

KIRIN

**KIRIN GROUP
SUSTAINABILITY REPORT 2013**



Reporting Kirin Group's CSR Activities

Editorial Policy

In order to convey to our stakeholders in as broad a manner as possible the Kirin Group's activities, and the future directions established to achieve the Kirin Group's identity statement of being "focused on people, nature, and craftsmanship to redefine the joy of food and health," we actively distribute information on the Kirin Group's CSR activities. By publishing these reports, we would like to receive feedback on the Group's efforts in order to implement further improvements.

As the main reports on the Kirin Group's activities, we present the following three files and associated media. For more detailed information about the CSR activities of specific Group companies, please see their individual CSR reports.

■ Sustainability Report 2013 in PDF format (available in English and Japanese)

This report details the Kirin Group's stance on CSR and its efforts made in accordance with this position. It also operates as a guide to more comprehensive information on the Group's efforts in this regard as described on the corporate website. In compiling this report, we focused on the points listed below.

- 2013 is the inaugural year of the Kirin Group Vision 2021 (KV2021) long-term business plan and 2013-2015 medium-term business plans. The report outlines the policies and programs stated in the plans.
- The report also introduces the six themes announced in KV2021 that are important for society and the Kirin Group, and reports on the activities performed in accordance with each theme.



■ Website: available in English and Japanese

The corporate website provides detailed information on the efforts made in each field more comprehensively and systematically than the sustainability report. It is produced with reference to documents such as G3.1 Sustainability Reporting Guidelines, published by the Global Reporting Initiative in 2011 and Environmental Reporting Guidelines (FY 2012 Version), published by the Ministry of the Environment of Japan.



■ Environmental Performance Data Book in PDF format (available in Japanese only)

Detailed information on the environmental performance is compiled in one booklet produced with reference to documents including the G3.1 Sustainability Reporting Guidelines, published by the Global Reporting Initiative in 2011 and the Environmental Reporting Guidelines (FY 2012 Version), published by the Ministry of the Environment of Japan.

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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 and policies in any of the countries in which the Kirin Group operates.

Reporting Period

January 1, 2012 to December 31, 2012. Please note that environmental performance data for the Kyowa Hakko Kirin Group cover the period April 1, 2011 through March 31, 2012, with the exception of energy-use data that cover the period January 1, 2012 through December 31, 2012.

Scope of Reporting and Data Compilation

Where applicable, this report covers activities and accomplishments by Kirin Holdings Co., Ltd. and its 257 consolidated subsidiaries in Japan and abroad (as of December 2012), which collectively constitute the Kirin Group. On matters where group-wide information is unavailable, names of companies for which information is compiled are specified.

Business	Company
Domestic alcohol beverages business	Kirin Brewery Co., Ltd. ; Kirin Logistics Co., Ltd. ; Kirin Distillery Co., Ltd. ; Kirin Engineering Co., Ltd. ; Kirin Beer Marketing Co., Ltd. ; Ei Sho Gen Co., Ltd. ; Kirin & Communications Co., Ltd. ; Kirin Techno-System Corp. ; Kirin City Co., Ltd. ; Kirin Merchandising Co., Ltd. ; Heineken Kirin K.K. ; Mercian Corp. ; Wine Curation Co., Ltd. ; Nippon Liquor Ltd. ; Daiichi Alcohol Co., Ltd.
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 ; Brasil Kirin
Pharmaceuticals and biochemicals business	Kyowa Hakko Kirin Co., Ltd. ; Kyowa Medex Co., Ltd. ; Kyowa Hakko Bio Co., Ltd. ; Daiichi Fine Chemical Co., Ltd. ; Kyowa Hakko Kirin China Pharmaceutical Co., Ltd. ; BIOKYOWA INC. ; Shanghai Kyowa Amino Acid Co., Ltd.
Other businesses	Kirin Holdings Co., Kirin Business Expert Co., Kirin Business System Co., Ltd. Kirin Kyowa Foods Co., Ltd. ; Koiwai Dairy Products Co., Ltd. ; Yokohama Arena Co., Ltd. ; Yokohama Akarenga Inc. ; Kirin Echo

Environmental performance data for the Group's operations are a compilation of the above data (Company names are as of December 31, 2012)

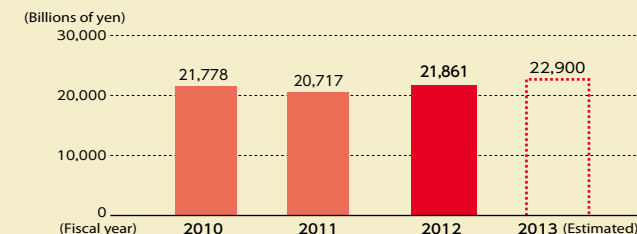
Company Profile

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 Brewery Company, Limited changed its trade name to Kirin Holdings Company, Limited.
Head Office	NAKANO CENTRAL PARK SOUTH 10-2, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan
Telephone	+81-3-6837-7000
President and CEO	Senji Miyake
Paid-in Capital	102,045,793,357 yen
Sales	2,186,177 million yen (Consolidated sales from January through December 31, 2012)
Number of Employees	68 (Number of employees of Kirin Holdings' consolidated subsidiaries: 41,246)

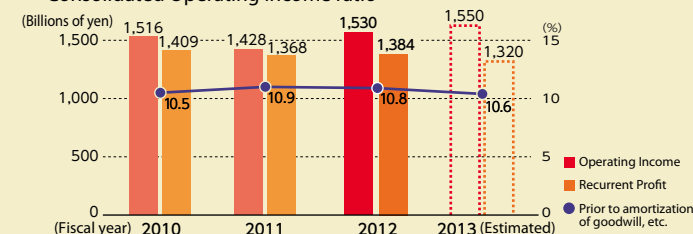
(As of January 1, 2013)

Financial Highlights

Consolidated Sales

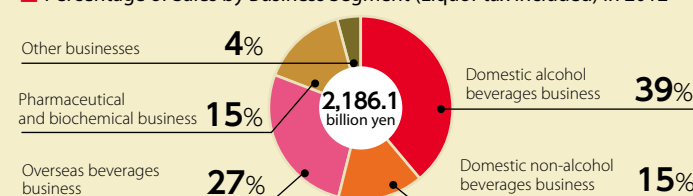


Consolidated Operating Income / Consolidated Recurrent Profit/ Consolidated Operating Income ratio

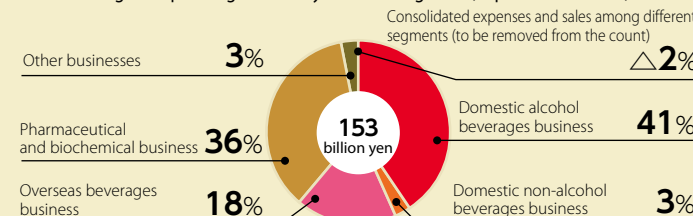


Segment Information

Percentage of Sales by Business Segment (Liquor tax included) in 2012

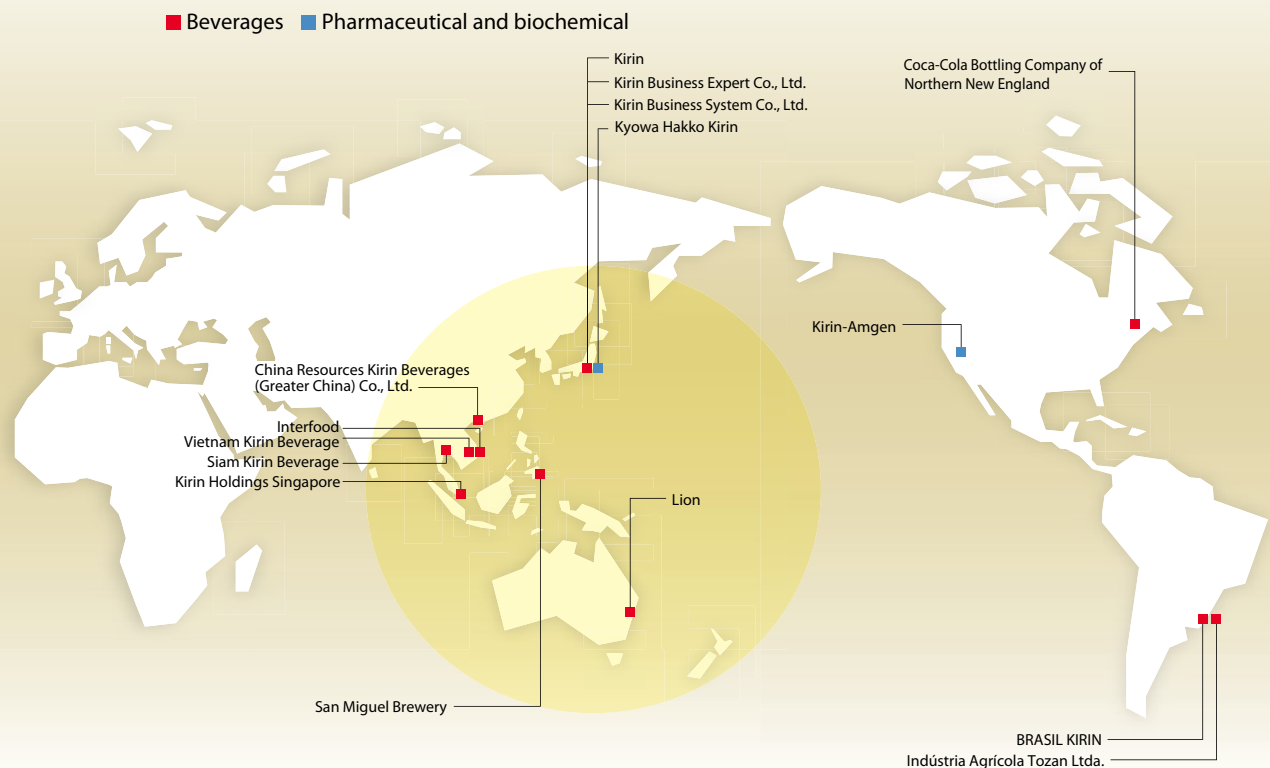


Percentage of Operating Income by Business Segment (Liquor tax included) in 2012

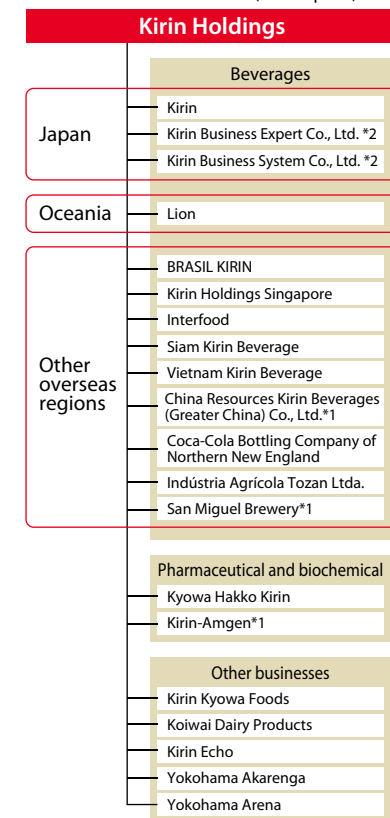


About Kirin Group

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, 2012, the Group had approximately 41,000 employees, and comprised 257 consolidated subsidiaries, one unconsolidated subsidiary, and 17 affiliates accounted for by the equity method. In October 2012, the Group announced the Kirin Group Vision 2021 (KV2021) long-term business plan, which has the aim of further developing the Group's domestic integrated beverages business—its core business, along with the development of overseas integrated beverages business to facilitate the further development of the Group.



Group Structure (As of April 1, 2013)



*1 Affiliate accounted for by the equity method
*2 Shared services company

Business Segments [Core Products]

Domestic alcohol beverages business



Domestic non-alcohol beverages business



Overseas beverages business



Pharmaceutical and biochemical business



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 anticorruption. 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. Kirin Group employees participate in working groups organized by theme in the Global Compact Japan Network and discuss common issues with representatives of other member companies.



The U.N. Global Compact's 10 Principles

Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	ensure 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.

Kirin Group CSR History

Kirin Brewery Co., Ltd. was established on February 23, 1907, taking over the business of the Japan Brewery Co., Ltd., which had started marketing Kirin Beer in 1888. In its history extending over 100 years from the Meiji to the Heisei era, Kirin Brewery has gone through a series of hard times, including struggling to recover from devastating earthquakes as well as from the postwar chaos in the late 1940s. Despite these challenging circumstances, the company has never wavered from its philosophy of being customer focused and quality focused, and has continued to expand its business. Such a corporate history forms the basis of the Kirin Group's CSR management.

	1880s	1950s-1980s	1990s	2000s	2010-2013		
Management history	1885 Japan Brewery Co., Ltd. (the forerunner of Kirin Brewery Co., Ltd.) established in Yokohama. On the advice of Thomas Blake Glover, who would later join the board of Japan Brewery, Yanosuke Iwasaki — president of Mitsubishi — and eight other Japanese become the company's shareholders.	1970s Expands its business to areas related to luxuries, health, and culture, and, through its business centered on beers, strives to contribute to the improvement of customers' quality of life.	1984 Develops and implements the Long-Range Management Plan and states its goal to diversify its business lines and venture into pharmaceuticals and other life science fields.	1997 Announces the New Kirin Vision 21 (NK21) medium-term business plan, which outlines structural reforms to be implemented in the core beer business. NK21 includes initiatives to build a solid base for the pharmaceutical and other diversified businesses, and to address social and environmental issues.	2006 Announces the Kirin Group Vision 2015 (KV2015) long-term business plan. Sets the goal of becoming a leading company in Asia and Oceania.	2007 Kirin Brewery changes its trade name to Kirin Holdings Co., Ltd. with Kirin Holdings being a pure holding company for the entire Kirin Group.	2013 Establishes Kirin Co., Ltd., which oversees the integrated beverages businesses in Japan
Management philosophy	Being focused on quality and conducting sound business management	1984 Being focused on quality, conducting sound business management, and creating new values	1988 Kirin Group, an industry that values life.	1993 We contribute to the health, enjoyment and comfort of people all over the world.	2007 Kirin Group is focused on people, nature and craftsmanship to promote the joy of food and health.		
Slogan		1984 Cheers to the 21st century	1993 Toward a fresh future	2000 One happiness after another	2007 Good taste makes you smile.		
Major CSR activities	1958 Becomes the first company in the industry to state a "quality-focused" stance and decides to stop using artificial sweeteners and colorants, which were widely contained in soft drinks at the time. 1965 Introduces the industry's first plastic carrying crates.	1974 Establishes environmental improvement offices in all plants and research centers. 1978 Begins sponsorship of Japan Cup soccer (the forerunner of Kirin Cup Soccer), the first international club competition in Japan. It has since continued to support soccer in Japan.	1993 Develops and introduces lightweight returnable bottles. 1996 Publishes the basic policy for quality assurance across the Group. Establishes the Quality Assurance Department to be a trusted corporate group.	1998 Becomes the first beer company in Japan to achieve a 100% recycling rate in all its breweries. 1999 Launches the Water-Source Forestation Project activities starting from Yokohama Plant.	2005 Signs the United Nations Global Compact. Kirin Beverage starts using Pecology® bottles, the industry's lightest PET bottles, for its Kirin Nama Cha green tea drinks. 2007 Establishes the Kirin Women's Network (KWN) to promote diversity among employees 2008 Revises and updates the Kirin Group environmental policy	2010 Publishes the Kirin Group's Declaration of Support for Biodiversity Conservation. 2011 Establishes the ARP Office. *ARP: Alcohol Related Problem (Alcohol Related Problem)	



KIRIN

**Pursuing Sustained
Growth While Living Up
To Expectations of Society**

Senji Miyake

President and CEO
Kirin Holdings Company, Limited



**Working to Retain the Trust and
Respect of Society in a Fast-Changing
Business Environment**

The Kirin Group unveiled in October 2012 the Kirin Group Vision 2021 (KV2021), a long-term road map of how we work to retain the trust and respect of the society that we serve. KV2021 replaced the Kirin Group Vision 2015 (KV2015), which was announced in 2006 as the Group's long-term strategic initiatives for developing and expanding its business. Under KV2015, we achieved significant revenue growth thanks to our increased presence in the global market. However, we faced tremendous challenges in the Japanese beverage market, in which consumers had a much wider variety of beverage products from which to choose and changes were taking place in a more dramatic and fast-paced manner than we had expected. To become more flexible and adaptive to a fast-changing business environment, we have updated KV2015 to KV2021 earlier than originally planned, and have decided to head with renewed determination toward where we want to be.

What is new about KV2021 is that it takes the traditional CSR (corporate social responsibility) approach to the next level by incorporating a management concept known as a CSV (creating shared value) approach*¹, in which the Kirin Group makes it part of its business to increase engagement with its six groups of stakeholders—customers, employees, communities, business partners, the environment, and shareholders and

investors—and to create shared value with them. We also have reviewed what we have accomplished in our CSR initiatives and have identified six major social challenges as key themes central to the Group's business activities.

**Developing a Stronger Bond with
Society by Remaining Customer-
Focused and Quality-Focused**

In KV2021, we have three visions to pursue. These visions reiterate the Group's inherited attributes of being customer-focused and quality-focused in pursuit of the Group's corporate philosophy of being "focused on people, nature and craftsmanship to redefine the joy of food and well-being." As all three visions are derived from the Group's long-held philosophy and mission, I hope that Group employees around the world will find it easy to embrace and relate to them.

The first vision is to "help people foster stronger bonds by offering customer-oriented and quality-focused value." The pursuit of this vision has its roots in the heritage of the Kirin Group. Being customer-focused and quality-focused does not end with making products and offering services—it is about creating products that enrich and enhance customers' experiences. Kirin Brewery's Ichiban Shibori Frozen Draft is a case in point. It is a product born out of a customer-focused, quality-focused approach that enables customers to enjoy beer in a way that they have never before. Seeing how happy they

are when drinking Frozen Draft makes our job worthwhile. We apply this approach not only to our alcohol beverages business but also to our non-alcohol beverages, food, and pharmaceutical businesses, so that a broader range of people can have richer experiences and foster stronger bonds with each other.

The second vision is to "build a corporate group where a diversity of people enjoy working and businesses grow with local communities, protecting the environment." This vision directly reflects our progress toward becoming a truly global corporate group. In Japan, we were one of the first companies in the beverage industry to offer equal employment opportunities to men and women, and we have been proactively embracing diversity in the workplace. As we are expanding our operations globally,

we endorse even broader diversity and inclusion among our employees regardless of nationality, race, and culture. Having diverse employees will give us a more competitive edge in the global market. This second vision also reflects our commitment to playing a constructive role in community development and environmental conservation, as we cannot continue our business without the support of local communities nor without the water and raw materials that nature provides.

The third vision is to "develop businesses globally in the field of food and well-being, with each region pursuing self-sustained growth in a locally optimized way." This vision reflects our intention to diversify our businesses into a wider global arena with an unwavering commitment to continuing to redefine the joy of food and well-being. As

each country and region has its own food culture and flavor preferences, it will not work if we stick to Japanese ways of doing things when conducting business in markets outside Japan. Each Kirin Group company is an expert in the market in which it operates and is, therefore, responsible for expanding the business on its own in a manner deemed most relevant to the regional needs.

Delivering Value That Only Kirin Can Deliver While Pursuing Six Key Themes

The Kirin Group has been carrying out a wide range of CSR activities for years. For instance, we became, in 1999, the first beverage company to launch a forest preservation project in Japan, and have been working to meet aggressive self-imposed targets to reduce CO₂ emissions so as to mitigate global warming. However, the enthusiasm that management and departments and staffers directly involved in implementing CSR initiatives and projects felt for high-minded CSR causes did not necessarily filter down to the rest of the organization; to my disappointment, not all employees recognized the importance of practicing CSR. To incorporate the CSR perspective in our organizational culture and business operations, we have chosen six key themes to pursue in KV2021.

Of the six key themes, three—protecting the environment, protecting human rights and working conditions, and preventing corruption—are based on the principles proposed in the United Nations Global

Compact, in which the Kirin Group participates. These three themes and the theme of improving food safety and security, which is must-have for a company in the food business and has profound social implications, constitute the Kirin Group's core themes. All Group companies, wherever they are, must pursue these four core themes while each is encouraged to exercise autonomy in pursuing its business goals in a manner appropriate to local agendas.

We have two more themes, which are derived from our corporate philosophy and are specific to the Kirin Group. One is strengthening bonds between people and society, which is closely associated with the heritage of the Group and has considerable social relevance. Our products and services have brought, and will continue to bring, smiles to people's faces and help them foster bonds with each other. In addition to bringing about such a positive effect on people, we will step up our efforts to bring communities closer together through the Kirin KIZUNA (bonding) Project^{*2} for reconstructing communities affected by the March 2011 Great East Japan Earthquake as well as through other initiatives. We will leverage the experiences and expertise we are gaining from the KIZUNA Project to help foster stronger bonds between people and society.

The other theme is promoting health, a theme that is most relevant to a corporate group engaged in the beverages, food, and pharmaceutical businesses. It is also a theme that reflects the growing health consciousness among customers. While addressing alcohol-related problems by offering non-alcohol, beer-

Kirin Group's Corporate Philosophy

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

2021 Vision

- Help people foster stronger bonds by offering customer-oriented and quality-focused value
- Build a corporate group where a diversity of people enjoy working and businesses grow with local communities, protecting the environment
- Develop businesses globally in the field of food and well-being, with each region pursuing self-sustained growth in a locally optimized way

"One Kirin"Values

Passion and Integrity



and wine-tasting drinks as alternatives, we will continue to develop food and drink products that offer customers health benefits. Products marketed under the Kirin Plus-i^{*3} brand are a case in point. In addition to expanding the offerings of energizing food and drink products that contain ornithine (a self-renewal amino acid), we launched in 2012, with great success, yogurt drinks that contain plasma lactic acid bacteria found to reduce the risk of contracting infectious diseases. The Kirin Group will become more aggressive in research and development in areas where we can make a difference in promoting customers' health.

Maintaining Relationships of Trust with All Our Stakeholders

Our efforts to achieve the 2021 Vision include working closely with all six groups of stakeholders to co-create greater brand value.

One way to do this is to foster stronger bonds with them by being always grateful to and sincere with them.

To help customers foster strong bonds with each other, we focus on developing food and drink products from which customers can have fun and delightful experiences with others. To address alcohol-related problems, we are expanding our offerings of non-alcohol, beer- and wine-tasting drinks, such as Kirin Free, and promoting responsible drinking among adults.

We create an open and accommodating organizational culture in which every employee is proud of the company and has the opportunity to achieve personal and professional growth in the workplace.

We help communities sustain well-balanced development by educating children through soccer and by addressing social challenges through the Kirin KIZUNA Project and a campaign to promote responsible drinking.

We adhere to compliance requirements, such as the prevention of forced labor and child labor, and ask the same thing of our business partners. We will continue to find ways to establish win-win relationships with our business partners, as demonstrated in our support of the Rainforest Alliance^{*4} project in Sri Lanka.

Our efforts to reduce CO₂ emissions to protect the environment include sharing trucks with other beverage companies to deliver products to distributors and retailers more efficiently. We will continue to practice a broad range of environmental stewardship, including the protection of resources and the environment.

We maintain relationships of trust with shareholders and investors by increasing our corporate value and sharing profits with them and by giving them an assurance that our CSR efforts will result in an increase in our corporate value.

Creating Shared Value for Both Society and the Kirin Group

While talking with external experts to obtain advice on KV2021 during its development phase and while working on the Kirin KIZUNA Project, I came to realize that a CSV approach, which makes CSR an integral part of management practices, might hold the key to increasing corporate value. A company that tackles social challenges head-on has a good chance of increasing its brand

value. For instance, an effort to figure out how to promote environmental conservation or customers' health may lead to an idea for a new product; and an effort for community outreach may point to a new business opportunity. This type of CSV approach has just started to catch on. In the Kirin Group, the CSV Division in Kirin Corporation—a new company established in January 2013 to oversee the Group's integrated beverages businesses in Japan—takes the lead in putting the CSV perspective into practice. We hope that the division will set a good example of the Group's corporate citizenship for all other Group companies to follow.

In order for this endeavor to succeed, it is critically important for all Kirin Group employees around the world to understand how much we can collectively accomplish by working toward KV2021, the six key CSR themes, and stronger bonds with stakeholders. To build solid buy-in among employees, every member of the management teams of Group companies will act as a vocal advocate of this approach and will infuse vitality into our organizational culture. With all employees working as a team to create value based on their understanding of stakeholders' needs and expectations, the Kirin Group will be able to achieve KV2021, to continue to live up to the trust and respect of the society it serves, and to remain on a growth track.

*1 See Page 12 for details

*2 See Page 14 for details

*3 See Page 18 for details

*4 See Page 20 for details

Kirin Group's Aspirations

Continuing to Redefine the Joy of Food and Well-Being over the Next 10 Years

In 2012, the Kirin Group announced the 2021 Vision, which articulates the Group's long-term aspirations of where it wants to be in 2021 and gives us something to strive for to continue to redefine the joy of food and well-being over the next 10 years. In pursuit of the 2021 Vision, we will work with our stakeholders to create shared value for both society and the Kirin Group. All Kirin Group companies, regardless of where they are and what they do, share "One Kirin" Values and work in concert to help achieve a sustainable society around the globe.

— 2021 Vision —

- Help people foster stronger bonds by offering customer-oriented and quality-focused value
- Build a corporate group where a diversity of people enjoy working and businesses grow with local communities, protecting the environment
- Develop businesses globally in the field of food and well-being, with each region pursuing self-sustained growth in a locally optimized way

Kirin Group's Six Themes

Strengthening bonds between people and society

Protecting the environment

Themes specific to the Kirin Group

Protecting human rights and working conditions

Sustainability of society and business Compliance

Promoting health

Improving food safety and security

Preventing corruption

"One Kirin" Values: Passion and Integrity

Corporate Philosophy

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

Working toward achieving the 2021 Vision, the Kirin Group pursues its six common themes derived from its corporate philosophy, using the CSV perspective—creating shared value for both society and the Kirin Group—and with passion and integrity.

Creating Shared Value (CSV)

Six Themes That the Kirin Group Pursues

We pursue six themes considered central to a corporate group doing business in the field of food and well-being. Protecting the environment, improving food safety and security, protecting human rights and working conditions, and preventing corruption are the four core themes we have chosen based on the United Nations Global Compact*; and strengthening bonds between people and society and promoting health are two themes specific to the Kirin Group. We work with our stakeholders to create shared value as a part of conducting business.

*See Page 5 for details

- Employees becoming increasingly diverse
- Corporate organization aligned for global operations

Protecting human rights and working conditions



Our principles on human resources management center on valuing employees. We respect the human rights of our employees as well as those employed by business partners involved in our value chains, and provide a working environment in which employees feel safe and secure.

► See Page 25

Protecting the environment



- Biological and water resources and raw materials for packages and containers becoming scarce
- Global warming

In pursuit of the Kirin Group Environment Vision for 2050, we share with all parties involved in our value chains our aspirations to continue to enjoy the natural bounty of the Earth and pass it down to future generations.

► See Page 19

Strengthening bonds between people and society



The March 2011 Great East Japan Earthquake made us see in a fresh light the importance of having strong bonds between people and society. We want our products and services to make a difference in creating and strengthening bonds among people and among communities.

► See Page 13

- Communities becoming loosely connected with each other
- Diversity of food and beverage cultures decreasing

Promoting health



As a corporate group engaged in the alcohol beverages business, we address alcohol-related problems on a global scale. True to our corporate philosophy of redefining the joy of food and well-being, we provide products and services that add the value of being healthy to customers' daily lives and that inspire new lifestyles among them.

► See Page 16

- More and more people suffering from a wide range of health problems including lifestyle-induced diseases
- People becoming more and more health-conscious
- Alcohol-related problems

Preventing corruption



We use sound judgment and integrity when dealing with all business partners that support the value chains of the Kirin Group's businesses so as to develop a fair and equitable relationship with each of them. We adhere to compliance requirements as a basis for implementing our CSR initiatives.

► See Page 27

- Scope of our responsibility becoming larger as we expand operations globally
- Social challenges becoming increasingly diverse

Improving food safety and security



Our dedication to quality has its roots in the early days of the Kirin Group. We stop at nothing to offer customers safe and reliable products and services that live up to their trust and expectations.

► See Page 23

- People becoming increasingly conscious about food safety
- The need to secure high-quality raw materials to make products

Kirin Group's Six Themes

Co-Creating Brand Value with Stakeholders

Customers, employees, communities, business partners, the environment, and shareholders and investors are six groups of stakeholders common to all Kirin Group companies. We work with these stakeholders to pursue six key themes in collective efforts to create shared value. In addition, we maintain dialogues with them to keep abreast of the changing needs and expectations of the society that we serve.

Develop an organizational culture in which employees feel a sense of pride and fulfillment, embrace diversity and inclusion, and can develop professional skills

We develop an organizational culture in which diverse employees feel a sense of fulfillment in what they do and achieve personal and professional growth.

- Protecting human rights and working conditions
- Promoting health
- Preventing corruption

Contribute to community development through business activities

We value the communities on which we depend for our business activities, and help them sustain well-balanced development by using our products and services to create bonds among people.

- Strengthening bonds between people and society
- Promoting health

Coevolve through mutual trust and collaboration

We establish relationships of trust with all our business partners through fair business practices as part of our collective efforts to achieve a sustainable society.

- Protecting human rights and working conditions
- Preventing corruption

Co-create value through brand-centered management

We strive to be part of our customers' important life moments and continue to co-create with them the value that meets their needs, while offering safe and reliable products and services.

- Strengthening bonds between people and society
- Promoting health
- Improving food safety and security

Continually increase our corporate value to deliver a return to shareholders

We continually increase our corporate value by maintaining the quality of our management and establishing long-term relationships of trust with shareholders and investors.

- Preventing corruption

Help achieve a zero-waste society

We make a cyclical use of resources so as to keep their use at or below the level at which the Earth can replenish them, while reducing the environmental loads that the Kirin Group generates in its value chains.

- Protecting the environment

Six themes common to all Kirin Group companies:

- Strengthening bonds between people and society
- Promoting health
- Protecting the environment
- Improving food safety and security
- Protecting human rights and working conditions
- Preventing corruption

COLUMN

Facilitating Greater Engagement with Our Stakeholders

In the second phase of the Kirin KIZUNA Relief-Support Project for the areas affected by the March 2011 Great East Japan Earthquake, we have been supporting the Agricultural Training Center Project for the Tohoku Region since April 2013. This training project is the fruit of more than 10 sessions we had with people in the agricultural sector, NPOs, and experts. Kirin staffers have been meeting with other project members regularly to discuss and identify the needs and challenges associated with restoring agriculture in the affected communities and how the Kirin Group can assist in the restoration efforts.

In August 2012, we had a stakeholder dialogue session with six experts in the field of food safety and security to discuss ways to maintain effective quality-related communication. The insights and ideas shared at the session—concerning how to establish good relationships with customers and society and to disclose information about food safety—were incorporated into the ways we communicate with our customers. We will keep in touch with our stakeholders and continue to exchange ideas on broader subjects.



Session of the Agricultural Training Center Project



Stakeholder dialogue session about food safety and security

Creating Shared Value Taking on Social Challenges While Sustaining the Growth of the Kirin Group

In 2013, the Kirin Group established Kirin Co., Ltd., which oversees the integrated beverages businesses in Japan carried out by Kirin Brewery, Kirin Beverage, and Mercian. The new company has in place the CSV Division. CSV stands for creating shared value—a management concept proposed by Michael E. Porter, a Harvard professor—which seeks to combine engagement in social challenges with sustained business growth. To bring to the next level the CSR initiatives that the Kirin Group has implemented through its business activities, in the Kirin Group Vision 2021 (KV2021), we make it an integral part of our business to create value that the Kirin Group and society can share.

Addressing Social Challenges as Part of Providing Products and Services

The Kirin Group has chosen to adopt a CSV approach because we wanted to transform the ways in which we do business. For years, we remained customer-focused and quality-focused to offer products and services that made customers happy. Then we asked ourselves, “Why not do more?” After the Great East Japan Earthquake in March 2011, we found people becoming more and more conscious about the social issues that they saw around them, and we realized the tremendous expectations placed on us by society. It was not long before we determined that addressing social challenges as part of our business of providing products and services would benefit our business in the long run. That is why we have chosen to implement a CSV approach.

Creating Shared Value

KV2021 calls for us to pursue six key themes with six groups of stakeholders to

create shared value.

We take the following three approaches to creating shared value:

1. Taking a CSV perspective when developing and marketing products and services. Kirin Free, the world's first non-alcohol, beer-tasting drink, is a case in point; it addresses the social issue of increasing traffic accidents caused by drunk driving. We will continue to look into other social issues to explore ways to develop products and services that address them.

2. Working with our business partners involved in manufacture and logistics in our value chains. For instance, we work with retailers and logistics companies to reduce environmental loads generated from distribution operations by consolidating small loads of merchandise to large freight trucks for delivery to retailers. This reduces the number of deliveries by trucks, yielding the benefits of reduced CO₂ emissions and lower distribution costs. Collaboration with our business partners and other parties in the industry is expected to generate greater results than those Kirin can deliver alone.

3. Working on the communities that

provide us with a basis of competition.

For instance, we have been assisting efforts to restore agriculture and fishery in the communities affected by the Great East Japan Earthquake as part of the Kirin KIZUNA Project. We will continue to work with a diverse range of communities that support our business.

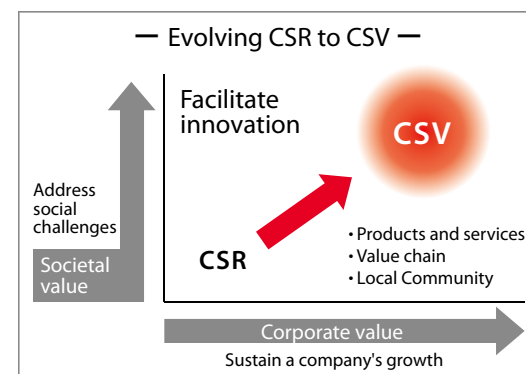
Taking on Social Challenges and Sustaining Business Growth

We have just started to pursue a CSV agenda, beginning first with our integrated beverages businesses in Japan. We will share and apply what we will learn in Japan to the rest of the Kirin Group. In that process, we will seek the advice and assistance of a broad range of our stakeholders. We are ready to leverage our strengths to continue to take on social challenges and, at the same time, to sustain the Group's business growth. By doing so we can make a difference in shaping our future society.

Interview

Kunio Kurihara

Executive Officer of Kirin Holdings Co., Ltd.
Director in Charge of Group CSR
General Manager of CSV Management Department
in CSV Division of Kirin Co., Ltd.



**Strengthening
bonds between
people and
society**

We want our products and services to make a difference in creating and strengthening bonds among people and among communities.



Our Goal

All our stakeholders—customers, employees, communities, business partners, the environment, and shareholders and investors—have made the Kirin Group what it is today. The March 2011 Great East Japan Earthquake made us see in a fresh light the importance of having strong bonds between people and society, and we have since been assisting reconstruction efforts in the affected communities in the Tohoku region. Our support is intended to help the region's industries return to what they used to be, which will make children feel they have a bright future ahead, brighten up the communities, invigorate the entire region, and eventually lead to its sustained growth. The 2021 Vision calls for us to help people foster stronger bonds by offering customer-oriented and quality-focused value. True to the philosophy on which the Kirin Group was founded, we use our products and services to pass down traditional food and beverage cultures and create new ones, and to help people stay in touch with their families and friends and with society.

Our Approaches

The Kirin Group, living up to the wishes and expectations of stakeholders, has been developing and fostering bonds with people and society as part of its business of providing products and services.

In July 2011, we made a commitment to contributing six billion yen over three years to reconstruction efforts in the Tohoku region struck by the Great East Japan Earthquake. All Group companies have since been joining forces in the Kirin KIZUNA Relief-Support Project. Driven by a strong desire to work closely with the people in the affected communities in reconstruction efforts, an important part of our assistance centers on encouraging them to foster stronger bonds with their families and communities. The Kirin KIZUNA Project comprises three pillars of activities: (1) helping restore the local food culture and food industry; (2) bringing smiles to children; and (3) helping people enhance their mental and physical wellness.

As part of initiatives to nurture the young generation, we sponsor soccer games and events to encourage their dreams of becoming members of the Japan national soccer team.

Our sales and marketing activities have the underlying objective of helping customers stay in touch with their families and friends. Furthermore, we make it part of our business to work with local residents and business partners to assist with community development and to create stronger bonds among communities. We also share with consumers the information and insights we gain from our extensive research on food lifestyles and beverage cultures.

Helping Restore the Local Food Culture and Food Industry

The Kirin Group, a corporate group in the food business, has taken it upon itself to help farmers and fishers affected by the earthquake in the Tohoku region get back on their feet in processes ranging from production through delivery of their products to customers.

Kirin's project staffers meet frequently with farmers, fishers, NPOs, and industry experts in the region and ascertain their needs and challenges so that we can provide assistance that makes a difference to the local industries.

In the project's first phase, which ran in 2011 and 2012, we offered a subsidy of 500 million yen for farmers to buy 386 pieces of farming equipment to replace lost or damaged equipment, and offered 400 million yen to restore damaged aquaculture equipment. Furthermore, 491 Kirin Group employees volunteered to provide assistance to fishers in remote communities.

In the second phase, which began in 2013, we have expanded our assistance to include helping local farmers and fishers develop brands for their farm and marine products, and helping them expand sales channels for their products in preparation for senary industrial development*. We will also support the training of the future generation of farmers with leadership talent.

* An approach to revitalizing agriculture and fishery in the primary sector of economic activity by extending them to include the processing of raw materials and the sale of processed products. (1) Primary sector (agriculture and fishery) x (2) secondary sector (processing) x (3) tertiary sector (distribution and sale) = (6) senary sector



Members of the Shichigahama Farmers Association back in business



Fully restored refrigerated storage facility for oysters, operated by the Miyagi Prefecture Fishermen's Association



Volunteers working on an aquaculture farm in Ogatsu Tachihama in Ishinomaki

Training Farmers

To nurture the future generation of farmers with leadership talent, we support the Agricultural Training Center Project for the Tohoku Region, scheduled to run from April 2013 through March 2014. This project is intended to bring farmers in the region up-to-date with respect to the agriculture business, including case studies of the latest developments outside Japan, and to invite aspiring talents into the region. Two programs—the Farming Leaders' Network in Tohoku and the Curriculum for Reconstruction Producers in Tokyo—are offered in the project; participants in these programs work together to create a new business model for agriculture in the Tohoku region and to help bring communities affected by the earthquake back to what they used to be and more.



Training sessions



Bringing Smiles to Children

Scholarships for High School Students Studying Agriculture / Cheering up children through table tennis

We have joined forces with Save the Children Japan (SCJ), an NGO advocating children's rights, to run the Kirin SCJ KIZUNA Scholarship Program for high school students studying agriculture in Iwate, Miyagi, and Fukushima Prefectures. In 2012, the second year of the program, 662 students from 20 high schools received scholarships. Kirin's project staffers visited some of the schools to attend hands-on classes and school festivals.

In addition, we are holding table tennis classes for children in Iwate, Miyagi and Fukushima Prefecture to encourage their wholesome growth. We held classes for 3,900 Children in 15 locations by the end of 2012, and plan to hold additional classes in 2013.



Students harvesting rice in a hands-on class

Helping People Enhance Their Mental and Physical Wellness

JFA-Kirin Smile Field

Working with the Japan Football Association, we sponsor the JFA-Kirin Smile Field program in Iwate, Miyagi, and Fukushima Prefectures. Former members of Japan's national team visit elementary schools and coach students in soccer skills, and we donate balls and goals to schools so that children can enjoy playing soccer when they want. By the end of 2012, 49,604 elementary students participated in the soccer classes held at 323 schools. The program will continue through 2013.



Students participating in a soccer class held at Iitoyo Elementary School in Soma, Fukushima Prefecture on December 4, 2012

COLUMN

Supporting Sports

Nurturing Children Through Soccer

The Kirin Group has been sponsoring the Kirin Soccer Field, soccer classes for elementary students, in Japan since 2008. This program is intended to help soccer gain a broader fan base and to encourage children to aspire to make it to Japan's national team. Takafumi Ogura, a former member of the national team, coaches enthusiastic children who enjoy practicing soccer with a former professional player they idolize.

Nearly 6,200 children participated in the classes held around the country in the first five years of the program. Participating young players not only improve their technical skills in the sport but also learn the importance of taking on the challenge of becoming better players. We hope the program helps children grow into wholesome individuals. In 2013, classes for 1,300 children are scheduled at 13 locations.



Children playing a mini game with coaches

Business Activities That Have a Way of Creating Stronger Bonds

Products and services the Kirin Group offers have a way of creating bonds among people. In our business, we strive to make a difference by helping people strengthen their bonds with their families and friends, which will invigorate communities.

A New Way of Gift-Giving Using Social Media

Kirin Brewery has launched a new online service named "Beer to friends" using social media for marketing Grand Kirin premium beer. A customer can purchase and send via Facebook or Twitter an electronic gift certificate for a bottle of Grand Kirin to a friend, who then takes the certificate to a 7-Eleven store to get a beer. This is a novel way of marketing beer gift certificates that bring people closer together.

Project to Communicate the Importance of Dining Together

The Kirin Group has been carrying out the Table of Dreams Project since 2011 to show how sitting around a dining table can bring people closer together. We sponsor a TV program with the same title, which—using a dining table as a metaphor by which people connect with others—brings to TV audiences snapshots of a variety of regional food cultures from around Japan as well as scenes of how food has a way of creating bonds among people. We also use Facebook to provide tidbits of information about food to the public. In addition, we invite hundreds of people to events in which they share outdoor dining experiences as a way of developing bonds with each other.



Dining event at Yokohama Red Brick Warehouse, with 1,000 participants

Project That Brings Children and Parents Closer Together

Kirin Beverage has been carrying out the Children's Library Project under the Koiwai Pure-Water Fruit Juice Drink brand. Under the supervision of Naoki Ogi, an education expert, the company produces picture books about children's mental growth, and donates them to kindergartens and libraries. Kirin Beverage also sponsors reading events for children around the country.

Employee's Comment

We Bring Children and Their Parents Closer Together

Since starting the Children's Library Project in 2011, we have donated 15,000 picture books as of the end of March 2013. I hope this project has helped many children and their parents share a good time. We will continue to offer products that not only connect with customers but also bring closer together children and their parents who enjoy our products.



Aya Yamaguchi
Marketing Department,
Kirin Beverage

Vineyard That Has Become Part of a Community

Mercian converted idle farmland into a vineyard in Ueda, Nagano Prefecture, in 2002. It was named Mariko Vineyard and has since hired members of the local community as workers. The 2009 vintage wine produced from the vineyard won a gold award in the 2013 Vinalies Internationales wine contest. The vineyard is expected to double its annual wine production to the equivalent of 80,000 750-ml bottles by 2018.



Mercian's Mariko Vineyard

Sharing Information on Food and Lifestyle

The Kirin Institute of Food and Lifestyle conducts surveys and studies on consumers' lifestyle trends associated with food and alcohol beverages, and reports findings about changes in consumers' preferences and in social trends.

The institute analyzed Japanese consumers' dietary behavior, lifestyle choices, personal values, and how they use dining as a relationship-building experience, and identified 10 distinctive patterns of food lifestyles among them. The Kirin Group helps a diverse range of customers take a second look at what they eat, and assists them in leading invigorating and fulfilling lives.

Employee's Comment

Fostering a Sense of Close-Knit, Lively Community among Bars, Restaurants and Retailers

My sales territory has been in the Kamata area in southern Tokyo for five years. Kamata used to attract a steady stream of shoppers and diners from neighboring communities, but has lost its appeal to out-of-towners in recent years. During a meeting with the city's tourist association, I was told that Kamata would be a location for a daily TV sitcom "Dr. Ume-chan" to be aired by NHK (public broadcasting company), and I saw an opportunity to showcase the town to outsiders. I started working with Hakusui-sha, a Kamata-based manufacturer of flavored soda drinks, and local bars and restaurants to create a new cocktail only available in Kamata. After several prototypes, we finally created the "Ume-chan Sour" cocktail, named after the TV program. Initially, only a few bars and restaurants in the area offered the cocktail to their customers. That changed when the tourist association endorsed the drink and when it was frequently featured in magazines and TV programs. Eventually, the cocktail was added to the drink menus of 70 bars and restaurants in the area and became very popular among visitors.

There was a disconnect between the Kamata Station Building and small retailers, bars, and restaurants nearby. To create a sense of community between the station building and the surrounding commercial district, we held Kamata Town Fair in the terminal building, which helped raise people's awareness of Kamata's local delicacies and also drove customers to local bars, restaurants, and retailers. It is exciting to see a sense of close-knit, lively community becoming stronger in Kamata.



Hisashi Arita
Tokyo Sales Office 3
Metropolitan Sales Division
Kirin Beer Marketing



"Ume-chan Sour"
Cocktail

Promoting health

As a group of companies committed to “delivering a greater joy of food and health,” we will strive to bring smiles through proposals with additional health benefits to your daily life.



Our Goal

The Kirin Group's identity statement is to “be focused on people, nature, and craftsmanship to redefine the joy of food and well-being.” We believe that one's health benefits not only one's self but also one's families, friends, communities, workplaces, and next generations. By incorporating a perspective on “health” in daily life, we aim to make life more joyous and fulfilling. The World Health Organization (WHO) defines health as “a state of complete physical, mental and social well-being and not merely the absence of disease or infirmity.” Based on this ideal, the Kirin Group promotes health as a “source of social bonding.”

Our Approaches

The Kirin Group Vision 2021 (KV2021) is the Group's long-term business plan to develop businesses globally in the field of food and well-being, with each region pursuing self-sustained growth in a locally optimized way. In 2008, the Kirin Group launched the cross-company Kirin Health Project mainly in Japan under the Kirin Plus-i brand, whereby it leverages its technical expertise to develop products to meet the needs of health-conscious customers. We will continue our efforts to conduct research and development on health and maximize our global intercompany synergy to develop products that will meet the health-related needs that are ever increasing and diversifying along with the advancement of society.

As a socially responsible corporate group that manufactures and markets alcohol beverages, and to address alcohol-related problems (ARPs) through a global perspective, we will regularly conduct public-awareness campaigns on responsible drinking in various countries.

Kyowa Hakko Kirin Group, operating in the pharmaceutical and biochemical business, 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 with diseases as possible. Kyowa Hakko Kirin also strives to fulfill its obligation to provide its pharmaceutical products to ensure their safe and reliable use. Furthermore, Kyowa Hakko Kirin Group actively provides information that is in high demand on pharmaceuticals and healthcare.

Addressing Alcohol-Related Problems

We consider alcohol-related problems (ARPs) to be at odds with the Kirin Group's identity statement of "redefining the joy of food and well-being." As a socially responsible corporate group that manufactures and markets alcohol beverages, the Kirin Group addresses ARPs head-on and provides practical solutions to them. We work with local and international communities in the fight against high-risk drinking. Our far-reaching efforts to tackle ARPs start with establishing the basic policy and action guidelines for addressing them, and range from raising public awareness about responsible drinking to defining and enforcing stringent voluntary standards on alcohol advertising. We also train our employees on responsible drinking, and participate in industry-wide programs and campaigns against the harmful use of alcohol in Japan and abroad.

Basic Policy for Addressing ARPs

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

Basic Policy

1. In the belief that responsible drinking has 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 drinking may cause to prevent such problems.
 - Preventing underage drinking
 - Preventing drunk driving
 - Preventing binge drinking
 - Discouraging pregnant women and nursing mothers 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 actively support public campaigns and down-to-earth activities to prevent irresponsible drinking.
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.

Joining Forces with Trade Associations

In May 2010, the WHO resolved to adopt the Global Strategy to Reduce the Harmful Use of Alcohol. Following the WHO resolution, trade associations within the Japanese alcohol industry have been working with the government to develop initiatives to address ARPs, including those specific to the Japanese market.

The Kirin Group has joined international trade organizations, the Global Alcohol Producers Group (GAP Group)*¹ in 2005 and the International Center for Alcohol Policies (ICAP)*² in 2013, and has been globally carrying out projects to reduce the adverse effects of alcohol misuse. In 2012, the Kirin Group worked to ensure that overseas major Group companies understood the message of "Reducing the Harmful Use of Alcohol: Beer, Wine and Spirits Producers' Commitments" produced and published by the GAP-Group and the ICAP.

*1 Global Alcohol Producers Group (GAP-Group)

The GAP-Group is an international trade organization established in 2005 to provide alcohol beverage companies with a channel of dialogue with the WHO. Its members are 16 organizations comprised of alcohol beverages companies and brewers associations from around the world. For details, access the URL on the right: <http://www.globalalcoholproducersgroup.com/>

*2 International Center for Alcohol Policies (ICAP)

The ICAP is an international NPO established in 1995 to promote dialogue on alcohol policies. Its members are 14 major alcohol beverages companies from around the world. For details, access the URL on the right: <http://www.icap.org/>

Promoting Responsible Drinking

To reduce alcohol-related problems, we believe that it is most important to promote responsible drinking. We perform promotional activities as well as activities using our products, such as Kirin Free, development and distribution of public teaching materials, and campaign against drunk driving in cooperation with administrative organizations.

The Kirin Group expects all its employees to be role models for responsible drinking for the public and provides awareness-raising training on responsible drinking to all employees. It has designated April as a responsible-drinking month in which all employees are encouraged to participate in a training session, where instruction is provided on the advantage and disadvantage of drinking, how to achieve responsible drinking, as well as reviewing eating habits, promoting exercise, and other knowledge to lead a healthy life and improve awareness.

As teaching materials, the Kirin Group has distributed approximately 7 million copies of a brochure titled "The ABCs of Alcohol and Health" since 1996, approximately 0.6 million copies of a video titled "Minors and Alcohol" since 1993 to prevent underage drinking, and approximately 0.2 million copies of an educational video for adults titled "Drink Happily Throughout Your Lifetime" since 2012 in order to share knowledge on this subject.

As part of its fight against drunk driving, the Group started using Kirin Free - a non-alcohol(0%), 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 from 2009. In 2012, the Group, in cooperation with local governments, distributed campaign brochures and free samples of Kirin Free to people on the street at 120 locations across Japan. In 2010, the Group added the Kirin Fund against Drunk Driving as an option in its special benefit program for shareholders. In 2012, approximately 1.25 million yen was raised and donated to the Japan National Organization Welfare of Victims of Automotive Accidents.

COLUMN

Efforts Made by Lion (in Australia and New Zealand)

Lion has made efforts concerning the alcohol contents of its products as well as items to be denoted on its product labels. It reduced the alcohol content of its major brand product "XXXX GOLD" from 5% to 4.2% in 1991. Further, along with an increase in health awareness, it has reduced the alcohol content to 3.5% to contribute to moderate drinking among its customers. In 2012, the increasing market share of low-alcohol beer reached approximately 17% of the entire beer market, and "XXXX GOLD" became the leading brand in the market. As an effort more than sufficiently meeting legal standards, Lion adopts consumer health messages that support responsible drinking choices on the labels of their alcohol beverages. In 2012, in response to a suggestion from a stakeholder, Lion focused its message to warning against drinking during pregnancy.



Health Promotion Efforts

Promoting Products with Additional Health Benefits

To help its customers enjoy their food regardless of their age, the Kirin Group has provided, through its group companies, products under the Kirin Plus-i brand to create value by offering not only great taste and joy but also health-related benefits. The first Kirin Plus-i products all contain, as a functional material, ornithine, an amino acid developed and manufactured by Kyowa Hakko Bio, a Group company. As a health need among people in their 30s and 40s, who are busy both at work and in their private life, Kyowa Hakko Bio focused on the need to “recover from fatigue,” and conducted research through evidence-based data on the effectiveness of ornithine to alleviate symptoms of fatigue, alcoholic fatigue, and malodors caused by fatigue. In 2012, it made further research findings on the effectiveness of ornithine in facilitating sleep and the workings of the brain in the morning after waking up.

Other research by the Kirin Group includes the research on materials (hops and barley) that led to the finding of the effectiveness of beta-Eudesmol, which is contained in Hersbrucker hops from Hallertau in Germany, to provide a sense of relaxation, the effectiveness of roasted barley to improve blood circulation and warm the body, and ascertaining the effectiveness of Plasma Lactic acid bacteria to prevent influenza virus infection in a study on mice.

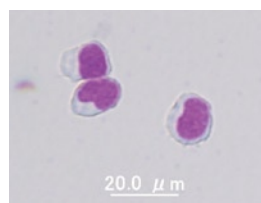
In these ways, the Kirin Group will continue its efforts to leverage its wealth of research achievements and technologies in order to develop, under the Kirin Plus-i brand, products that enable customers to enjoy hard-to-take food items and those with health benefits as part of their daily diet.

Discovery and Application of Plasma Lactic Acid Bacteria

In collaboration with Koiwai Dairy Products Co., Ltd., the Central Laboratories of Kirin Holdings discovered the effectiveness of Plasma Lactic acid bacteria (*Lactococcus lactis*: JCM5805) in stimulating the immune function to prevent viral infection among animals and people* in 2011. Then the bacteria's effectiveness to prevent influenza virus infection was tested and ascertained through administration on mice and people and the findings were reported at the 60th Annual Meeting of the Japanese Society for Virology.

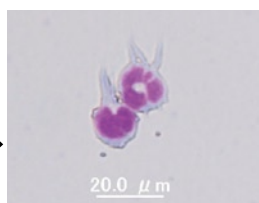
In the future, in cooperation with Research Laboratories for Beverage Technologies of Kirin Holdings and other group companies, the Central Laboratories will apply its findings more extensively to food and drink.

* Published in September 6, 2011 “Discovery of lactic acid bacteria that stimulates the immune function to prevent viral infection”



Normal plasmacytoid dendritic cells (pDC)(without adding anything)

Adding
Plasma
Lactic acid
bacteria



Active pDC

Pharmaceutical and Biochemical Business Activities

Providing Information on Health

Kyowa Hakko Kirin Group manages websites that provide patients with information about diseases and their treatment and medication as well as providing the general public with information maintaining good health.

Kyowa Hakko Kirin manages a number of websites for patients and the general public. For example, Hay Fever Handling Navigator provides information on the mechanism of and measures against hay fever as well as regional pollen dispersion forecasts and a function enabling users to search for appropriate hospitals in their vicinities. In 2013, an application of this navigator for smartphones was made.

Amid a strong trend for the consumption of health food and a growing need for information on health ingredients, Kyowa Hakko Bio launched the Healthcare Laboratory website in 2008, which it keeps updated to help customers maintain their health and to promote the scientific evidence and the expected health benefit of ingredients, such as ornithine and citrulline. It will continue providing information based on research results, and will incorporate the information to meet the demand for knowledge among customers.



Healthcare Laboratory Website Top Page



Hay Fever Handling Navigator Website

COLUMN

Efforts in Australia

According to data from the Australian Institute of Health and Welfare (AIHW), 60% of Australians aged 18 and over are overweight or obese, as are approximately 25% of Australians under 18. Furthermore, obesity among adults is on the rise. In response to this problem, Lion provides information and public education on product selection that helps customers improve their eating habits. To date, Lion has made efforts to establish regulations and frameworks concerning fat, sugar and alcohol in cooperation with trade associations, government agencies, and health promotion associations. The results of these activities are applied to the product development and marketing of Lion. In 2012, it started selling healthier products, such as non-fat yogurt and fruit juice with the sugar content reduced by 50%. To better serve customer needs, Lion will continue its effort to provide public education for consumers through marketing activities and product distribution in cooperation with governmental agencies and industries.



Protecting the environment

We will pass down the bounty of nature of our Earth to the generations to come in cooperation with our stakeholders.



Our Goal

The Kirin Group, true to its identity statement of being “focused on people, nature and craftsmanship to redefine the joy of food and well-being,” aspires to pass down the bounty of nature and environment of our Earth to the generations to come in a sustainable style, so as to continue creating and offering added value to its customers and society. To achieve our goal, we conduct our activities in communication and cooperation with our stakeholders. The long-term vision states such aspirations of the Kirin Group.

Our Approaches

The Kirin Group uses the bounty, power and heritage of nature to create products that enrich people's lives. Ensuring a balanced coexistence with nature and the sustainable use of its blessings is one of the top priorities on our corporate agenda.

In 2009, the Kirin Group announced its Action Plans for Becoming a Low-Carbon Corporate Group. In 2010, it announced the Kirin Group's Declaration of Support for Biodiversity Conservation. While tackling individual environmental issues, we have been constantly reminded that maintaining environmental sustainability along the Kirin Group's value chain has much to do with the continuity of society and of our business. We have also realized that we need to address environmental issues as a whole rather than individually in order for our efforts to be effective. In light of this, we come up with the Kirin Group's Long-Term Environmental Vision to constructively integrate our past activities. We use it as the Kirin Group's environmental strategy to help make a sustainable environment and society a reality and to increase the Group's corporate value.

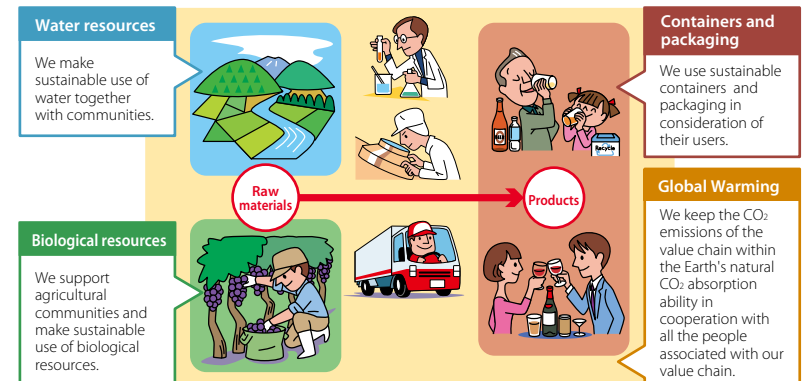
Kirin Group's Long-Term Environmental Vision

The Kirin Group shares with all the people associated with its value chain its aspiration to continue to enjoy the bounty of nature and pass it down to the generations to come.

Our direction : Realization of society that is based on 100% recycling.

Make a cyclical use of resources so as to keep their use at or below the level that the Earth can replenish them, while reducing the environmental loads that the Kirin Group generates through its value chain.

Efforts Made throughout the Value Chain



Sustainable Use of Biological Resources

In order to secure a supply of high-quality raw materials and water, it is necessary to protect the ecosystems of their communities. The Kirin Group establishes partnerships with those communities and the people working in them to use biological resources with consideration to the conservation of the ecosystem as well as to improving the sustainability of communities themselves.

Sustainable Sourcing of Biological Resources

In 2010, the Kirin Group announced the Kirin Group's Declaration of Support for Biodiversity Conservation. Since then, it has engaged in efforts such as assessments of risks to local ecosystems caused by acquiring biological resources.

In cooperation with the Japan Office of the World Wide Fund for Nature (WWF), an organization working on issues related to the conservation of the environment in approximately 100 countries, the Kirin Group adopted the Guideline for the Sustainable Sourcing of Biological Resources and prepared action plans to improve the sustainability of biological resources, including tea leaves, paper and palm oil.

We will continue to work with agricultural communities and suppliers to achieve the sustainable sourcing of biological resources so that nature continues to bless us with its plentiful bounty to keep our business going.

Guideline for the Sustainable Sourcing of Biological Resources

The Kirin Group shall procure specified biological resources in accordance with the following principles.

1. Biological resources from plantations or afforested areas, which have been developed by illegal deforestation, shall not be procured. Biological resources shall be confirmed to have been produced according to local regulations on felling trees and proper procedures may be procured.
2. Biological resources shall be produced by plantations or afforested areas certified by reliable third parties.
3. Biological resources provided by business organizations suspected to have performed environmental destruction shall not be procured.

Helping Tea Farmers in Sri Lanka Become Rainforest Alliance Certification

Sri Lanka is one of the world's major tea exporting countries. Approximately 60% of tea leaves imported to Japan are from Sri Lanka^{*1}, and approximately 25% of the tea leaves imported to Japan from Sri Lanka are used for Gogo-no-Kocha^{*2}, the No.1 bottled tea brand produced by Kirin.

Under such a circumstance, the Kirin Group has conducted surveys on their supplier tea farmers in Sri Lanka concerning their sustainability and efforts to conserve the ecosystem. The Group discovered that approximately 40% of its supplier farmers have been certified for contributing to biodiversity, and the proportion of those has gradually increased. On the other hand, the Group also discovered that the farmers that can address such certifications for sustainable agriculture are limited to those with relatively ample capital, and that there are many farmers that



Tea farmers in Sri Lanka

are willing but are unable to be certified.

Thus, to facilitate the sustainability of the entire community and consequently the sustainable provision of raw materials, the Kirin Group has decided to help farmers become Rain Forest Alliance certified, a certification of sustainable farming. The Kirin Group plans to select around four tea farmers from among those covered by the Kirin Beverages Sri Lanka Friendship Project^{*3}.

^{*1} Data from 2011 Tea Statistics published by the Japan Tea Association

^{*2} Survey Data by the Food Marketing Institute (Results in 2011)

^{*3} The Sri Lanka Friendship Project is an activity to donate books to elementary schools near tea farmers in Sri Lanka that grow tea leaves for Kirin black tea drinks.

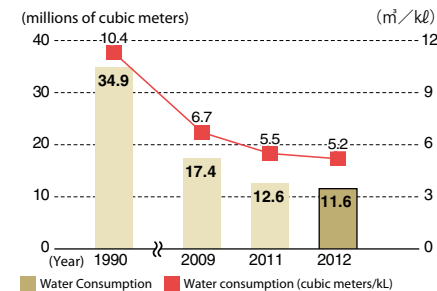
Conserving water resources

The impact of water resource issues vary significantly geographically. The Kirin Group assesses the risk concerning water resources in its production sites and addresses the water resource issue in each region in order to preserve water in cooperation with local communities.

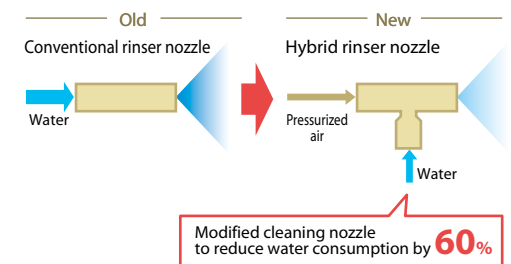
Efforts to use water more efficiently

In 2011, Kirin Brewery installed a newly developed hybrid rinser that uses significantly less water to wash cans before they are filled with beer. The hybrid rinser sprays pressurized air together with water to clean the cans with 60% less water. By adopting such water-saving technologies for the manufacturing process along with recycled water use in other areas, the Kirin Group companies strive to reduce water consumption.

Change in Water Use and Water-Use Intensity (Kirin Brewery)



Conceptual Diagram of the Hybrid Rinser



Activities to Preserve Forests and Water

The Kirin Group works together with local NPOs and forestry associations to help the communities make forests with consideration to the local vegetation and ecosystem. The Kirin Group company employees and their families join such activities as volunteers together with local people, thereby providing excellent environmental education.



Area of Water-Source Forestation project (Kirin Brewery)
14 sites in Japan, 1,056 ha in total

Recycling of Containers and Packaging

Containers and packages preserve the quality of their contents and make it easy for customers to handle products; however, they are made from finite resources. At the Kirin Group, we develop and adopt containers and packaging that are light and easy to use for customers and the people who transport them as well as those that have a minimal impact on the natural environment. Furthermore, we plan to use more plant-derived materials for the manufacture of plastic bottles and will start to recycle used PET bottles into new PET bottles in Japan to make a zero-waste society a reality.

Premium Glass Bottle, the Lightest One-Way Bottle in Japan

The Premium Glass Bottle, developed in 2012, weighs only 140 g making it the lightest 330-ml one-way bottle in Japan* produced for carbonated drinks. In addition to reducing the weight by 20% and reducing CO₂ emissions in the manufacturing process by 23 g per bottle, the bottle has a wide mouth that makes drinking from it easier.

Kirin Brewery adopted this glass bottle for Grand Kirin beer, and began sales of it in Japan at 7-Eleven stores that sell alcohol beverages. Grand Kirin received the Good Design Award 2012 (organized by the Japan Institute of Design Promotion) for its eco-friendliness in using the lightest bottle in Japan and reducing CO₂ emissions by making the bottle and packaging materials lighter as well as the bottle's upscale styling and easy-to-use design.

* As of June 13, 2012, according to our survey data.



Reducing
30g of raw material
per bottle

Reducing
23g of CO₂ emission
per bottle

Ease of drinking
Improved the ease of drinking
by adopting a wide-mouth design.

Easy to place
Its shape, having the same height
and diameter as a 500-ml can,
makes it easy to place for display.

Robust
Ensuring material strength by
maintaining thickness in the areas that
come into contact with other bottles

Bottle-to-bottle recycling combined, for the first time in Japan, with plant-derived PET materials

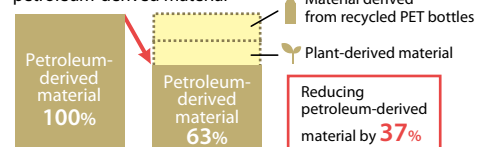
Kirin Beverage managed to make its 2-liter PET bottle lighter by 38 g per bottle (and the PET bottle for water by 35 g) through the use of the new advanced Pecology bottle developed in 2010. Furthermore, in 2012, Kirin Beverage started utilizing a bottle that uses 37% less petroleum-derived materials for its Kirin Nama Cha green tea drinks. This was achieved by applying bottle-to-bottle recycling combined with, for the first time in Japan*, plant-derived PET materials. In addition to having reduced the environmental load, the new bottle improves ease of use by being easy to open and easy to hold. Currently, Kirin Beverage is seeking to further reduce the use of petroleum-derived materials by increasing the ratio of recycled materials used.

* As of January 5, 2012.

Kirin Nama Cha green tea drink in the new Pecology bottle Making PET bottles lighter



Reducing the use of petroleum-derived material



COLUMN

Research Laboratories for Packaging Technologies

Kirin Brewery is one of the few integrated alcohol beverages companies to have its own Packaging Development Center for developing containers that are lighter, easier to use, and help maintain quality more effectively. Since January 2013, the Packaging Development Center has been reorganized to the Research Laboratories for Packing Technologies and has worked to improve the quality and reliability of packages and, at the same time, reduce their environmental load. The laboratory shares its technological achievements with other Group companies.



Research Laboratories for Packaging Technologies

COLUMN

Efforts by Lion (Australia) to Reduce the Weight of Containers

In Australia, the government and industry have the Australian Packaging Covenant with the aim of reducing the environmental load of containers and packaging as well as waste containers and packaging. Lion, a signatory of this covenant, released its new action plan in 2011. One of the goals stated in the action plan is to reduce the environmental load by improving the resource usage efficiency of containers and packaging without affecting the quality and safety of products. In 2011, Lion's Beer, Spirit & Wine business in Australia assessed and reengineered packaging materials. As a result of a collaborative effort with suppliers, Lion significantly reduced the weight of the materials it uses, such as glass bottles, cardboard, bottle caps, cans, and labels. Overall, the materials usage index measured as grams of packaging per liter of product was reduced by 2.3%. The food and beverage department reduced the weight of the 3-liter PET bottle for juice from 90 g to 78 g as well as making resource-saving efforts with regard to shipping cartons and pallets.

Taking Measures Against Global Warming

Global warming might trigger a climate change that affects the entire Earth; its ecosystems, water resources, farm crops, and gives rise to natural disasters. It is a major issue for the Kirin Group's business. The Kirin Group, in cooperation with all the people associated with its value chain, aims to reduce CO₂ emissions generated from its entire global value chain by half from the 1990 level by 2050.

Action Plan to Reduce CO₂ Emissions

In August 2009, the Kirin Group announced its Action Plans for Becoming a Low-Carbon Corporate Group and established a goal to reduce CO₂ emissions generated from its entire global value chain, from development to disposal and recycling, by half.

By 2012, the Kirin Group managed to bring CO₂ emissions generated from its entire global value chain down to 25.4% below the 1990 level and CO₂ emissions from its manufacturing, distribution and office operations in Japan down to 53% below the 1990 level.

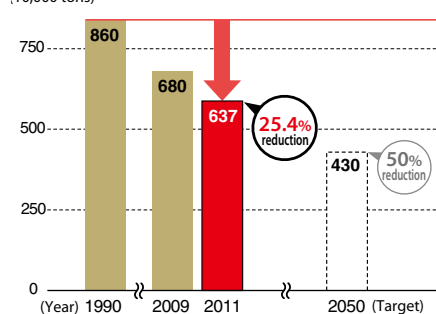
Action Plan

- We will reduce CO₂ emissions generated from our entire global value chain by half from the 1990 level by 2050.
- By 2015, we will bring CO₂ emissions from our manufacturing, distribution and office operations in Japan down to 35% below the 1990 level*.

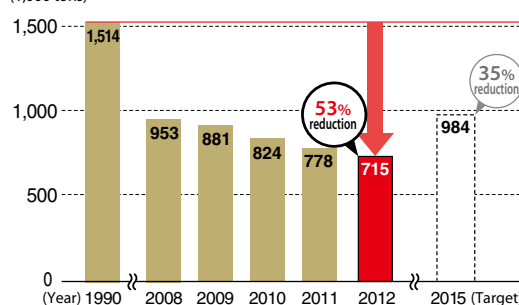
(Created in 2009 and revised in 2012)

* The target has been achieved, so a new target is to be set in 2013.

CO₂ Emissions Generated from the Entire Global Value Chain
(10,000 tons)



Results and targets of CO₂ emissions from the manufacturing, distribution and office operations in Japan*
(1,000 tons)



CO₂ Emissions Generated from the Entire Global Value Chain

In 2011, the Kirin Group's CO₂ emissions generated from its entire global value chain were approximately 6.37 million tons. Of the CO₂ emissions as a whole, only 23% came from direct business activities; manufacturing, distribution, and office operations. This means we need to do something about CO₂ emissions associated with the rest of the value-chain activities to reduce our overall CO₂ emissions.

Using a Renewable Energy Produced by Anaerobic Wastewater-Treatment Facilities

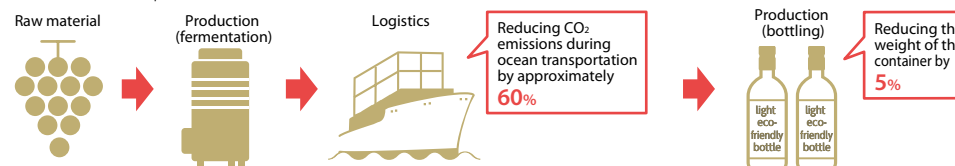
Kirin Brewery plants are equipped with advanced wastewater treatment facilities. The biogas (methane gas), a renewable energy source, which is produced during the treatment, is collected from these anaerobic wastewater-treatment facilities to run a cogeneration system utilizing biogas, a renewable energy, produced by anaerobic wastewater-treatment facilities in its plants. This technology was installed in all seven plants in Japan, resulting in the use of biogas power generation in 2012 to cover approximately 30% of the electricity used at these facilities.

Efforts at Kirin Brewery's Chitose Plant in Hokkaido

Facilities in Hokkaido in the northern part of Japan, where a lot of electricity is required during winter, have been asked to save electricity as the power supply in Japan has not yet recovered fully following the incident at the Fukushima nuclear reactor. Kirin Brewery's Chitose Plant in Hokkaido implemented a plan to reduce maximum electricity consumption by 15% from the previous year during the four-month period from December 2012 to March 2013 by replacing lights with LED lamps and by applying inventive ideas to the manufacturing process.

Ocean Transportation in Large Bags and Bottling in Japan

Mercian imports some of its wines in bulk via ocean transportation in specially designed 24-kL large bags having low oxygen permeability, and bottles the wines in Japan. As this system does not require the transportation of the bottles, it makes it possible to reduce CO₂ emissions during ocean transportation by approximately 60%. Furthermore, bottling the wines in Japan allows the use of light eco-friendly bottles (including 90% or more recycled glass and reducing weight by 5%), contributing to the effective use of resources and reduction of CO₂ emissions for product distribution in Japan.

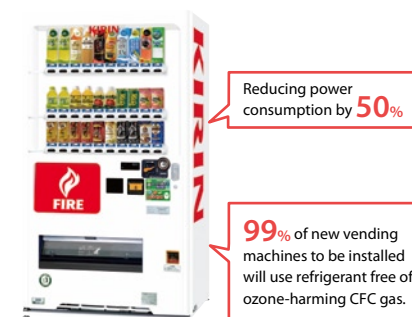


Adopting Heat Pumps and Refrigerant Free of Ozone-Harming CFC Gas for ewly Installed Vending Machines

Kirin Beverage started in March 2012 installing a new generation of can and PET bottle vending machines* that use up to 50% less electricity than their predecessors by running on energy-efficient heat pumps. Furthermore, 99% of new vending machines to be installed in 2013 will use refrigerant free of ozone-harming CFC gas.

In order to maintain stable supply of products in spite of the difficult electricity supply situation, the Kirin Group will continue its efforts to conserve electricity.

* Excluding a small number of shallow-profile units.



Improving food
safety and security

Our dedication to quality has its roots in the early days of the Kirin Group. Today, we continue our efforts to offer customers safe and reliable products and services that live up to their trust and expectations.



Our Goal

To meet the globally increasing consciousness regarding food safety, the Kirin Group ensures the quality of products by performing some of the most stringent quality-assurance practices in the food and beverage industry. To live up to the expectations of customers and society, the Group strives to communicate with sincerity and offer safe and reliable products and services at all times.

Our Approaches

All Kirin Group companies maintain a comprehensive quality-management system in all processes across the value chain in compliance with the Kirin Group's quality policy. Currently, the Group is preparing to implement a unified quality-management system across its business, which is growing geographically.

In Japan, the Kirin Corporation and companies operating under its management (Kirin Brewery, Kirin Beverage, and Mercian) established in January 2013 a unified system to promote quality-assurance and customer service. Quality-assurance departments strive to ensure safety in more effective ways by leveraging the strengths of each company. The customer service office, which serves the customers of the three beverage companies, works hard to standardize the service as well as improve skills to ensure even greater reliability and satisfaction for customers.

Furthermore, to ensure more reliability to customers, the customer service office also works to better facilitate communication with customers. We foster relationships of trust with our customers and society by holding stakeholder dialogue sessions and providing information from the quality-assurance website shared by the three beverage companies.

The Kirin Group's Quality Policy

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 dialogues with our customers give us a good opportunity to make incremental improvements to quality and customer satisfaction, which results in better products and services 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.

Quality Management

Enhancing Quality Management

To maintain continuous compliance with the Kirin Group's quality policy, Group companies have established a quality-management system based on ISO 9001 and other international standards, and continually improve quality as measured against the Kirin Group Quality Standards. In addition, we have established within Kirin Holdings a group of staffers in charge of quality assurance, who appropriately allocate resources to improve quality-assurance efforts within the entire Group. In Oceania and Brazil, the progress in our projects to improve productivity has led to improved promptness in solving problems in the manufacturing process. As an added result, we witnessed a remarkable improvement concerning quality, such as a decline in complaints from customers. We plan to share these findings and awareness with other Group companies in Japan and Southeast Asia in order to improve quality management efforts across the Group.

Ensuring Safety of Raw Materials

The Kirin Group Basic Policy on Quality states commitment to ensuring product safety is the item of the highest priority. This is based on efforts made to ensure the safety of raw materials. The Kirin Group works in cooperation with suppliers to test the quality of raw materials as well as perform periodical inspections to check the quality control status. The Group also applies advanced analytical technologies to check product safety from the product development stage. In addition, the Group monitors the latest scientific findings and changes in laws and regulations in each country so it can promptly take any necessary measures.

The procurement of raw materials extends to global markets along with the IT technologies that immediately disseminate information on food risks. In order to properly handle such a situation, Kirin Group companies around the world have jointly launched a system to collect and share information. The system is scheduled to start operation in 2014.



Sensory testing of water used in beer breweries

Improving Communication with Our Customers

From 2013, the quality assurance departments of Kirin Brewery, Kirin Beverage, and Mercian have worked as a team in the domestic integrated beverages business to perform activities to earn customers' continued trust by efforts such as launching a quality assurance website shared by the three companies. The quality assurance website summarizes four efforts to ensure Kirin Quality: Pursuing the taste, Valuing the craftsmanship, Promises for safety, and Sincerity to stay reliable to customers.



Improving Customer Service

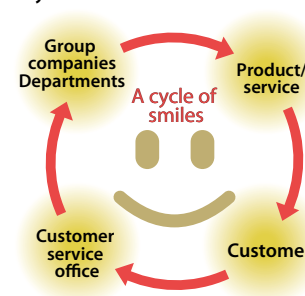
At the Kirin Group, we value communication with our customer as an integral factor to offer them safe and reliable products and services that live up to their trust and expectations. In 2012, Kirin Brewery received approximately 37,000 inquiries, requests, and comments about its products and services from customers. Kirin Beverage received approximately 30,000; and Mercian approximately 4,400. In January 2013, the Kirin Corporation was established to create a new structure for the domestic integrated beverages business, whereby the customer service departments of the three beverage companies were unified as the customer service office of Kirin Corporation. We will strive to improve the quality of our customer service in the new system through training and study meetings. We have also announced the Pledge by the Customer Service Office as a basic guidance for providing our daily service.

Pledge by the Customer Service Office

We will pay respect to the value held by each of our customers.
We will receive customer feedback to make further improvements.
We will convey our gratitude to our customers.

We will always remember our gratitude to our customers for selecting our products, and we take customer feedback seriously in order to offer customers safe and reliable products and services that live up to their trust and expectations and apply the feedback on the business activities.

System to act on VOC



COLUMN

Acting on VOC for Improvement

Customer feedback is promptly reported to Group companies and relevant departments to improve products and service from the perspective of integrated beverage business. In 2012, based on customer feedback, we implemented 18 improvements in total for Kirin Brewery and Kirin Beverage.

With regard to the 2-liter PET bottle, the direction of the arrow indicating where to start peeling off the label is difficult to perceive.



In response to customer feedback, we started displaying a triangular mark at the point to start peeling off the label in order to indicate the exact position at a glance.

Protecting human rights and working conditions

At the Kirin Group, we strive to conduct a global business that respects the human rights of stakeholders across the value chain.



Our Goal

At the Kirin Group, we strive to conduct a global business that respects the human rights of stakeholders across the value chain.

With regard to the work environment, we strive to create an open and accommodating organizational culture in which all of the 40,000 or so employees of Group companies, including those overseas, are motivated to work hard and be proud of the company. In accordance with our principles on human resources management being centered on valuing employees, we create a corporate culture in which employees from diverse backgrounds work together with joy and have the opportunity to achieve personal and professional growth in the workplace.

Our Approaches

In 2005, the Kirin Group announced its participation in the United Nations Global Compact. The Group strives to comply with and thoroughly apply the principles of protecting human rights and working conditions. With regard to human rights, the Group has established a risk management system to effectively monitor issues in order to thoroughly ensure within the Group the “respect of human rights and prohibition of discrimination” and the “prohibition of harassment” as stated in the Kirin Group Compliance Guidelines.

To its business partners, the Kirin Group provides the Kirin Group Supplier CSR Guidelines, which stipulates respect for human rights in the code of conduct, and promotes it in cooperation with our business partners. With regard to the working environment, the Kirin Group has high-priority CSR initiatives to “foster professional human resources” and “embrace diversity and inclusion” in order to create a corporate culture in which employees from diverse backgrounds work together with joy and have the opportunity to achieve personal and professional growth in the workplace. In 2013, the Group established a diversity promotion office to enhance its effort to create a corporate culture, which actively promotes diversity such as that of gender, disability, age, and nationality.

An excerpt from the sections concerning protecting human rights and working conditions from the Kirin Group Compliance Guidelines

Respect of Human Rights and Prohibition of Discrimination

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. In accordance with internationally recognized standards, we support and practice the elimination of all kinds of forced labor and substantial abolition of child labor.
3. Implement human rights training and other human rights education activities throughout the company and actively participate in these activities.

Prohibition of Harassment

1. We will never engage in physical, sexual, psychological and economic abuse, harassment, or neglect (language and behaviors that offend others, and retaliation for the harassed party's response, such as imposing undue disadvantage on the harassed party's work conditions, or aggravating the work environment).

2. As a matter of course, do not personally engage in any words or acts that may be construed as harassment, and strive to create an atmosphere whereby harassment will not occur in your workplace.
3. Positively participate in harassment training implemented by the company.

Efforts to Promote Human Rights

Efforts Made across the Value Chain to Respect Human Rights

We strive to ensure that human rights are upheld not just for Kirin Group employees but at all stages across the value chain outside the operational boundaries of the Group. As part of these efforts, we published the Kirin Group Supplier CSR Guidelines in 2011 and stated in its code of conduct our commitment to respect the human rights of our employees.

The Guidelines, in compliance with the United Nations Global Compact and ISO 26000 international guidance standard, states "prohibition of child labor, discrimination, inhumane treatment, and forced labor and promotion of safety and cleanliness at the workplace." The Kirin Group promotes compliance with the Guidelines with its business partners.

Furthermore, the Kirin Group uses, as one of the first groups in the industry, Supplier CSR Confirmation as a tool to promote and check CSR activities among its business partners.

Efforts to Raise Awareness among Employees

In order to promote human rights, we train employees on human rights and compliance every year. We also offer executive training sessions on human rights to presidents and general managers of Group companies every year. We appoint and train a staff in charge of human rights promotion in each Group company and hold study groups and training sessions to raise awareness of human rights in workplaces throughout the Group. To review the effectiveness of such measures, we conduct a survey on human rights awareness among Group company employees every two years. We use the survey results to assess the change in awareness and of issues among the employees of each Group company and plan our future efforts accordingly. Annually, June is designated as a month to promote the fight against harassment and activities are performed to raise awareness among employees. We use a risk management system to identify human rights risks in our overseas Group companies and to monitor how they handle those risks. In 2013, we aim to assess the policy, system, and conditions for respecting human rights and ensuring non-violation of human rights. Furthermore, we aim to set targets for each Group company. With regard to harassment, we will enhance our effort to monitor and assess the system and mechanism to prevent it.



Training employees on human rights

Efforts concerning Working Conditions

Embracing Diversity and Inclusion

At the Kirin Group, we make various efforts to create a corporate culture where a diversity of people work with joy. As an effort to promote diversity and inclusion in the workplace, we have continuously implemented programs to empower female employees. As a result of setting quotas and systematically hiring, developing and posting female employees, the number of female leaders* has increased to 123 (4.5%) as of April 2013. We have also established a work environment in which female workers can work continuously after marriage and childbirth. We

have managed to keep the quotas for female hires to 40% or above. Consequently, we observe changes such as the promotion of female employees to department managers at head office and as presidents of Group companies. As high-priority initiatives to continuously empower female workers, we will promote the following three targets: (1) Further increasing the number of female leaders, (2) Establishing a working environment in which one can work at the same time as providing childcare and long-term care of family members, and (3) Further raising awareness among leaders.

We will also step up our effort to promote the hiring of people with disabilities.

* "Female leaders" refers to female managerial workers and executives.

Enhancing the Effort to Develop Human Resources

At the Kirin Group, we have devised a medium-term plan to train our employees in order to develop their skills as the basis of our business to create shared value with customers. To better develop the skills of each employee, we provide various programs to foster professionals.

One of the high-priority initiatives in the medium-term plan is to "enhance career development." With regard to enhancing one's career development considering the career from being young employees to middle-ranking executives to senior executives, we provide an opportunity to form a career vision from the time of being young employees and promote efforts to achieve such a vision. We help employees in different generations re-acknowledge their strength and expected roles and develop skills to achieve their career visions. Furthermore, efforts by leaders to support the career development of their members will raise their will to achieve the vision and consequently enhance the Group's organizational strengths.

Basic Policy on Human Resource Development

1. Promote acquiring basic business skills to raise the level of the Group as a whole.
2. Discover and foster talents capable of effectively managing companies within the Group.
3. Discover and foster global managers who can manage globalized business.
4. Strengthen the ties between leaders and their members to enhance the Group's organizational strengths.
5. Actively establish opportunities and environment to learn and achieve growth.

COLUMN

Brasil Kirin Launches a Project to Provide Vocational Training on Manufacturing Skills

In 2012, Brasil Kirin, in cooperation with SENAI national industrial vocational training schools, launched the Qualifica project in Caxias City in Maranhao, Brazil. This project provides eight courses by which to acquire manufacturing skills. In total, the courses extend for 700 hours over five months. The 90 or so participants consist of company employees (38%) and non-employees (62%). Helping them acquire skills contributes to the promotion of local employment at Brasil Kirin and other companies. Compared to the metropolitan areas in the southwest, such as Sao Paulo, Rio de Janeiro, and Belo Horizonte, the local unemployment rate in this area is generally high and there are many people in the low-income group. Therefore, many people cannot receive education and consequently cannot gain employment. Brasil Kirin's effort to help people acquire manufacturing skills has contributed to an increase both in the local employment rate and the skills of factory workers at Brasil Kirin, and has created values for both society and the company. This project will continue further.

Preventing corruption

We develop a fair and equitable relationship with each of our business partners and adhere to compliance requirements as a basis for implementing our CSR initiatives.



Our Goal

At the Kirin Group, 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." Realizing that maintaining compliance underlies all CSR activities, we develop a fair and equitable relationship with each of our business partners and work toward achieving a sustainable society throughout the entire value chain.

As one of the Group's key operational considerations, we have stipulated our stance on procurement in the Kirin Group Procurement Basic Policy with five areas of policy agenda. In "Fair and open business transactions," we state our commitment to fair and equitable transactions. In "Relationships of mutual trust and influence with suppliers," we state our commitment to establishing long-term relationships of trust with our suppliers for a harmonious relationship.

Our Approaches

Based on the aforementioned definition of compliance, 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 specifies the matters to which compliance is applied and the code of conduct for each of the six stakeholder groups.

The Kirin Group supports the United Nations Global Compact, which it signed in September 2005. The Global Compact's principles outlined in the areas of human rights, labor, environment, and anti-corruption are included in the Kirin Group Compliance Guidelines, and the Group strives to achieve them.

The principles are also incorporated in the CSR procurement efforts that we make together with our suppliers, who are important business partners. Specifically, we have included the code of conduct in the aforementioned four areas in the Kirin Group Supplier CSR Guidelines, which was created in 2011. We use the Guidelines to encourage suppliers to step up their CSR efforts.

Each Kirin Group company integrates compliance efforts into risk management processes to ensure effective implementation.



The RULE: a handy employee manual for promoting the Kirin Group Compliance Guidelines among employees

Efforts to Promote Compliance

In the Kirin Group, 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. We regularly update the Compliance Guidelines to keep them relevant to changing social requirements, such as those stated in the United Nations Global Compact and those promoted by the Organization for Economic Co-operation and Development (OECD).

Compliance Training

Kirin Group companies in Japan provide all of 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 for themselves; 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 gain an understanding of these basics of compliance to become sensitive to changes in society. Overseas, we promote compliance in a manner most appropriate to each country or region.

Risk Management Efforts

The Kirin Group, including its overseas consolidated subsidiaries, focuses its risk management efforts on preventing risks from materializing and affecting its business. Under the present system, we identify and manage significant risks that could affect the entire Group, and each Group company determines its own significant risks and makes it part of its business plan to manage such risks.

Crisis Management and Business Continuity Planning

In the event of a crisis, the Group Risk Management Committee shares and exchanges information with Group companies to provide support and maintain group-wide crisis preparedness. In particular, following the Great East Japan Earthquake that struck in March 2011, we strive to maintain preparedness for large earthquakes or other disasters, and have enhanced business continuity planning by re-examining the expected events and scope of disaster preparedness. To be specific, we have reassessed our business continuity planning and have provided disaster training accordingly as well as implementing measures to reduce procurement risks.

CSR Procurement Efforts with Suppliers

The active involvement of the entire value chain in promoting CSR is essential for us to work toward making a sustainable society a reality. In 2011, the Kirin Group published the Kirin Group Supplier CSR Guidelines based on the Kirin Group Procurement Basic Policy in order to meet requests and expectations from stakeholders and promote CSR activities together with our business partner suppliers in accordance with changes in society. The Group's basic stance and code of conduct are specified to promote CSR activities in each Group company.

The CSR code of conduct for suppliers consists of the six categories as shown on the right. We also directly communicate with our suppliers to specifically describe the Guidelines. In 2012, we promoted CSR procurement to 300 companies. Using the Guidelines, we will continue efforts across the Group to promote CSR to both domestic and overseas suppliers.

Six Categories of the CSR Code of Conduct for Suppliers

- ① Governance, compliance, risk management
- ② Respect for the human rights of employees
- ③ Environmental stewardship
- ④ Food safety and security
- ⑤ Addressing alcohol-related problems
- ⑥ Social contribution

Communication with Suppliers

At the Kirin Group, each time we start business transactions with a new supplier, we ask the supplier to submit a Supplier CSR Confirmation based on the six categories of the code of conduct stipulated in the Kirin Group Supplier CSR Guidelines. In 2012, we had Supplier CSR Confirmations submitted by around 40 companies which started business with us. The information to check and report as stated in the Supplier CSR Confirmation is used as an important tool for discussing issues with the Group's procurement coordinators.

With regard to existing suppliers, we incorporate CSR issues into the supplier assessment that we conduct annually of all of our suppliers, and check their CSR efforts through on-site inspections and additional investigations. We then provide our feedback on the investigation results to the suppliers and, if necessary, request them to enhance their CSR efforts or work together with them in making CSR efforts.

By making continuous efforts to perform CSR activities and improve quality in cooperation with our suppliers, we hope to further foster relationships of trust.



Communication with a Czechoslovakian hop supplier

I would like to work together to promote CSV throughout the Kirin Group and develop a mechanism for the Group to effectively handle its increasingly globalized business.

Even before taking up a position as an outside director, I had an impression of the Kirin Group as being enthusiastic in its CSR efforts. After I joined the Group as a director, I was impressed by the Group's decisiveness and commitment to its CSR efforts.

I especially value its brave act of promoting "brand-centered management" in its long-term business plan, Kirin Group Vision 2021 ("KV2021"). The philosophy of "brand-centered management" for co-creating values, such as products, services and corporate brand, together with customers and society, exactly matches the philosophy of CSV, which is becoming increasingly important. I also believe that the Group's visions, such as "food and well-being" and "being customer-oriented and quality-focused," which are based on the Group's corporate philosophy, are easy for company employees to understand.

The Kirin KIZUNA (bonding) Project built with the commitment to contributing six billion yen over three years from 2011 to reconstruction efforts in regions struck by the Great East Japan Earthquake also requires bold decisions by the top management for its achievement. I participate in the Kirin KIZUNA Project as an adviser. From the looks on the faces of the people I meet at project meetings, I can sense their serious commitment to implementing this project successfully as their mission. I am also impressed by the Group's high level of awareness by incorporating the United Nations Global Compact's principles as its six important CSR themes. I believe that such efforts can be made because the top managers duly recognize the importance of CSR when they make their decisions, and the staff responsible for such matters within Group companies also understand the philosophy sufficiently.

As the Group has established such a framework for CSR, I now would like it to establish a discussion forum that is open to all employees. It may be a good idea to disclose the top managements' discussions to other employees as a stimulus. Incorporating CSV efforts into one's business activities through discussions as to why the vision was established and what its messages tell us would likely help the Kirin Group take a leadership role in future society as well as raise the value of its brand. Considering the importance of acting as a CSV

role model, I also look forward to the future achievements of Kirin Company, which started its operation in 2013.

Of the six important CSR themes stated in KV 2021, I believe that efforts concerning "protection of human rights," "compliance with labor standards" and "prevention of corruption in business operations" are accompanied by difficulties. With its business becoming increasingly globalized, the Kirin Group operates in various countries with differences in cultures, ways of thinking and other standards. While this has led to increasing risk concerning compliance, I believe the Group's measures are not yet sufficient for the challenge. It is important not to establish rules with double standards, such as permitting what is prohibited in Japan in some developing countries. Instead, the Kirin Group should establish a rule based on a universal standard and ensure that all of its Group companies operate in compliance with that rule. To achieve this, it is important for Group companies to exchange information promptly and to be aware of the situations in different countries in order to store knowledge and skills within the Group. For example, Europe is advanced in efforts concerning human rights issues, so it may be a good idea to try a global role sharing and have a European Group company play a central role in dealing with human rights issues and support other Group companies—even in cases of such issues occurring in Asia. I believe that establishing a system to prevent the Group's risk on a global level will help create a new value.

I worked for a long time for Fuji Xerox, a company operating in the electronic device industry—quite different from the food and pharmaceutical industries in which the Kirin Group operates. However, both companies share the same philosophy: that it is important to create products through a customer-oriented approach and that the value of each product is created only when it is used by the customers. I believe that one of my main roles is to support the Group's management by making use of my previous business experiences. Furthermore, I would like to support the Kirin Group to generate greater results in their CSR efforts, which are closely related with the United Nations Global Compact implementation in which I am involved.



Toshio Arima

- United Nations Global Compact Board Member
- Chairman of the Board, Global Compact Japan Network
- Executive Adviser, Fuji Xerox Co., Ltd.
- Director, Kirin Holdings Company, Limited

Profile

- | | |
|------|---|
| 1967 | Joins Fuji Xerox. |
| 1987 | Becomes senior manager of the First Sales Department, Industry Section, Sales Division. |
| 1996 | Becomes managing director of Fuji Xerox.
Becomes president and CEO of Xerox International Partners (USA). |
| 2002 | Became the president and CEO of Fuji Xerox Co., Ltd. |
| 2007 | Becomes an executive adviser of Fuji Xerox Co., Ltd.
Becomes a United Nations Global Compact board member. |
| 2011 | Became a director of Kirin Holdings Company, Limited.
Becomes the chairman of the Board, Global Compact Japan Network. |

Third-Party Opinion



Eiichi Adachi

Head of ESG Research Center
The Japan Research Institute, Limited

I have provided a third-party opinion on the Kirin Group's CSR activities described in this report and on the way in which 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 investments. 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.

Over the past one and a half years or so, arguments among people in the finance business over disclosure of non-financial information have advanced substantially. Although I understand that the Kirin Group's report does not specifically acknowledge such arguments, I nonetheless have tried to review the report from the perspective of a financial capital provider, who would like to value the Group's ability to create values in the long term.

In comparison with last year's report, which was arranged in chapters on customers, the global environment, communities, employees and business partners, I see a drastic change in this year's report, which is arranged into chapters of six themes considered especially important for a corporate group committed to promoting "food and well-being." However, I have observed that it would be more effective to deepen our understanding if the report were arranged and written from the perspective of identifying specific opportunities and risk that influence the Kirin Group's ability to create values in the long term and what kind of efforts are being made to deal with them.

For example, under the theme of "Promoting health," "research and development and product development meeting the health needs in each country" would be categorized as an opportunity while "alcohol-related problems" would be categorized as a risk. As a reference, in its 2012 sustainability report, Lion lists five "material matters," namely responsible business practices, environmental stewardship, sustainable and ethical sourcing, building trusting relationships with stakeholders, and building an achievement culture. The report, outlining "Why this is material to our business" at the beginning of each chapter, may be referred to as an effective benchmark.

I also recommend presentation of the hypothesis describing how each effort will lead to producing a long-term corporate value together with the actual results.

Especially, as the Kirin Group has recently established the CSV Division within the Kirin Company and declared that it would "make it an integral part of our business to create value that the Kirin Group and society can share," information disclosure complying with this perspective is indispensable. For

example, with regard to the recycling of containers and packaging described in the report, it would be advisable to also refer to its influence on the financial status, such as whether it would reduce the cost of raw materials, whether it would reduce distribution costs, and whether it would receive the support of consumers and facilitates sales increase.

I also feel that report could refer more to the Kirin Group's recent hit products, such as alcohol-free Kirin Free, which has met the needs of occasions during which one cannot drink beer (alcoholic beverage); Mets Cola, which has met the needs of health-conscious adults; and "Sekai no Kitchen kara" (from the kitchen of the world) beverage series, which uses ideas born from the knowledge and skills of mothers around the world, since many of these cases, such as the contribution of the products in tackling social issues, rediscovery of local resources, and women's active involvement in product development, match the philosophy of CSV. Thus, I believe that the Group's efforts can be made more convincing by disclosing a comprehensive story of creating values.

In the percentage of sales by business segment in 2012, sales in the overseas beverages business reached almost 30%. As the Kirin Group states its commitment to "develop businesses globally" in its long-term business plan, it would be advisable to increase the disclosure of overseas efforts and achievements in the report. It is important to respect autonomy, but as the outside director, Toshio Arima, has mentioned, it also is important "not to establish rules with double standards, such as permitting what is prohibited in Japan in some developing countries."

Lastly, I was deeply impressed by the statement in Top Commitment to "take the traditional CSR (corporate social responsibility) approach to the next level by incorporating a management concept known as a CSV (creating shared value) approach, in which the Kirin Group makes it part of its business to increase engagement with its stakeholders and to create shared value with them." I look forward to observing your long-term commitment to implement your business strategies to minimize negative impacts and maximize positive impacts with care about the soundness of society with an acute awareness of issues.

How We Act Upon Expert Advice



Toru Suzuki
Kirin Holdings Co., Ltd.
Managing Director

Thank you for providing your opinions from the perspective of valuing a corporate group's ability to create values in the long term.

In the Kirin Group Vision 2021 (KV2021) long-term plan that was created last year, we stated six themes common to all Kirin Group companies, namely "Strengthening bonds between people and society," "Promoting health," "Protecting the environment," "Improving food safety and security," "Protecting human rights and working conditions," and "Preventing corruption." On this first year of implementing the plan, we face mounting challenges that need to be addressed. In order to make the CSR initiatives under each theme an integral part of our business and create value that the Kirin Group and society can share, we believe that it is important to act in compliance with Mr. Adachi's suggestion "not only to disclose qualitative data about the CSR efforts but also assess and refer to the CSR achievements and possible influence on the financial status based on hypotheses."

With regard to our overseas efforts and achievements, in compliance with Mr. Adachi's advice, we will strive to implement efforts centered on the six themes common to all Kirin Group companies as well as to share the progress and achievements and report them.

We take seriously Mr. Adachi's valuable advice so as to increase engagement with our stakeholders and to create shared value with them.

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. Various institutions around the world evaluate the CSR performances of corporations and publish SRI indexes of good performers. As of September 2012, Kirin Holdings was included in the following SRI indexes.



Ethibel Sustainability Index



Dow Jones Sustainability Indexes



Morningstar Socially Responsible Investment Index



FTSE4GoodIndex

Public Recognition

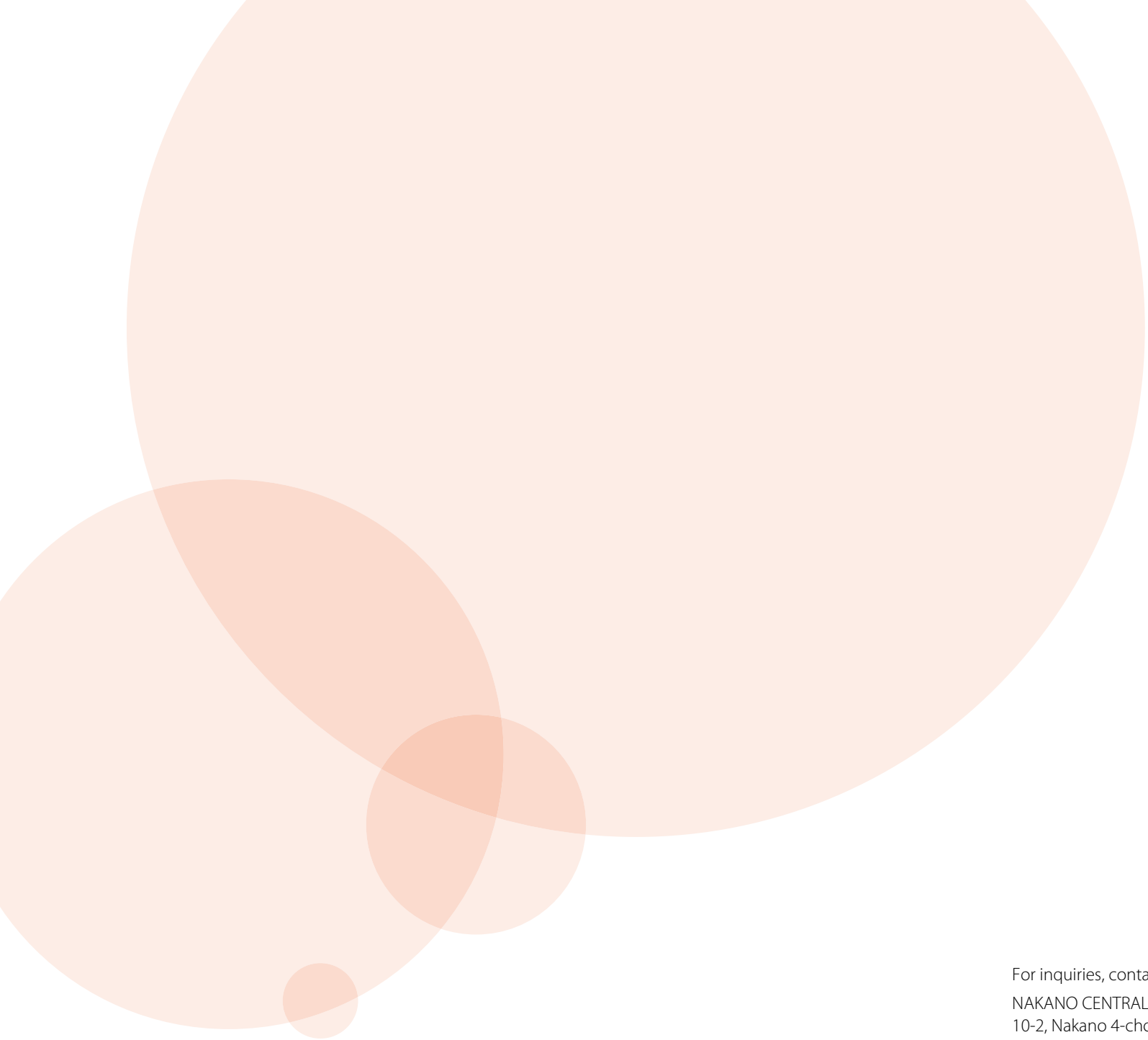
Kirin Group companies have received public recognition and awards for their achievements in diverse areas. The following are some of the awards we have received.

	Year	Award
R&D-Related	2012	Award for Achievement in Technological Research granted by the Japan Society for Bioscience, Biotechnology, and Agrochemistry Development of a comprehensive technology to analyze beer yeast for quality improvement
		Good Design Award Development of a glass bottle for Grand Kirin beer
		Merit Award received at the 17th Momofuku Ando Award Development of Kirin Ichiban Shibori Frozen Nama draft beer topped with frozen beer foam to provide a new texture
		Hot Topics Award at Annual Meeting of JSBBA 2012 Identifying the reception mechanism of the sense of coolness provided by beta-Eudesmol, which is contained in hops and eucalyptes
		Technology Award received at 2012 ASEV Japan Annual Meeting Identifying the unpleasant taste one may get when one has seafood and wine in the mouth at the same time and developing a technology to reduce the iron that causes it
	2013	Ranked No. 1 in the overall results of the 2012 Food Safety and Reliability Brand Survey conducted by Nikkei BP Consulting.
		Received the Functional Excellence Award at Glass Bottle Award 2012 GRAND KIRIN
		Hot Topics Award at the Annual Meeting of JSBBA 2013 Identifying the effectiveness of drinking beverages with beta-Eudesmol, which is contained in hops, to regulate the autonomic nervous system
		Received the Young Researcher's Award at the 48th Societe Franco-Japonaise des Sciences Veterinaires Topic: Oxidative neurotoxicity caused by microglial NADPH oxidase in encephalomyocarditis virus infection Academic Society: The 48th Societe Franco-Japonaise des Sciences Veterinaires Presenters: Yasuhisa Ano, Akikazu Sakudo, Hiroyuki Nakayama, Takashi Onodera
		Selected as one of 289 Companies With the Most Advanced Commitment in Socially Responsible Management in 2011 according to Japanese Corporation ESG (Environment/Social/Governance) Initiative Survey conducted by the Japan Research Institute
Sustainability-Related	2012	Ranked No. 1 in the industry in the 12th IntegreX Survey Report
		Included in the Dow Jones Sustainability Index 2012
		Included in the FTSE4Good Index
Environment-Related	2012	Featured in the Carbon Disclosure Leadership Index (CDLI) , which is a key component of the Carbon Disclosure Project (CDP)'s annual Japan 500 report (CDP Japan 500).
		Received the First Prize for the Eco & Design Booth Prize at Eco-Products 2012
		Received the Kanagawa Global Environment Award 2012 for efforts at Kirin Brewery's Yokohama Plant

Information on Kirin Group Companies' Sustainability Efforts

For details about the CSR efforts of each Kirin Group company, see the following.

Kirin Beverage ECO-CHALLENGE REPORT	http://www.beverage.co.jp/csr/environment/index.html
Mercian Environmental Report	http://www.mercian.co.jp/csr/eco/index.html
Kyowa Hakko Kirin Annual Report	http://www.kyowa-kirin.co.jp/ir/library/annual_report/index.html
Lion Sustainability Reporting	http://lionco.com/sustainability/sustainability-reporting/
Kirin Holdings CSR Website	http://www.kirinholdings.co.jp/csr/



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