned about the nature of stereotypical assumptions and beliefs about owning homes and land. In addition, we gauge the level of human rights awareness among employees every two years. In 2010, 20,000 employees, or 84% of the Group's total workforce, participated in a survey and were found to have strong interest in harassment at the workplace, people with disabilities, and privacy. These findings from the survey will be used to promote human rights initiatives.

Moreover, following the basic principles promoted by the United Nations Global Compact, which we signed in 2005, we assess human rights compliance by our subsidiaries and offices outside Japan. In 2010, we conducted on-site assessments of Indústria Agrícola Tozan in Brazil and the Four Roses Distillery in the United States, and found their human rights practices compliant with the Kirin Group Compliance Guidelines. We will continue to monitor human rights compliance by our overseas subsidiaries and offices in greater scope, taking into account social environments prevalent in the countries in which they operate.

[See Page 61](#)

Number of Employees on Consolidated Basis



Number of Employees by Business Segment (as of December 2010)

Business Segment	Number of Employees
Alcohol Beverages	11,758
Non-Alcohol Beverages and Foods	11,258
Pharmaceuticals	5,041
Other Businesses	3,330
Corporate	579
Total	31,966

We have in place internal and external hotline systems that enable employees to report and consult on cases of violation or potential violation of a code of conduct for human rights protection stipulated in the Compliance Guidelines.

# Embracing Diversity and Inclusion

## Corporate Culture that Embraces Diversity and Inclusion in the Workplace

The Kirin Group believes in a corporate culture that encourages employees with diverse talents to interact freely with each other and meet their potential; such a culture will sustain the Group in delivering a new joy of food and health to as many people as possible.

Leveraging the talents and skills of diverse employees will meet the social needs arising from the changing demography, diversifying values in society at large, and globalization.

The past few years have seen an increasing number of employees with diverse backgrounds join the Kirin Group, and the management

acknowledges the importance of embracing diversity among employees.

When we say "embracing diversity among employees," this has two aspects: making diversity happen in the workplace, and making it stick in the workplace (inclusion).

We implement programs to empower female employees, to ensure a healthy work-life balance, and to promote the hiring of people with disabilities, so as to build a workplace in which diverse employees respect the individuality of each other and comfortably demonstrate their abilities.

## Greater Career Opportunities for Female Workers

The Kirin Group, as a first step to promoting diversity and inclusion in the workplace, has been offering greater career opportunities to female workers. In October 2006, we put together "Kirin Affirmative Action Initiatives<sup>1</sup>" for systematically hiring and developing female employees, and set quotas for female hires and female managers.

Furthermore, we established the Kirin Women's Network (KWN) in February 2007 to encourage female workers to network with their female coworkers across business units.

KWN offers female employees programs for raising their consciousness, career development, and leadership training, through regional meetings and "Kirin Women's College."

As part of our efforts to transform our corporate culture, we provide employees in managerial positions with training programs on management skills to promote diversity and inclusion in the workplace.

These initiatives and programs have proved

effective in empowering more female employees to realize their full potential in diverse fields.

An increasing number of female employees have been promoted to presidents of Group companies, presidents of regional sales companies, and managers in Group companies abroad.



Kirin Women's College

1. Kirin Holdings, Kirin Brewery, and Kirin Group Office began implementing the initiatives in 2006. In 2010, Kirin Beverage adopted the initiatives, and Kyowa Hakkō Kirin launched its own initiatives. Other group companies are considering their adoption starting in 2011.

2. The Mentor Award was launched by the Japan Productivity Center to raise public awareness of the significance and value of a mentoring system as part of efforts to foster a corporate culture that encourages and supports female workers as well as to motivate them to become more active in pursuing their career goals.

## Kirin Mentoring Program

Kirin Brewery has started a mentoring program for its female employees, which is designed to provide them with advice, encouragement and support in addressing their career development and concerns.

We define mentoring as an informal arrangement of counseling and support; a female manager (mentor) offers a career-track female employee ongoing council and mental support on career development and other work-related subjects over a predetermined period. One hundred pairs of mentors and mentees have participated in the program. We are already seeing positive changes in the workplace: Many of the mentees said they felt more motivated at work thanks to the mental support they received; mentors commented that they found it worthwhile to play a mentoring role

in helping junior female workers grow professionally, and were able to improve their own leadership skills from that experience. We received an Outstanding Performance Award in the organization category of the Mentor Award 2010<sup>2</sup>



## Kirin Group's Culture that Embraces Diversity and Inclusion

**The Kirin Group, as a first step to promoting diversity and inclusion in the workplace, has been offering greater career opportunities to female workers. This helps an increasing number of female employees realize their full potential in diverse fields. The following are the stories of two of them.**

### The Company's Support Programs and My Understanding Colleagues Help Me Balance Work and Child Care

#### Keiko Fujikawa

Marketing Division, Kirin Beverage Co., Ltd.

I joined Kirin Beverage in 1997 and obtained a position in the Product Planning Department (current Marketing Department) in 2000. Since 2001, I had been involved in the product development of ready-to-drink teas and other bottled non-alcohol drinks until I took an 18-month maternity leave after having a child. I came back to work in the Marketing Department in 2009 and have since been engaged in product planning and marketing.

I have taken the option of working shorter hours to have the time to take care of my child. This is quite as I had a child. I'm the first working mother in the department. I don't push myself too hard at work and I just want to be all I can be. I'm grateful that the company offers a variety of programs that support working mothers. I also appreciate the people around me at work for their



understanding and support; many of my male colleagues have working spouses. I'm fortunate to have accumulated extensive knowledge and experience through my career, and to have earned the trust of many of my colleagues and friends. I owe all of them a debt of gratitude for being able to continue my career in a responsible position. My hope is that more people with diverse talents will be able to make career choices that fit the life stages they are in, so that they will have greater opportunities to reach their full potential.



### My Career Experience in Taiwan, Where Women Remain Employed for a Long Time

#### Qiumei Zheng

Managing Director, General Manager of Administration Division, Taiwan Kirin Co., Ltd.

I joined Taiwan Kirin in 1991 and first worked in the Sake Division. I'm now in charge of the Administration Division. When

I joined the company, I had a concern that male employees would call the shots in a Japanese-owned company and female employees might have nothing important to do. That concern has turned out to be unwarranted. After spending 20 years of my working life at Taiwan Kirin, I've found the company gives an equal opportunity for professional growth to all employees, male and female.

Most Taiwan women remain employed after marriage. Handling household chores and child care is a major challenge to a working mother. I manage to handle them by getting support from my family, especially from my husband. This allows me to carve out time to spend with my family and also to have some time left for myself. The key is to manage your time and maintain communication with your family. Good time management and communication are what it takes to drive results in business, too.

Taiwan Kirin is in a position to develop and provide human resources to the Chinese-speaking region to help the Kirin Group achieve its goal of becoming a leading corporate group in Asia and Oceania. I hope I can continue to contribute to the Group's success.

# Embracing Diversity and Inclusion



1: In 2007, the Ministry of Health, Labour and Welfare of Japan certified Kirin Brewery and Kirin Beverage under the Act on Promoting Measures to Support the Development of the Next Generation

Maintaining a healthy work-life balance is critically important for employees to feel motivated to exercise initiative and creativity and to feel proud and enthusiastic of their jobs. In April 2010, we drew up the Charter of Work-Life Balance, which applies to all Kirin Group companies. The Kirin Group takes a systematic approach to ensuring all employees—men and women—can balance their careers and home life<sup>1</sup>. For instance, Kirin Brewery introduced in January 2009 three new programs: (1) "Work-Life Balance Support Program" allows employees to take an extended leave of absence when they choose to accompany spouses who are relocating out of town for career reasons or when they choose to pursue a self-development opportunity outside work; (2) "Family Support Leave" allows employees to take a leave of absence to take care of their children, to care for sick family members, to attend school events with children, or to

receive fertility treatment; and (3) "Resume-Career Program" allows employees who quit the company for personal reasons to return to work for the company. Kirin Brewery has also started to consider offering its employees options to work at home. We will encourage other Group companies to adopt these programs to develop a diverse workplace environment that supports employees' efforts to maintain a healthy work-life balance.

## Ensuring a Healthy Work-Life Balance

### Conceptual Diagram of the Charter of Work-Life Balance



## Promoting the Hiring of People with Disabilities

The Kirin Group promotes the hiring of people with disabilities to foster a workplace in which all employees—with or without disabilities—find dignity and meaning in work. This approach not only helps make diversity happen in the workplace but also helps every employee learn to accept and appreciate diversity in the workplace. In January 2011, we drew up the Kirin Group Charter for Hiring of People with Disabilities.

While each Group company continues to implement its own initiative, all of them will work together to hire more people with disabilities.

While each Group company continues to implement its own initiative, all of them will work together to

hire more people with disabilities.

While each Group company continues to implement its own initiative, all of them will work together to hire more people with disabilities.

### Kirin Group Charter for Hiring of People with Disabilities (excerpt)

The Kirin Group embraces diversity and inclusion and promotes the hiring of people with disabilities in a manner to foster a workplace in which all employees find dignity and meaning in work and, ultimately, to build a society in which all people—with or without disabilities—work and live side by side.

- 1 We hire people with disabilities.
- 2 We make our workplace environment barrier free.
- 3 We contribute to society by hiring people with disabilities.

### Expert Advice

## Embracing Diversity and Inclusion

Achieving organizational diversity is a challenging task. Simply devising and implementing diversity programs is not enough; the programs must become a way of corporate life that touches every employee every day. The Kirin Group's unwavering commitment to embracing diversity and inclusion is evident not only in the way it implements organizational diversity programs but also in the way it strives to have every employee stick to those programs to inject vitality into the organization. I find it encouraging that the Group gives female employees an

opportunity to empower themselves through leadership training and mentoring programs. The Group's efforts to positively influence the workplace culture and the mindset of female workers will undoubtedly help them reach their full potential. I also find it encouraging for the Group to extend its idea of embracing diversity and inclusion to promoting the hiring of people with disabilities. I hope that the Kirin Group's efforts to foster a workplace in which diverse employees find dignity and meaning in work will help the Group become a high-performance organization adaptive to external changes.



**Professor Emiko Takeishi**  
Faculty of Life-long Learning and Career Studies  
Hosei University, Tokyo, Japan

## Employees' Professional Growth Results in the Group's Success

The Kirin Group respects humanity and believes in human resources development. In 2010, we started stepping up our efforts to develop human resources so as to accelerate the implementation of the people-focused management practices called for in KV2015. Specifically, we will expand

training programs for employees, more actively support their self-motivated skill development and learning, and groom global managers. This will benefit employees' professional growth as an individual and, at the same time, enhance the Group's organizational strengths.

## Expanded Group-Wide Approaches to Leadership Training

Each group company conducts human resources development programs tailored to its business needs; it provides training programs for its employees and assists them in self-motivated skill development and learning. To foster greater organizational excellence across the Group, we recruit younger managers with leadership potential from Group companies into the Kirin School of Management and train them to become a new generation of business leaders poised for global competition; in 2010, 16 employees from seven group companies participated in the management-training courses. Group companies outside Japan train their employees to grow into management positions. For instance, since 2006, selected employees

from our subsidiaries in China and Taiwan have been attending the Asia Leaders Forum to learn organizational management skills. Developing professional skills among local staff will help overseas Group companies build a foundation for long-term business growth.



Kirin School of Management

## Encouraging Employees to Seek New Challenges

The Kirin Group encourages highly motivated employees—regardless of gender, age, or nationality—to take on new challenges and offers them an opportunity to express their individuality and maximize their potential. Employees will have more of such opportunities as the Group expands its business globally and sends more employees abroad on scholarship programs.

**Hiroaki Takaoka**  
Sloan School of Management  
Massachusetts Institute of Technology (MIT)

I'm studying for an MBA at MIT on the company's scholarship program. My courses include managerial economics, studies that blend theory with practice, and studies on issues that the world faces. I hope the practical knowledge and insights I am learning at MIT will be an asset that will help the Kirin Group grow its business globally. Studying side by side with my fellow students of diverse career backgrounds from 27 countries has given me a good opportunity to come to appreciate their values, beliefs, and cultures. I have come to understand that they are no different from me in the sense that they experience joy and despair, work hard, and help each other. My fellow students from other countries have surprisingly strong entrepreneurial attitudes and constantly look for ways to create new

value. This mindset of relentlessly pursuing new value is something I'm learning to emulate and that I hope to bring back to work.

When I return to Japan, I would like to maximize the knowledge and experience I have gained at MIT by sharing it with my coworkers and using it to benefit the success of the Kirin Group.



Hiroaki Takaoka (second from left)

### Career Profile

1993: Joined Kirin Brewery Systems Development Division and engaged in the development and operations of logistics business systems  
2007: Transferred to the Strategy Planning Department at Kirin Holdings and engaged in formulating the Kirin Group's mid-term business plan for 2010-2012  
2010: Started a course of study at MIT on the company's scholarship program, expecting to earn an MBA in 2011





# Community Outreach Programs

## Our Goal

The Kirin Group strives to be a good corporate citizen; we contribute to the development of communities in which we operate and help nurture children—who are the creators of our future society. Each Group company plans and carries out community support projects that

reflect its business focus as well as community needs. When nurturing the young generation, we leverage our business strength and a broad network of our business partners to focus our efforts on food education, science education, and soccer.

## Community Support Projects

### ■ In Japan

#### Kirin Beverage

##### ● Projects Built around Products

Kirin Beverage donates to social causes part of the proceeds from the sales of its soft drinks from specially marked vending machines. As of November 2010, 2,000 such vending machines were in operation in Japan for 71 causes, including the Pink Ribbon Project for raising awareness of breast cancer as well as projects to revitalize communities. In addition, the company has installed vending machines that provide free soft drinks in the event of a natural disaster. Kirin Beverage also donates to worthy causes in proportion to the sales of its selected non-alcohol

beverages whose containers have symbols of the causes printed on them. The company had donated 174.8 million yen to UNICEF and Japan's National Land Afforestation Promotion Organization by the end of 2010.



Vending machine that dispenses free drinks in the event of a natural disaster

Furthermore, Kirin Beverage has, since 2006, been donating books to four elementary and junior high schools near the plantations in Sri Lanka that grow tea leaves for its Gogo-no-Kocha black tea drinks.

[▶ See Page 36](#)

#### Mercian

##### ● Lectures on Wine in Adult Classes

Mercian assists adult enrichment classes and human resources development projects in Yamanashi Prefecture, where it has a winery. In 2010, Mercian employees gave lectures on legendary entrepreneurs who had pioneered

the wine industry in Japan in the Koshu Adult Class, hosted by the City of Koshu. They talked about the history and cultivation of koshu grapes to students at the Institute of Enology and Viticulture of the University of Yamanashi.

##### ● Industrial-Academic Cooperation

The Château Mercian Winery helps develop young people who aspire to be winemakers. In 2008, the winery signed an agreement on industrial-academic cooperation with the City of Shiojiri, one of the largest producers of grapes for

wine in Japan. The winery's employees have since been visiting schools with wine-making classes to lecture students on growing and analyzing wines and to train them in the pruning of vines.



Training in winter vine pruning at the Château Mercian Shiojiri Vineyard



## Kyowa Hakko Kirin

### ● Responsible Care Dialogue

The Kyowa Hakko Kirin Group participates in a community dialogue program promoted by the Japan Responsible Care Council (JRCC). In 2010, Kyowa Hakko Kirin's Sakai Plant, Kyowa Hakko

Bio's Yamaguchi Production Center, and other JRCC member companies jointly held Responsible Care (RC) dialogue sessions with local communities.



RC community dialogue session in the Sakai-Senboku area.

### ● Sponsoring a Campaign Against Childhood Cancer

Kyowa Hakko Kirin sponsors a fundraising campaign against childhood cancer initiated by the Mainichi Newspapers Tokyo Social Welfare

Foundation. The campaign has been raising money through charity concerts and other events to fight childhood cancer since 1996.

## Kirin Brewery

### ● Water-Source Protection Project

In 1999, Kirin Brewery became the first beer company in Japan to launch a project to protect

sources of clean and safe water, an essential ingredient in making great-tasting beer.

[▶ See Page 39](#)

## ■ Overseas

## Lion Nathan National Foods

### ● Renovating Community Facilities

At Lion Nathan National Foods, its alcohol beverages business's Tooheys New brand has launched a community investment program called the Tooheys New Crew—a team of skilled tradies and good mates, including employees, doing a million beers worth of favors for the community. This includes renovating a local sports center and improving a run-down recreational area—all in the Tooheys New heartland of New South Wales and at no cost to the community. Projects that have been

completed to date include some that were previously delayed or not completed due to a lack of funding, and the company is excited that its Crew can contribute to these local initiatives.



## San Miguel Brewery

### ● Community Development

San Miguel Brewery in the Philippines has made a long-term commitment to developing the country's economically deprived areas by donating basic social services. The company has been installing portable water tanks and providing medical services in the struggling communities near its factories.



### Responsible Care

Responsible Care is an initiative that the Japan Chemical Industry Association undertakes to encourage its member companies that deal with chemical substances to adopt a voluntary management system to protect the environment and promote safety and health throughout the life cycle of chemical substances from development and manufacturing to distribution to use and final consumption to disposal; companies then publicize their activities and achievements and maintain dialogue with the public.

## Disaster Relief Efforts

### Disaster Relief Efforts

Another form of community support activities that Kirin Group companies undertake is extending support to natural disaster relief efforts around the world. Kirin Holdings donated to relief funds for victims of the earthquakes in Haiti

and Chile in 2010. In 2011, and in the wake of the Great East Japan Earthquake, the Kirin Group offered emergency relief aid to the affected areas and will continue to support reconstruction efforts.

## Nurturing the Young Generation



Kirin Kids School of Great Taste



Information panel for *Eat Healthy to Become a Better Soccer Player: the Secrets of Good Dietary Habits*

### Nurturing Children Through Food Education

Food is the backbone of the Kirin Group's business. The Kirin Institute of Food and Lifestyle offers elementary students a hands-on food education program called "Kirin Kids School of Great Taste" in Group companies' factories in Japan. The program encourages children to use their five senses to develop their ability to choose the right food, to prepare the right meals, and to eat the right food.

We provide children who attend the Kirin Soccer Field, soccer classes we sponsor, with

food education using information panels and a brochure titled *Eat Healthy to Become a Better Soccer Player: the Secrets of Good Dietary Habits*. Our food-themed projects include a partnership program with the University of Tokyo on food culture; a sponsorship for the "It's A Tasty World—Food Science Now!" food exhibition held at the National Museum of Emerging Science and Innovation in Tokyo; and the Kirin Kids Class on the Secrets of Great Taste, jointly organized by eight Group companies.

[See Page 20](#)

### Nurturing Children Through Science Education

The Kyowa Hakko Kirin Group invites children to its factories and laboratories to let them experience the fun and joy of science experiments. Since 2000, researchers at its Tokyo Research Park facility in Machida, Tokyo, have been visiting local elementary, junior high, and high schools in a van nicknamed "Bio Adventure," which is loaded with microscopes and other experimental instruments, to give students science classes focused on genes and microbes. Since 2009, Kirin Holdings, Kirin Brewery, and Kirin Beverage have been working together to

offer high school students extracurricular classes on the science of yeast in beer brewing and the flavoring of low-calorie sports drinks.



Bio Adventure science class

### Nurturing Children Through Soccer

The Kirin Group supports soccer to, among other things, nurture children through the sport. In the process, it helps soccer gain a broader fan base in Japan and encourages small children to aspire to make it to the National Team.

#### ● Mascot Escort Kids

Since 2009, the Kirin Group has been assisting the Japan Football Association (JFA) in its JFA Youth Program, which invites children to the National Team's games held in Japan. As part of the program, we recruit and invite elementary students to Kirin Challenge Cup games, in which they are designated as "Mascot Escort Kids."



©J. League Photos Mascot Escort Kids

#### ● Kirin Soccer Field—Soccer Class for Children

We have been sponsoring the Kirin Soccer Field, soccer classes for elementary students, in 12 cities in Japan since 2008. This program is intended to introduce children to the joy of sports and to encourage the development of healthy minds and bodies. Nearly 3,600 children participated in the classes in the first three years, and the program is expected to attract 1,200 more students around the country in 2011.

#### ● Family Futsal Festival

The Kirin Group has been sponsoring the JFA Family Futsal Festival with Kirin events since 2004 to offer people an opportunity to enjoy kicking soccer balls around indoors and outdoors. Family Futsal games are held all over Japan every year, and both experienced and novice futsal players enjoy the sport in a close-knit community environment.



Kirin Soccer Field



©Kumamoto Football Association  
Family Futsal Festival

# Supporting Sports and Arts

## Supporting Soccer

The Kirin Group focuses its CSR efforts for sports on supporting soccer and has been an official sponsor of the Japan National Team for more than 30 years since 1978. We endorse the JFA Pledge for 2015<sup>1</sup> and will continue supporting soccer focusing on three key projects through 2015. In 2010, Japan's national teams, both men's and women's, did remarkably well in the international arena: the men's national team advanced to the final 16 in the 2010 FIFA World Cup South Africa, and the women's team won in several international games. Their accomplishments helped soccer gain a broader fan base in Japan, ranging from enthusiastic supporters and spectators that fill stadiums to casual soccer players taking to the field on weekends to small children who aspire to become members of the



©J.LEAGUE PHOTOS  
October 8, 2010 Kirin Challenge Cup 2010  
Starting members of Japan National Team in the game against the Argentina team

National Team.  
We love soccer; we love soccer supporters and fans; and we help children fulfill their aspirations. Our commitment to supporting soccer is reflected in our slogan "Kirin Loves Soccer."



1. The JFA Pledge for 2015: 1) The Football Family of Japan, the fans with a true love for football, will number 5 million strong; and 2) The Japan National Team will be ranked among the top 10 teams in the world.

2. Men's Senior National Team, U-23 National Team (Olympic team), U-20 National Team, U-17 National Team, Women's national team, Futsal national team, Beach football national team

## Supporting Arts and Culture

### Enriching People's Lives through Sponsorship for Arts and Culture

The Kirin Group sponsors arts and culture events in the hope of providing more people with an opportunity to have cultural experiences in their daily lives. Since 2008, we have been engaged in social action programs, and one of them is to sponsor the piano duo "Les Freres" in their concert tour in Japan. We reserve a section of the auditoriums they play for students of schools for the visually impaired located near the halls and, during the concerts, Kirin Group employees volunteer to help these students get to and from their seats. In 2010, we invited 146 students to 11 concerts, and 43 employees from 10 Group companies provided assistance.



Kirin Group employees who provided on-site assistance at a concert

# Accountable Management System

## Our Goal

Maintaining robust corporate governance is one of the prime management objectives of the Kirin Group. We continually enhance group-wide corporate governance to bring greater equity

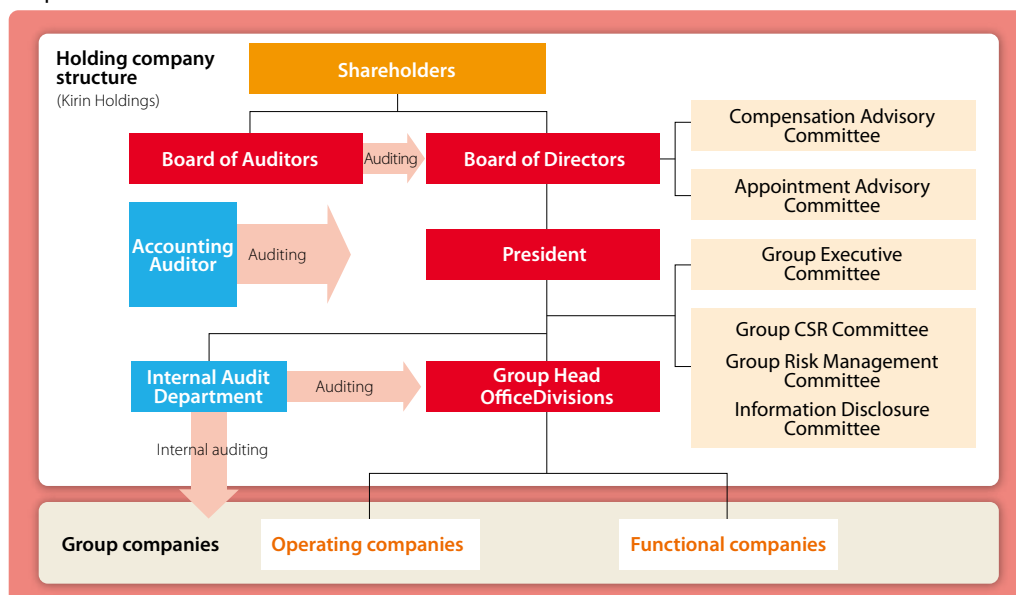
and efficiency to corporate management as well as to retain the trust of internal and external stakeholders.

## Our Approaches

In July 2007, the Kirin Group made the transition to a pure holding company system to optimize its corporate structure for sustainable growth. Kirin Holdings—the Group's holding company—oversees its operating subsidiaries engaged in alcohol beverages, non-alcohol beverages and foods, and pharmaceutical businesses, and manages functional entities that provide back-office support and services for the entire Group. The Kirin Group's corporate governance structure is intended to facilitate the quantum-leap growth as outlined in the Kirin Group Vision

2015 long-term business plan. A division of roles and responsibilities is established between Kirin Holdings and its subsidiaries to enable the former to drive aggressive growth while allowing the latter to exercise autonomy and flexibility and still allowing all of them to work together to add value to the entire Group. This structure also streamlines each entity's decision-making process and helps make its business management more transparent and sound, all adding up to maximize the Group's corporate value.

### Corporate Governance Structure





In Kirin Holdings, the Board of Directors oversees the company's day-to-day business operations and the Board of Auditors audits them. The Board of Directors, comprising seven internal directors and two external directors, makes important business and legal decisions and governs day-to-day operations. The Board of Auditors consists of two full-time corporate auditors and three external auditors, and defines the auditing policy and the responsibility of each auditor, based upon which auditors attend meetings of the Board of Directors and other important internal meetings. The Board of Auditors also audits the company's divisions

as well as other Group companies, and monitors directors' execution of their duties. The Kirin Group consists of diversified companies in Japan and abroad. To keep group-wide business operations and CSR efforts effectively on track, we have three oversight committees: the Group CSR Committee manages and coordinates the Group's CSR efforts; the Group Risk Management Committee oversees risk management and compliance as a basis for CSR; and the Information Disclosure Committee plays an advisory role in determining what information to publicly disclose.

## Group's Governance and Internal Control System Thoroughly Reviewed

On June 11, 2010, Kirin Holdings established a third-party committee tasked with investigating and assessing the internal control status of all Kirin Group companies. This was in response to the discovery of inappropriate transactions in which Mercian, one of the company's consolidated subsidiaries, had engaged in its fishery feed business. The committee, upon completion of investigation, compiled and submitted a report to the company's Board of Directors on November

5, 2010, recommending what needed to be done about the Group's governance. The committee's complete report is available for viewing on Kirin Holdings' web site.

In accordance with the committee's recommendation, Kirin Holdings is reviewing its governance over its subsidiaries, including Mercian, and will more vigorously assess and control risks associated with all its subsidiaries, including listed subsidiaries, in the Group to prevent the recurrence of similar misconduct.

### Third-Party Committee Report

[http://www.kirinholdings.co.jp/english/news/2010/1105\\_01.html](http://www.kirinholdings.co.jp/english/news/2010/1105_01.html)

## Maintaining Internal Control System

The Kirin Group has defined the outline of a system for ensuring the appropriateness of business operations, based upon which it maintains an internal control system and makes continual improvements. The ongoing

operational status and issues of the internal control system are regularly reported to the Board of Directors as part of self-directed efforts to make incremental enhancements to the system.

### Internal Control System as Adopted by the Resolution of the Board of Directors

- System to ensure that the duties performed by the Directors and employees comply with laws and the company's articles of incorporation
- System to ensure the proper preservation and maintenance of information regarding the performance of duties by the Directors
- Regulations and other systems related to the control of risks of loss
- System to ensure the efficient performance of duties by the Directors
- System to ensure the appropriate operations of the corporate group that comprises the company, its parent company and its subsidiaries
- System to assign employees to assist the Corporate Auditors when the Corporate Auditors so request
- System to ensure that the employees as described in the preceding provision remain independent of the Directors
- System to ensure reporting by the Directors and employees to the Corporate Auditors, and other systems to ensure reporting to the Corporate Auditors
- Other systems to ensure effective auditing by the Corporate Auditors



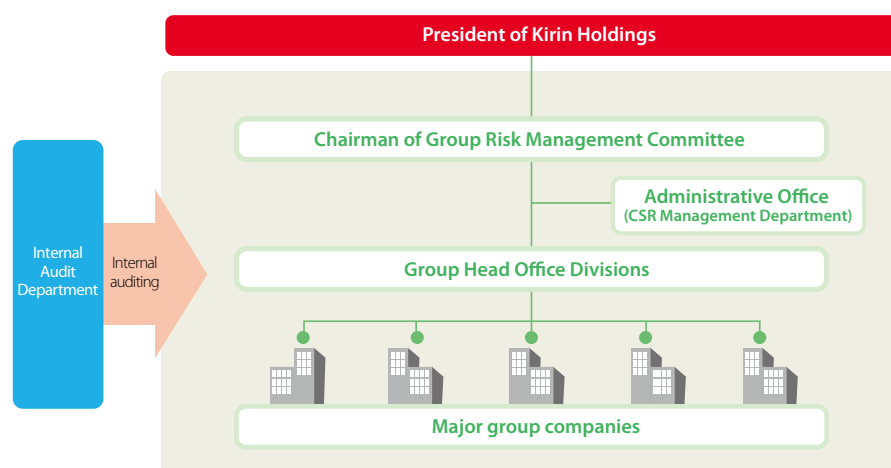
# Risk Management

## Our Goal

The Kirin Group focuses its risk management efforts on anticipating and preventing risks before they occur. When we implemented the pure holding company structure, we established the Group Risk Management Committee, which is responsible for overseeing risk

management in accordance with the Group Risk Management Rules. This system is implemented in consolidated subsidiaries in Japan and abroad to ensure the effectiveness of risk management efforts throughout the Group using the PDCA cycle.

### Group Risk Management Committee



## Crisis Management and Business Continuity Planning

The Kirin Group maintains organizational preparedness for crises to minimize their impact on its business and customers. Pursuant to the Group Crisis Management Manual, the Group Risk Management Committee shares and exchanges information with the risk management committee established in each Group company

to maintain group-wide crisis readiness.

In addition, each Group company has developed and updated a business continuity plan designed to enable the resumption of business operations as quickly as possible in the event of an outbreak of pandemic influenza or a powerful earthquake in the Tokyo metropolitan area.

## Enhancing Information Security

Kirin Business System provides IT support and services to the entire Group. It also manages and maintains group-wide information security, providing each Group company with administrative and operational guidance on upgrading information security. In January 2010, we updated the Kirin Group Information Security Rules, which define the Group's basic stance on information security as well as systems and methods for managing it. This update has made the rules compliant with the ISO/IEC 27001:2005—international standards for information security management system—and JISQ 27001:2006—their Japanese equivalent. The

Kirin Group Information Security Rules provide Group companies outside Japan with a basis for them to create their own information security rules. Group companies in Japan train all their employees through e-learning to make them more knowledgeable and skillful in information management. Moreover, we supply smart ID cards to employees to ensure a higher level of security in personal authentication and in allowing them to access high-security areas on the company premises. All these measures are intended to enhance information security throughout the Group.

## Our Goal

The Kirin Group realizes that maintaining compliance underlies all CSR activities. We define compliance as: fulfilling both legal and ethical responsibilities that society expects from us by adhering to laws, internal and external regulations and rules, and social norms, so that the Kirin Group can avoid the risk of suffering unexpected financial loss or of destroying its

credibility and can retain and strengthen the trust of stakeholders. The Group Risk Management Committee manages and promotes compliance across the Group. Each Group company integrates compliance efforts into risk management processes to ensure effective implementation.

## Compliance Guidelines

The Kirin Group's Compliance Guidelines discuss legal compliance and spell out the dos and don'ts of ethical behavior. The guidelines' key elements are incorporated into a handy employee manual titled *The RULE*, copies of which are distributed to employees of Group

companies in Japan and of selected consolidated subsidiaries abroad, so that they can understand and internalize the Group's ethical principles and values. We regularly update the Compliance Guidelines to keep them relevant to changing social requirements in Japan and abroad.

## Compliance Training

Training employees on compliance is a critical step to instilling greater awareness and ownership of compliance in each of them. Kirin Group companies in Japan and abroad provide their employees with compliance training annually; employees learn through group discussions that compliance is not something other people do for them but something they

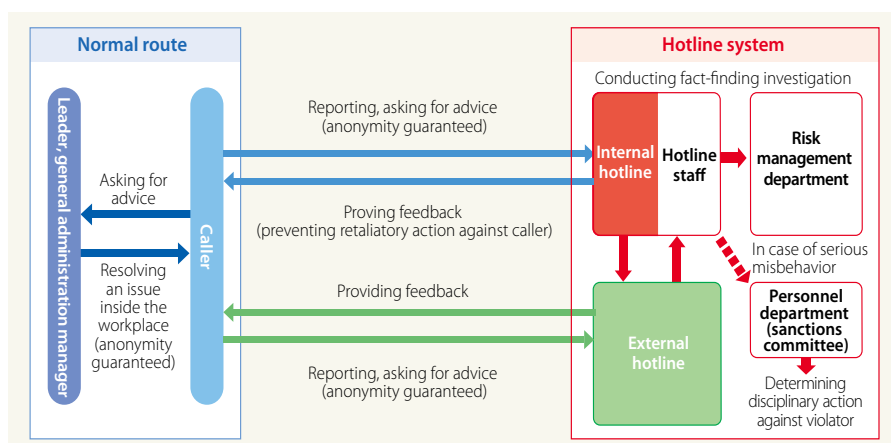
have to do; that they are expected to give their superiors information with not only positive but also negative implications timely and accurately; and that they need to act in an open and fair manner. Employees grasp these basics of compliance to become sensitive to changes in society.

## Compliance Hotline

The Kirin Group has in place two compliance hotlines; one is an internal hotline manned by Kirin staffers and the other an external one

staffed by a third party. The external hotline is operated by a contracted consultant and offers greater confidentiality to callers.

### How Hotlines Work



Handy code of conduct: the Kirin Group Compliance Guidelines *The RULE*.

# Maintaining Dialogue with Shareholders and Investors

## Increasing Corporate Value

Kirin Holdings, representing the Kirin Group, conducts investor relations (IR) activities that place emphasis on interactive communication between its senior management and its shareholders and investors.

Kirin Holdings' IR Section updates shareholders and investors on the Group's growth strategy and its progress in an easy-to-digest manner. The section regularly forwards to the company's management comments and opinions that shareholders and investors provide as well as the section's own insights. This interactive process helps establish long-term relationships of trust between the Kirin Group and the financial community and increase the Group's corporate value.

We ensure transparency, fairness, and continuity

in disclosing financial and business information to shareholders and investors timely and appropriately.

### Conceptual Diagram of Interactive Communication between the Financial Community and Management Team



## Award-Winning IR Activities

In 2009, Kirin Holdings won the IR Grand Prix for maintaining excellent communication with investors from among 335 companies that participated in the IR Prime Business Awards competition organized by the Japan Investor Relations Association.

The company was also recognized for its senior management's proactive attitude toward IR and its voluntary disclosure practices in the Awards for Excellence in Corporate Disclosure by the Securities Analysts Association of Japan.

## Our Disclosure Policy

### Disclosure Policy

Kirin Holdings endeavors to ensure transparency, fairness and continuity in keeping shareholders and investors informed on a timely basis. We disclose information in a manner and scope that complies with applicable laws and regulations, including the Financial Instruments and Exchange Act of Japan and the Securities Listing Regulations enforced by the Tokyo Stock Exchange. In addition, on a regular and consistent basis, we make available other information that we believe to be of interest to shareholders and investors to have a better understanding of us.

### Cautionary Statement with Respect to Forward-Looking Statements

Statements made on Kirin Holdings' web site with respect to its current plans, estimates, strategies and beliefs and those of its affiliated companies that are not historical facts are forward-looking statements about the future performance of the Group. These statements are based on management's assumptions and beliefs in light of the information available at the time of the statements. Actual results may differ materially from those discussed in the forward-looking statements due to a variety of risks and uncertainties as well as economic conditions.

### Method of Information Disclosure

Kirin Holdings discloses significant corporate information as specified in the rules for timely disclosure of corporate information by the Tokyo Stock Exchange via the Timely Disclosure Network (TDnet) operated by the exchange after delivering an advance briefing to it. Immediately following the disclosure via TDnet, we provide the same information for the news media and post it to our web site.

### Quiet Period

Kirin Holdings has a period of silence that extends from the day following the end of a fiscal period to the day of an earnings announcement for that fiscal period to keep the earnings information confidential and ensure fairness to all shareholders. During this quiet period, we do not comment on or answer any questions about soon-to-be-released earnings results. However, we make an announcement during this period if we expect results to differ materially from our earlier forecasts. We will also answer questions about information already made public.

Kirin Holdings discloses financial and business information on its web site to reach a broader range of shareholders and investors.

**Investor Relations**  
<http://www.kirinholdings.co.jp/english/ir/index.html>

## Socially Responsible Investment Indexes

There has been a growing interest in socially responsible investment (SRI) that determines in which company to invest on the basis of its practices with regard to social, environmental, ethical and governance issues. Kirin Holdings,

for its achievements in CSR initiatives, has been included in the following SRI indexes provided by leading SRI index providers around the world. (As of December 2010)



Ethibel Sustainability Index



Morningstar Socially Responsible Investment Index\*

\*Morningstar Socially Responsible Investment Index, the first of its kind in Japan, indexes the stock prices of 150 corporations selected for their outstanding social responsibility performance from among those listed in Japan. The index does not guarantee future performance of any stocks comprising the index. Morningstar Japan K.K. is not liable for any loss, damage, or lost earnings arising from the use of the index.

## Awards

Kirin Group companies have received public recognition and awards for their achievement in diverse areas. The following are three of the

awards we have received from authoritative organizations.

### Kirin Brewery Receives a 10th Annual Porter Prize

In 2010, Kirin Brewery received a 10th Annual Porter Prize. The Porter Prize recognizes Japanese companies that have achieved and maintained superior profitability in their respective industries by implementing unique strategies based on innovations in products, processes, and ways of managing. Kirin Brewery was awarded for transforming its

price-focused sales strategy characteristic of a zero-sum game to a value-focused sales strategy of a positive-sum game. The value-focused strategy employs a sales technique that relies on building on the value proposition of a product instead of selling on its price alone, and aligns product development, manufacturing, distribution, and marketing functions to support sales efforts.

### Kirin Beverage is Awarded by the Society of Soft Drink Technologists

Kirin Beverage developed a nano-search technology that enables minute details of microbial cells to be visualized, analyzed, and evaluated, using physical indicators at the nano-scale level. This accomplishment received an award at the 20th Society of Soft Drink Technologists, Japan, organized by the Japan Soft Drink Association.

Controlling a hard-to-detect spore-forming bacterium, which shows high resistance to disinfectant, is one of the most challenging tasks in microbial quality assurance for soft drinks. This innovative nano-search technology makes it possible to easily and quickly evaluate the resistance that a spore-forming bacterium has.

### Kirin Business System Receives an IT Frontier Award

Kirin Business System received a 2010 IT Frontier Award from the Japan Institute of Information Technology. The company integrated and standardized an IT infrastructure for the entire Kirin Group to integrate and improve business processes performed by Group companies and

to provide them with IT services at lower costs. In the process, Kirin Business System played a part in the Group's CSR agenda by reducing power consumption of its IT systems through environmentally sustainable green IT solutions.

## Third-Party Opinion

Corporate social responsibility (CSR) is defined today as the responsibility that a corporation bears for the consequences of its business decisions and operations for society and the environment. A corporation is expected to fulfill its CSR in a manner that meets the expectations of its stakeholders.

First of all, I give high marks to the Kirin Group for selecting a dozen high-priority CSR initiatives by carefully assessing a diverse range of social issues. It is a novel and ambitious approach to deciding on what to focus. To make it even more effective, I would suggest that the Group ascertain exactly what impact each of its businesses has on society and the environment, and show in a future report which impact is most closely associated with what social issues.

In 2010, the World Health Organization resolved to adopt the Global Strategy to Reduce the Harmful Use of Alcohol. This strategy provides alcohol beverages companies in the world with a basis on which to assess the impact of their businesses on society and environment. When I attended the first stakeholder dialogue session that Kirin Brewery organized in September 2010, I felt that the Kirin Group should make it a top priority to address alcohol-related problems (ARPs). There is an argument overseas for a relationship between parents' drinking habits and physical abuse of their children. I realize that Kirin Brewery has been leading the alcohol beverages industry in Japan in its efforts to address ARPs as evidenced when it established the ARP Office. The Kirin Group should go on to become one of the world leaders in tackling ARPs in the global arena.

Industrial activities are partly responsible for water scarcity in the world, which has become particularly serious in Asia and Oceania. This report tells us how the Kirin Group has been reducing water usage in manufacturing. I would suggest that the Group extend its water-saving efforts to the growing and procuring of raw materials by working with suppliers to reduce stress on water sources.

The pharmaceuticals business as well as the health and functional foods business has an increasing potential to benefit society. I like the first six pages of "Food and Health" section of this report, as they give a comprehensive update on what the Group has been doing in those businesses. I would like a future report to delve into stakeholders' health needs, such as the prevention of obesity and other lifestyle-induced



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### Eiichiro Adachi

diseases, that the Group strives to address, and to discuss how the Group's R&D results and product benefits measure up to those needs.

Global expansion is one of the operative words to describe the Kirin Group's business strategy. As the Group's business expands globally, policies and initiatives described in "Valuing Employees" section of this report should extend externally and broadly to customers and those people engaged in the Group's supply chain. In 2011, the Organisation for Economic Co-operation and Development is scheduled to update the Guidelines for Multinational Enterprises to include clauses on human rights, and the United Nations Human Rights Council is expected to adopt the Guiding Principles on Business and Human Rights. It is good to know that the Group is shifting its mid-term strategic focus from a quantitative expansion to a qualitative expansion. The alcohol beverages market in Japan has been characterized by intense competition among manufacturers. Aggressively going after market share, however, may not always be compatible with ensuring sustainability for human society and the Earth. I hope the Kirin Group continues to care about its customers and to serve them with integrity and dedication.

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I have provided a third-party opinion on the Kirin Group's CSR activities described in this report and on the way the Group disclosed relevant information, from the perspective of a provider of corporate information to financial institutions to serve their decision-making regarding socially responsible investment. This opinion does not express a view on whether this report presents, in all material respects, matters measured, calculated, and prepared in accordance with environmental reporting guidelines generally accepted.



## Expert Advice

The following three experts offered us their advice in their respective areas of expertise.

### Ensuring Food Safety



**Yukiko Furuya**  
Board Member  
Nippon Association of  
Consumer Specialists

▶ See Page 29

### Environmental Stewardship Initiatives Built around Sustainability



**Kosuke Ikehara**  
Climate Change Project  
Leader  
World Wide Fund for Nature  
Japan

▶ See Page 35

### Embracing Diversity and Inclusion



**Professor Emiko  
Takeishi**  
Faculty of Life-long  
Learning and Career Studies  
Hosei University, Tokyo,  
Japan

▶ See Page 52

## How We Act Upon Expert Advice

**Yoshinori Isozaki** Managing Director, Kirin Holdings Co., Ltd.



The Kirin Group considers fulfilling CSR one of the most important management objectives, and has been helping conserve global environment and achieve a sustainable society. This report, as the 2010 report did, updates you in great detail on our CSR initiatives and activities integrated into our business operations.

Four experts offered their professional assessments of our CSR activities and shared their opinions on how we could do better. We appreciate their candidness. We will incorporate their suggested improvements into the planning of our new CSR projects and activities.

In particular, we realize that the three issues that Mr. Adachi raised—alcohol-related problems, water-saving efforts in the supply chain, and approaches to human rights—need to be pushed up the agenda as our business expands globally. We will step up our already aggressive efforts to address those three issues from a broader, more global perspective.

While we were preparing this report, the Great East Japan Earthquake, which can only be described as unprecedented in scale, struck the Tohoku region. The Kirin Group is committed to supporting reconstruction efforts in the affected areas to foster stronger bonds among people and communities.

We appreciate your feedback.

## Information on Kirin Group Companies' Sustainability Efforts

Several Kirin Group companies report their CSR activities in English.

■ Kyowa Hakko Kirin Group CSR Report	<a href="http://www.kyowa-kirin.co.jp/english/csr/report/index.html">http://www.kyowa-kirin.co.jp/english/csr/report/index.html</a>
■ Lion Nathan National Foods Sustainability Reporting	<a href="http://lnnf.com.au/sustainability/sustainability-reporting/">http://lnnf.com.au/sustainability/sustainability-reporting/</a>
CSR Section in Kirin Holdings' web site	<a href="http://www.kirinholdings.co.jp/english/csr/index.html">http://www.kirinholdings.co.jp/english/csr/index.html</a>
List of indicators based on GRI G3 Guidelines:	<a href="http://www.kirinholdings.co.jp/english/csr/pdf/report2011/gri_2011e.pdf">http://www.kirinholdings.co.jp/english/csr/pdf/report2011/gri_2011e.pdf</a>



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