

# KIRIN

## KIRIN GROUP SUSTAINABILITY REPORT 2010



# About Kirin Group Sustainability Report 2010

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The Kirin Group conducts business that responsibly utilizes what nature has to offer. We owe it to nature to preserve the global environment so as to continue to deliver high-quality products that exceed customer expectations. While fulfilling the mission of supporting health, pleasure and comfort in people's lives, we strive to contribute to a sustainable development of a safe and comfortable society by playing an active social role in our day-to-day business operations. That is our corporate social responsibility (CSR).

This report brings you up to date on the strategies and initiatives that the Kirin Group has been implementing to fulfill that responsibility.

We value feedback from you to make this report a better source of information.

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## Reporting Period

January 1, 2009 to December 31, 2009. Please note that environmental performance data for the Kyowa Hakko Kirin Group cover the period April 1, 2008 through March 31, 2009, with the exception of energy-use data that cover the period January 1, 2009 through December 31, 2009.

## Scope of Reporting and Data Compilation

Where applicable, this report covers activities and accomplishments by Kirin Holdings Co., Ltd. and its 285 consolidated subsidiaries in Japan and abroad (as of December 2009), which collectively constitute the Kirin Group. On matters where group-wide information is unavailable, names of companies for which information is compiled are specified.

Environmental performance data for the Group's operations in Japan are a compilation of data from: Kirin Brewery Co., Ltd., Kirin Distillery Co., Ltd., Ei Sho Gen Co., Ltd., Kirin City Co., Ltd., Kirin Merchandising Co., Ltd., Kirin & Communications Co., Ltd., Kirin Logistics Co., Ltd., Kirin Engineering Co., Ltd., Kirin Techno-System Corp., Mercian Corp., Mercom Corp., Nippon Liquor Ltd., Musee d'art Mercian Karuizawa, Kirin Beverage Co., Ltd., Koiwai Dairy Products Co., Ltd., Kirin Kyowa Foods Co., Ltd., Nagano Tomato Co., Ltd., Kyowa Hakko Kirin Co., Ltd., Kyowa Medex Co., Ltd., Kyowa Hakko Bio Co., Ltd., Kyowa Hakko Chemical Co., Ltd., Kirin Agribio Co., Ltd., Yokohama Arena Co., Ltd., Yokohama Akarenga Inc., Kirin Echo Co., Ltd., Kirin Holdings Co., Ltd., Kirin Business Expert Co., Ltd., Kirin Business System Co., Ltd., Kirin Real Estate Co., Ltd.

Environmental performance data for the Group's operations outside Japan are a compilation of data from: Kirin Australia PTY LTD, Kirin (China) Investment Co., Ltd., Kirin Brewery (Zhuhai) Co., Ltd., Lion Nathan Group, National Foods Limited

\*Detailed information on a wide range of CSR activities that Kirin Holdings and other group companies have been conducting is available on their respective web sites.

## Reference Guidelines:

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

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

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The next report is scheduled to be published in May 2011.

## Company Profile

### Trade Name

Kirin Holdings Company, Limited

### Date of Incorporation

February 23, 1907

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

### Paid-in Capital

102,045,793,357 yen

### Number of Employees

276

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

### Head Office

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

### Sales

2,278,473 million yen

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

### Main Businesses

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

(As of April 2010)

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# Pursuing Harmonious Coexistence with Society

The Kirin Group holds fulfilling corporate social responsibility to be an integral part of its business management. True to its corporate philosophy that states the joy of food and health leads to a sustainable society, Kirin is committed to conducting proactive CSR activities in its day-to-day business operations.

**Senji Miyake**

President and CEO Kirin Holdings Company, Limited

## **Leading the Kirin Group to Organic Growth**

Effective March 26, 2010, I assumed my position as President of Kirin Holdings Company, Limited, and took up the challenge of running the Kirin Group.

In implementing the 2007-2009 Medium-term Business Plan, which was the first of the three stages of the Kirin Group Vision 2015 long-term business plan, we laid solid groundwork for achieving a quantum-leap growth in revenue. First, we brought the alcohol beverages business in Japan back to growth. Second, we allocated substantial management resources to capital investment in building a basis for a sustained growth, which will enable us to become an integrated beverage group—our own business model for creating value by integrating the value chain for our alcohol and soft drinks businesses. Under the 2010-2012 Medium-term Business Plan, we will increase the Group's corporate value by maximizing group synergy. We will also continue to implement the strategy for becoming an integrated beverage company and adopt lean management principles and practices to eliminate operational inefficiencies, redundancies and inconsistencies. This will help us achieve a qualitative expansion to become a leading company in the Asia-Oceania region.

## **CSR in Pursuit of Harmonious Coexistence with Society**

Since its foundation in 1907, the Kirin Group has remained customer-focused and quality-oriented. True to this philosophy, we are committed to delivering new value to customers through beverage, food and pharmaceutical products and services that touch their daily lives.

The Kirin Group, whose core business includes the production of alcohol beverages, has been vigorously promoting responsible drinking in society. One approach to this campaign has resulted in *Kirin Free*, a non-alcohol, beer-tasting beverage we introduced in 2009. It has been positively received by customers as they can now join in a toast with a glass of non-alcohol beer—even when they are not supposed to drink alcohol. In addition, we support the “Steering Wheel Keeper” campaign, a designated driver and safe ride campaign targeting drunk driving, which was launched by the Japan Traffic Safety Association in 2006; we use *Kirin Free* as a vehicle to get across our message against drunk driving. As a corporate group engaged in the manufacture and sales of alcohol beverages, we take it upon ourselves to fight high-risk drinking and educate the public on more responsible drinking habits.

Furthermore, acknowledging our role in conducting business that responsibly utilizes what nature has to offer, we have taken bold new approaches to bringing people a new joy of food and health. We believe that being healthy is not just for your own good, but is also a vital source of happiness in life that brings together in a positive way you, your family, your friends and the community in which you live. This belief has led us to launch new beverage and food products under the “Kirin Plus-i” brand so as to offer customers new value that promotes good health as well as brings them great taste and joy.

The first series of products bearing the Kirin Plus-i brand all contains ornithine recovery amino acid<sup>1</sup> that Kyowa Hakko Bio produces by fermentation, and is marketed by Kirin Brewery, Kirin Beverage, Kirin Kyowa Foods and



Koiwai Dairy Products. This is a good example of group companies developing synergy among them to offer new value to customers.

We will never cease to address the challenges of ensuring food safety through systematic efforts in quality control and of exercising environmental stewardship. We will continually upgrade our quality and environmental management systems so as to raise their overall effectiveness. We will also step up our group-wide efforts toward becoming a low-carbon corporate group. Specifically, we will develop and market products with a low environmental load; this is part of our efforts to reduce by 2050 carbon footprints from our global operations by half compared to the 1990 level across the board, ranging from the procurement of materials to consumption and disposal. As the first milestone toward this goal, by 2015 we aim to cut CO2 emissions from our manufacturing, distribution and office operations at home by 35% below the 1990 level by taking innovative approaches to reduce resource use including water usage and switching to alternative fuels to achieve greater energy efficiency at our factories in Japan.

At the same time, we are committed to carrying out the CSR activities expected of us as a good corporate citizen. Specifically, we will remain an official sponsor of the Japan National Soccer Team as we have been for more than 30 years. We will also continue the “Kirin Soccer Field” program—one-day soccer lessons we provide for elementary school children around Japan to give them an opportunity to learn to enjoy the sport. In addition, we will continue to get actively involved in community outreach programs by participating in a water source protection campaign and encouraging employees' volunteer efforts.

#### **Responsibility as a Global Corporate Citizen**

In pursuit of Kirin Group Vision 2015, which includes the goal of becoming a leading company in the Asia-Oceania region, we have been going global aggressively.

Against this backdrop, we have been stepping up our efforts to bring greater diversity among employees by assigning more female employees and elderly employees to key roles. We will also facilitate more frequent inter-company transfers of employees between Japan-based group companies and those abroad, as this will help foster greater synergy throughout the Group on a global scale.

We understand conducting business on a global basis comes with responsibilities. The Kirin Group signed the United Nations Global Compact<sup>2</sup> in 2005, and we consider its basic principles part of the binding framework that governs our business operations, and act accordingly.

The Kirin Group is a corporate group that seeks harmonious coexistence with nature. We value a dialogue with our stakeholders and adapt ourselves to changes in society to stay focused on our active role in it. This puts us in a better position to help develop and maintain a safe, comfortable society.

We hope our collective efforts will meet your expectations.

<sup>1</sup> : Ornithine is categorized as a recovery amino acid as it is reproduced during the ornithine cycle after being consumed in the human liver.

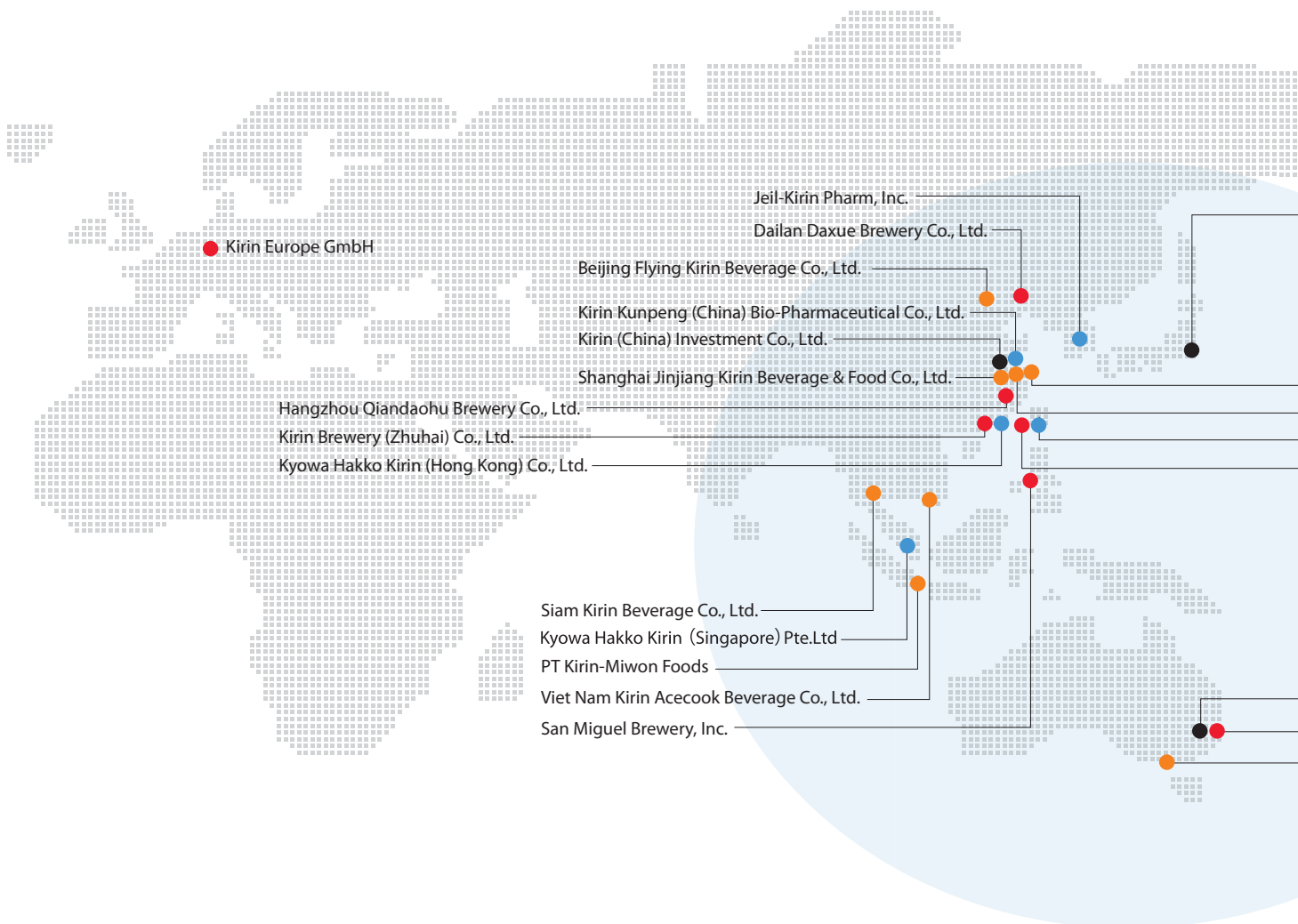
<sup>2</sup> : The United Nations Global Compact is a voluntary strategic initiative for businesses that are committed to exercising responsible, creative leadership in aligning their business operations and strategies to global efforts for sustainable development.

## About Kirin Group

# Kirin Group's Global Operations

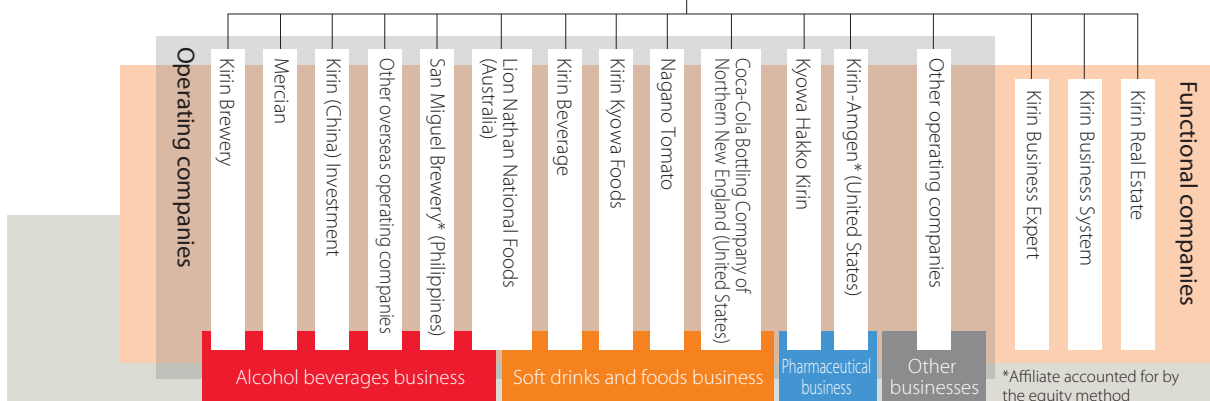
The Kirin Group is engaged in the manufacture and sales of alcohol beverages, soft drinks, foods, and pharmaceuticals in Japan, the Asia-Oceania region and other parts of the world. As of December 31, 2009, the Group had more than 35,000 employ-

ees, and comprised 285 consolidated subsidiaries and 25 affiliates accounted for by the equity method. We are striving to grow to become a leading company in Asia and Oceania under the Kirin Group Vision 2015 (KV2015) long-term business plan.

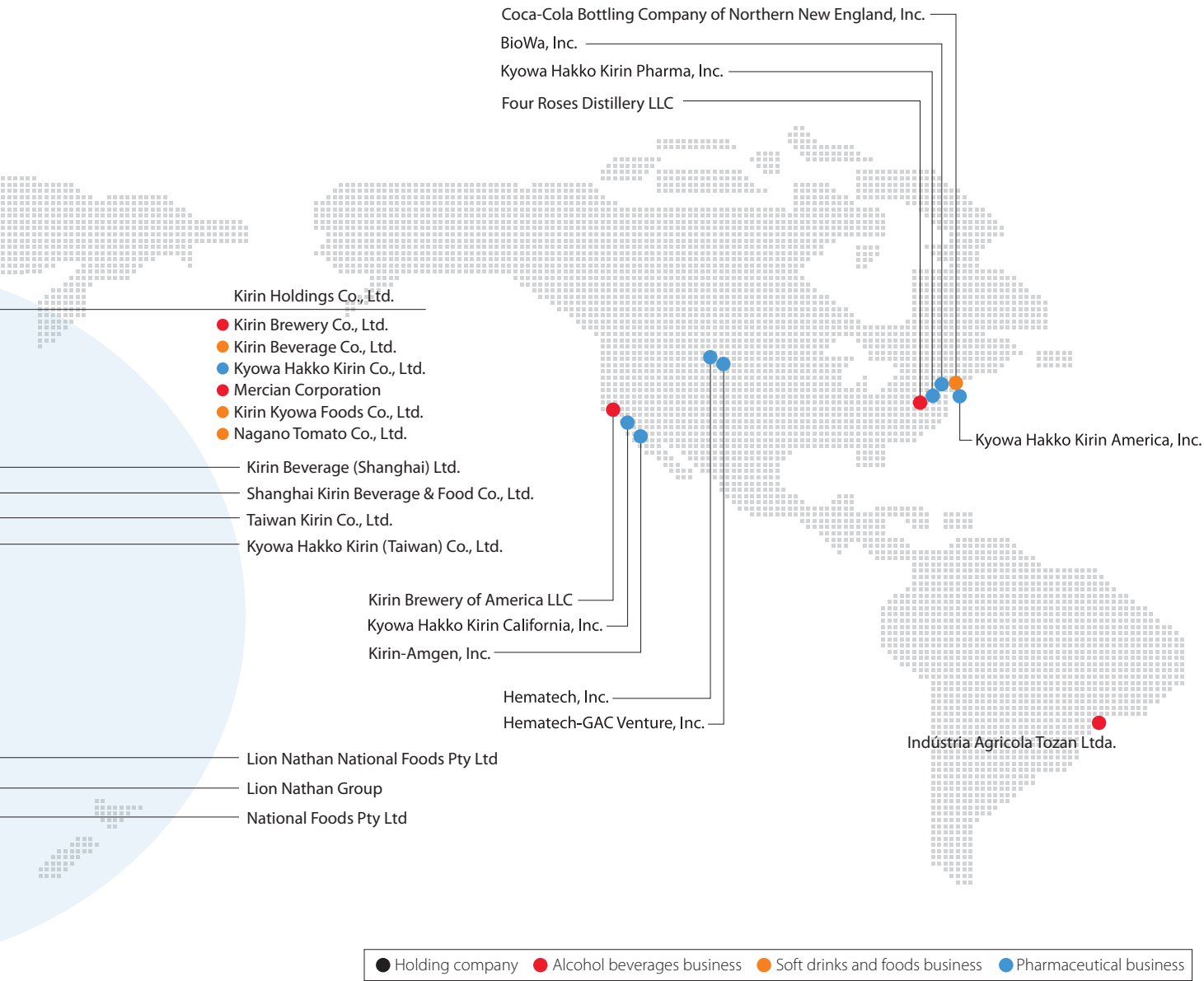


### Group Structure

### Kirin Holdings

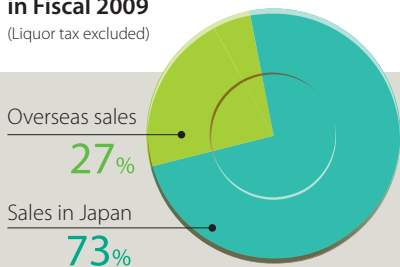


As of April 1, 2010

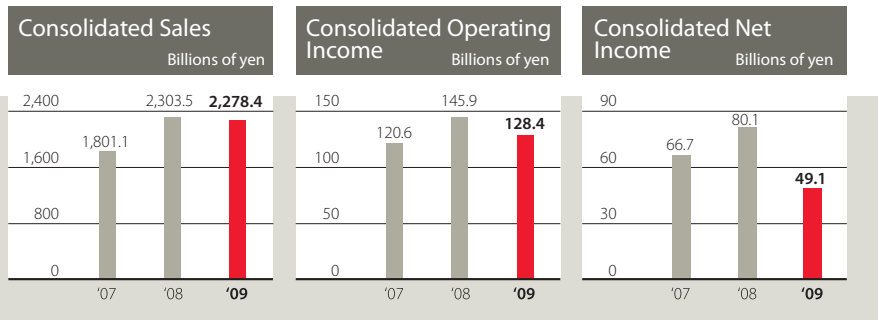


### Percentage of Sales from Overseas Operations in Fiscal 2009

(Liquor tax excluded)



### Financial Highlights





## About Kirin Group

# Business Segments and Brands

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

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

### Alcohol Beverages Business

Alcohol beverage products form the backbone of the Group's business. We offer a variety of products with great refreshing taste that meet diverse needs of customers and that we hope bring a smile to their faces.



Alcohol beverage products marketed in Japan

Non-alcohol, beer-tasting beverage

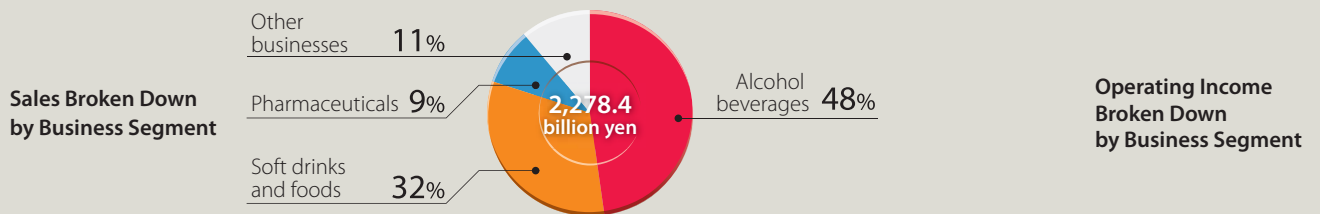
### Soft Drinks and Foods Business

We offer trend-setting soft drinks, original health and functional foods made possible by innovative technologies, seasonings, and food materials as part of ongoing efforts to deliver new value in food and health.



Soft drink and food products marketed in Japan

### By-segment Data (for fiscal year ended December 31, 2009)







Alcohol beverages marketed in China



Beers marketed in Oceania



Beers marketed in the Philippines

## Pharmaceutical Business

We use our expertise in discovering new drugs based on advanced antibody engineering technology to help people with diseases live better lives.



Products marketed in Oceania

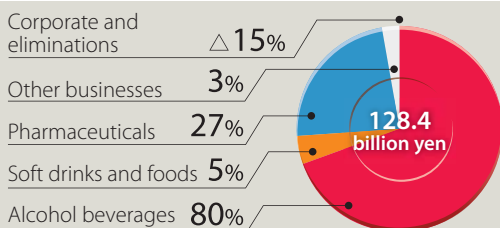


Soft drinks marketed in China, Thailand and Vietnam

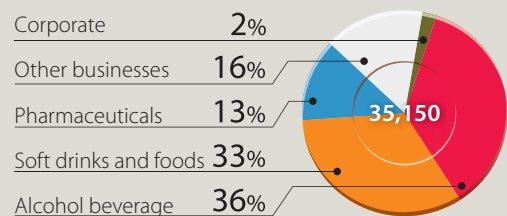


## Kirin Plus-i Brand

The Kirin Group's cross-company Kirin Health Project has brought to the market a variety of beverage and food products that deliver new value to customers. See Page 18 for details.



## Number of Employees Broken Down by Business Segment



## About Kirin Group

# Kirin Group Vision

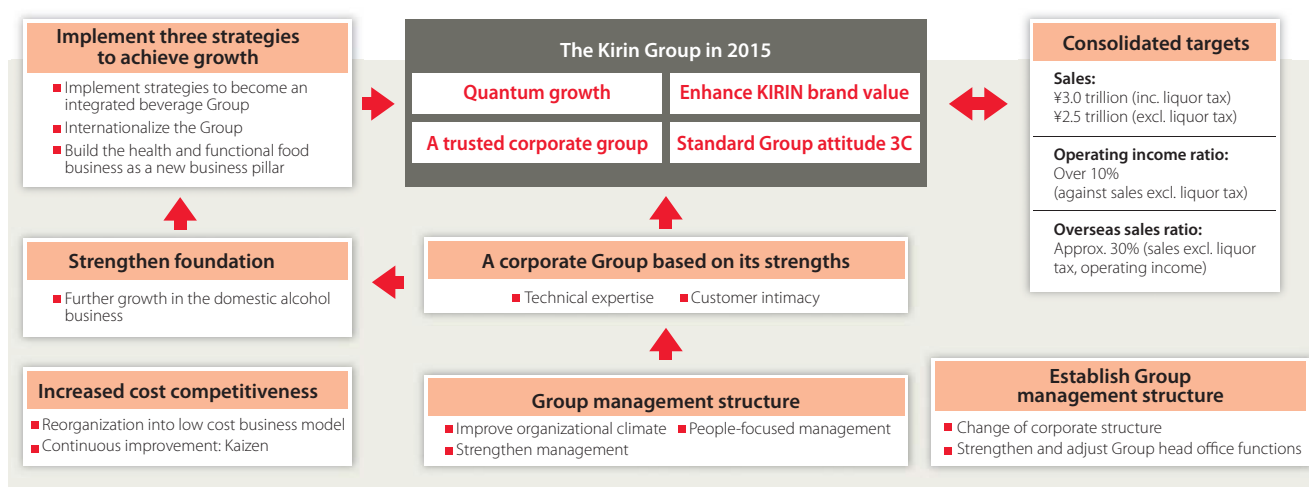
The Kirin Group states in its group vision (KV2015) the goals it strives to achieve by 2015. Promoting CSR is one of the basic policy initiatives outlined in this vision.

### Long-term Business Plan

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

#### Group Vision

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



### What We Strive to Accomplish by 2015

<b>Increase Kirin's brand value</b>	We aim to enhance the value of the Kirin brand both as a brand of trust and as a brand of innovation.
<b>Achieve quantum-leap growth in revenue</b>	<p>We will implement three growth strategies built on the strengths of our core businesses.</p> <ul style="list-style-type: none"> <li>● Become an integrated beverage group by leveraging the synergy between the alcohol beverages and soft drinks businesses</li> <li>● Establish the foundation for business growth in the Asian market outside Japan by facilitating greater synergy among group companies and collaborating with external business partners</li> <li>● Use a wealth of technical expertise to establish another core business in the food and health market that bridges the beverage business and the pharmaceutical business</li> </ul>
<b>Maintain the trust of society</b>	As a corporate group that uses what nature has to offer to conduct business, we are committed to the sustainable development of a safe and comfortable society and proactively fulfill our social responsibilities including the preservation of the global environment.
<b>Adopt the 3Cs Basic Action Stance</b>	We will help all employees fulfill their true potential and make it a source of competitive advantage, driven by the Basic Action Stance of challenge, commitment and collaboration (3Cs).

#### Basic Policy

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

# Medium-term Business Plan

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

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

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



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

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

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

		2009 Results	2012 Plan	Change	2015 Target
Sales (billions of yen)	Liquor tax excluded	1,918.7	2,130.0	211.3	2,500.0
	Operating income (billions of yen)				
	Before amortization of goodwill	157.7	231.0	73.3	
	After amortization of goodwill	128.4	188.0	59.6	250.0
Operating Income ratio	Liquor tax excluded. Before amortization of goodwill	8.2%	10.8%	2.6 percentage points	
	Liquor tax excluded. After amortization of goodwill	6.7%	8.8%	2.1 percentage points	10.0% or more
Cash ROE	Before amortization of goodwill	8.3%	10.0% or more		

Basic Policy	<ol style="list-style-type: none"> <li>Increase the Group's corporate value by facilitating the growth of group operating companies as well as synergy among them <ul style="list-style-type: none"> <li>Keep pursuing a strategy for becoming an integrated beverage group</li> <li>Generate group synergy</li> <li>Establish technical prowess and customer-relationship excellence</li> <li>Implement lean management principles and practices</li> </ul> </li> <li>Implement a financial strategy to increase the Group's corporate value</li> <li>Pursue harmonious coexistence with society through CSR activities</li> </ol>
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# Our Philosophy toward CSR

The Kirin Group—which is committed to addressing social issues and concerns—conducts CSR activities in its day-to-day business operations while fulfilling its responsibilities as a good corporate citizen.

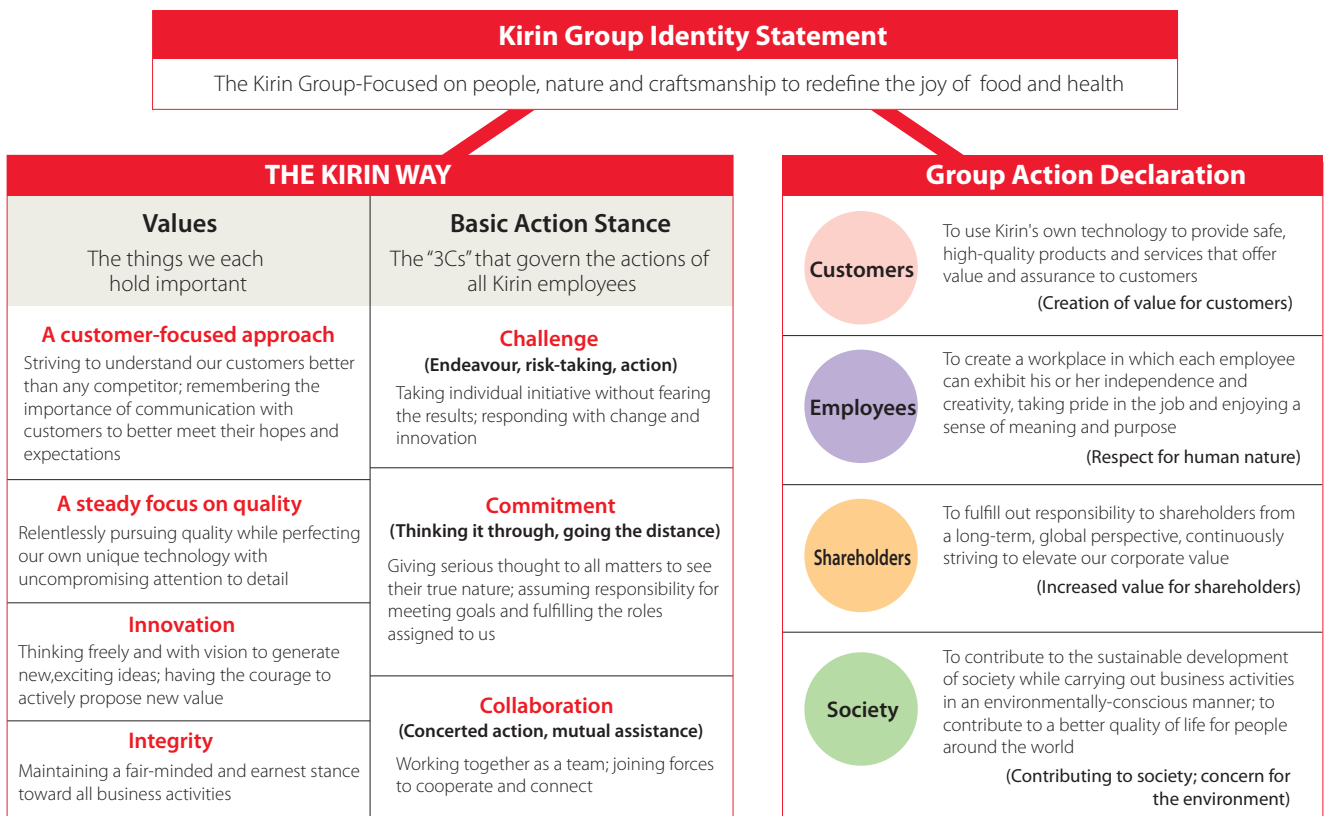
## Kirin Group's Corporate Philosophy and CSR

The Kirin Group Identity Statement calls for us to focus on people, nature, and craftsmanship to redefine the joy of food and health. The KIRIN WAY defines the values we hold most dear and the guiding principles to which all Kirin employees are expected to adhere. In the Group Action Declaration, we entered into promises with each of the four classes of our stakeholders—customers, employees, shareholders, and society.

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



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

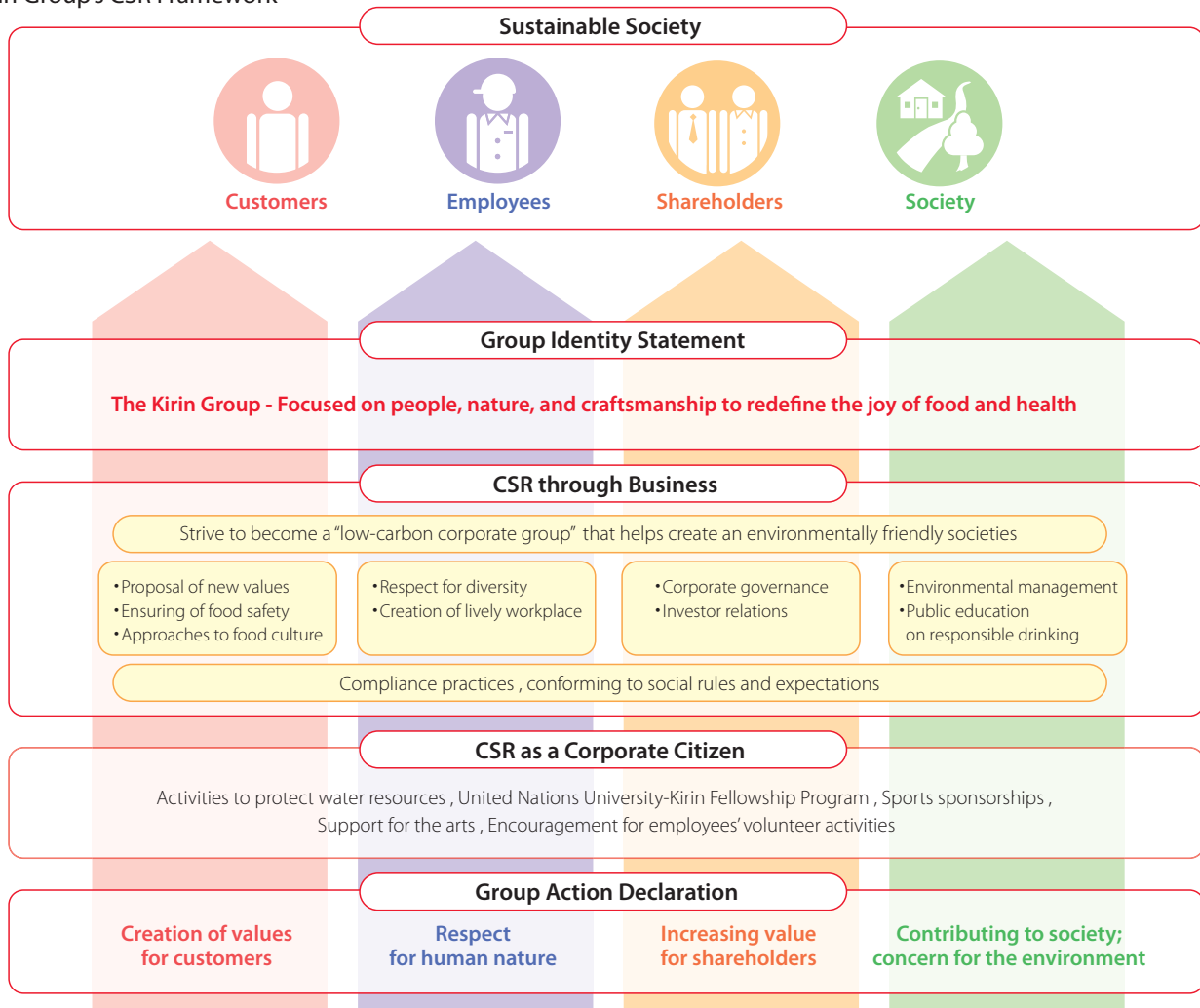


## Kirin Group's CSR Framework

The Kirin Group engages in CSR activities from two angles—those we conduct in our day-to-day business operations and those we carry out as a corporate citizen. CSR activities conducted in day-to-day business operations represent the majority of the Group's CSR efforts. We believe such activities are something the entire group should undertake over a medium-to-long term, leveraging the Group's core strengths. For instance, in 2008 we established a long-term goal of becoming a low-carbon corporate group,

and in August 2009, Kirin Holdings' Group Executive Committee approved the "Group Action Plans for Low-Carbon Initiatives," which sets a medium- to long-term reduction target for CO<sub>2</sub> emissions for the Group. CSR activities we carry out as a corporate citizen include those to which the Kirin Group has been committed for many years. We will continue to be a socially responsible company that gives back to the communities in which we operate.

### Kirin Group's CSR Framework





## Kirin Group's CSR Strategy

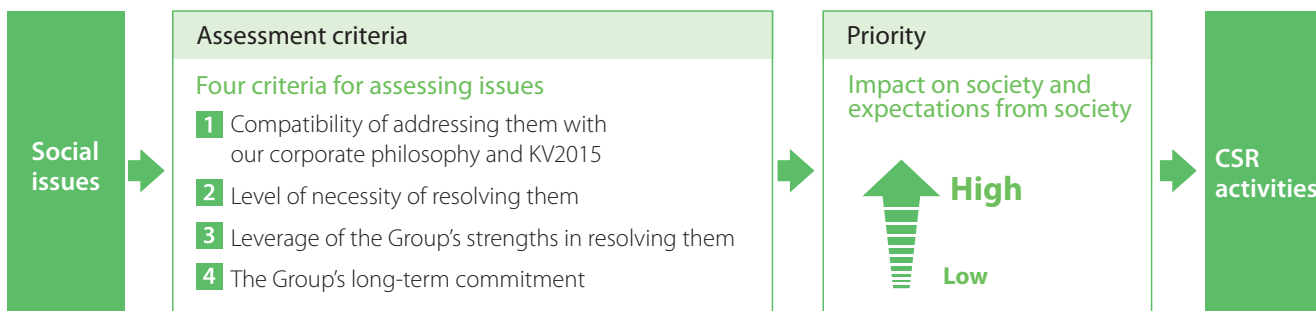
### Assessing Social Issues Using Four Criteria

In 2009, the Kirin Group reviewed its CSR action policy as part of efforts to enhance and expand its CSR activities conducted in day-to-day business operations.

First, we looked at and assessed a wide range of today's social issues using four criteria to narrow them down to those that the Group should tackle in business operations. The four criteria we used are: whether addressing them is compatible with the thrust of our corporate philosophy and Kirin Group Vision 2015 (KV2015); what level of necessity and urgency need be placed on resolving them; whether the Group can leverage its strengths to make a difference in resolving them; and whether the entire group is ready to make a long-range

commitment to addressing them. Second, we prioritized the social issues that we chose to address based on the extent of their impact on society and the degree of expectations from society, and selected the 14 high-priority CSR initiatives shown at the bottom of this page. Becoming a low-carbon corporate group has been chosen as one of the Group's medium- to long-term initiatives through this process. Social issues do not remain static as the years go by. They change shape and scope at an accelerated pace propelled by globalization. We will revisit these 14 high-priority CSR initiatives from time to time and add new ones so as to keep our CSR efforts relevant to anticipated changes.

### Process of Prioritizing CSR Activities



### High-Priority CSR Initiatives

The Kirin Group has chosen to initiate the 14 high-priority CSR initiatives shown below.

<p><b>Food and Health</b> <span>P.16~</span></p> <p>Initiatives</p> <ul style="list-style-type: none"> <li>Promoting responsible drinking</li> <li>Promoting food cultures</li> <li>Ensuring food safety</li> <li>Promoting a healthy and nutritious diet</li> </ul>	<p><b>Environmental Sustainability</b> <span>P.34~</span></p> <p>Initiatives</p> <ul style="list-style-type: none"> <li>Building a low-carbon society</li> <li>Protecting biodiversity</li> </ul>	<p><b>Respecting Humanity</b> <span>P.48~</span></p> <p>Initiatives</p> <ul style="list-style-type: none"> <li>Respecting humanity and seeking diversity of employees</li> <li>Enhancing occupational safety and health</li> <li>Supporting employees' work-life balance</li> <li>Investing in employees' professional growth</li> </ul>
<p><b>Collaborative Relationships with Suppliers</b> <span>P.54~</span></p> <p>Initiative</p> <ul style="list-style-type: none"> <li>Implementing socially responsible sourcing</li> </ul>	<p><b>Accountable Management System</b> <span>P.58~</span></p> <p>Initiatives</p> <ul style="list-style-type: none"> <li>Keeping the company on track</li> <li>Keeping shareholders informed</li> </ul>	<p><b>Community Outreach Programs</b> <span>P.64~</span></p> <p>Initiative</p> <ul style="list-style-type: none"> <li>Nurturing the young generation</li> </ul>

## CSR Management

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

The Kirin Group uses the PDCA (Plan-Do-Check-Act) cycle\* to manage its CSR activities.

Many of the CSR activities carried out within the Group have become an integral part of its business operations. Therefore, we have incorporated the monitoring of CSR practices and achievements into KISMAP, the Kirin Group's own performance management system based on the balanced scorecard method. The compliance management system and quality management system—both fundamental to our business operations—have been in place for years and

continuously upgraded.

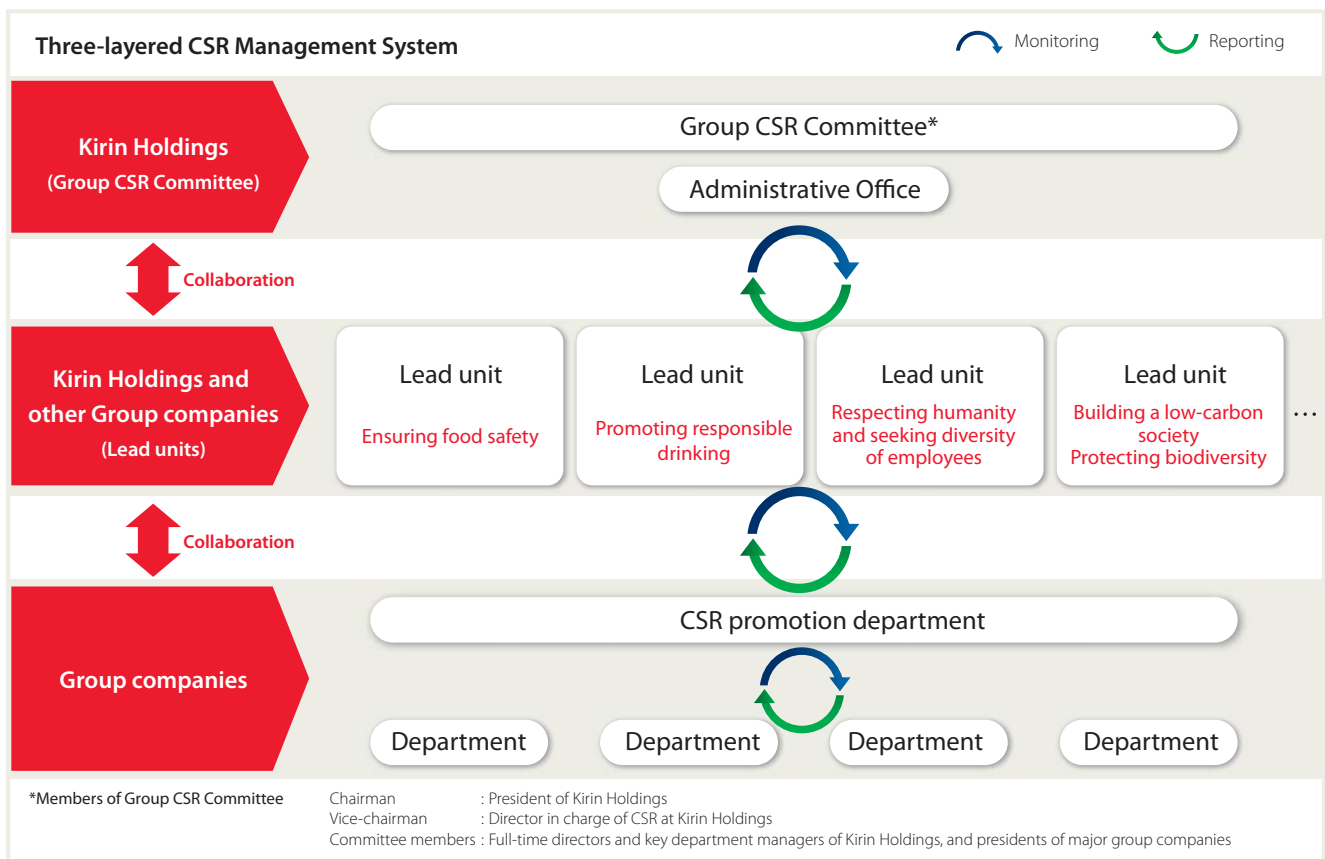
In addition, to step up our CSR efforts, we also address longer-term issues not covered by the 14 initiatives mentioned earlier. The Group CSR Committee is tasked with formulating and implementing plans to deal with such longer-term issues and monitoring progress and achievements.

\*PDCA cycle: A four-step model for continual improvement, ranging from developing a plan (Plan) through carrying it out (Do), monitoring its progress (Check), and taking action for improvement (Act).

### Three-layered CSR Management System

We have a PDCA-based, three-layered management system in place that promotes and monitors the implementation of CSR activities by group companies. In the top layer, we have the Group CSR Committee comprising officers of major group companies, and in the bottom layer are group companies that carry out CSR activities on a daily basis. In between, a lead unit has been set up for each CSR theme,

such as environmental management and socially responsible sourcing, and is responsible for leading and monitoring CSR activities carried out under each theme. In this three-layered management system, the Group CSR Committee, lead units, and group companies implement and monitor CSR activities using the PDCA cycle, individually and in combination.







# Food and Health

## Leading the Way to Healthy Living

The Kirin Group takes seriously issues related to food and health, and is well versed in addressing customers' growing needs for healthy living. We deliver new value in food and health to customers through compelling products that showcase our wealth of expertise and resources.

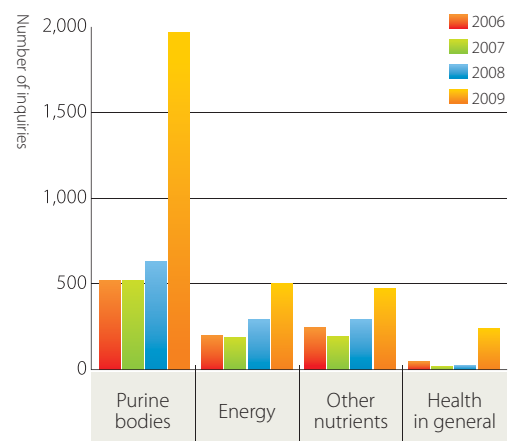
### Helping People Eat Healthy and Live Healthy

A growing number of people in Japan are suffering from so-called lifestyle-induced diseases linked to an unbalanced diet and a lack of physical exercise. In the medical community, the focus of medicine is shifting from therapeutic care to preventive care—which includes encouraging proper diets to ensure good health. It is in this context that the age-old concept originated in China that “medicine and food have the common benefit of promoting good health” is gaining wider currency. Looking ahead, people are likely to become more health conscious and have more diverse values and needs for healthy living. The Customer Center at Kirin Brewery has been receiving inquiries from an increasing number of health-conscious customers about purine bodies and nutritional ingredients contained in its products as well as about health in general. It is particularly worthy of note that we saw a spike in the number of health-related inquiries in 2009, albeit their absolute number was smaller than those of other inquiries. This tells us that people are interested in knowing more about health in general as well as specific nutrients. The Kirin Group has been listening to customers and translating their health needs into a variety of

products, which have gained broad acceptance. We will continue to combine our technical expertise and marketing resources to play an active role in helping people eat healthy and live healthy.

\*Purines are natural substances found in virtually all foods, and provide part of the chemical structure of our genes.

Customer Inquiries Concerning Nutritional Ingredients of Kirin Brewery Products



## Keeping up with the Growing Health Trend

The Kirin Group offers products that meet the growing needs of health-conscious customers. Kirin Brewery has been bringing out low-calorie, low-carbohydrate varieties of alcohol beverages since it introduced the industry's first light beer in Japan in 1980, and Kirin Beverage has been

marketing low-calorie, low-carb soft drinks since its inception in 1991.

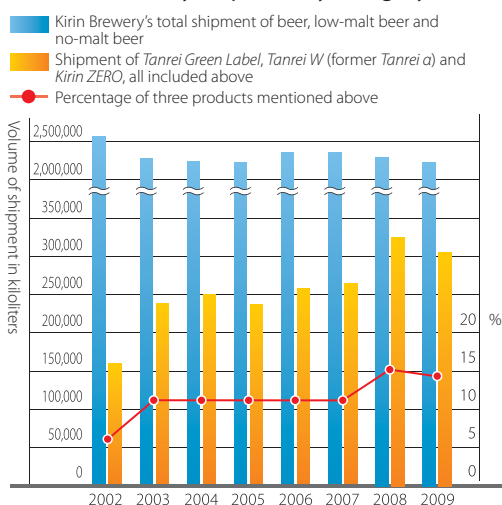
We will continue leveraging our technical expertise to develop new products that give customers a wider variety of alternatives to meet their health needs.

### Alcohol Beverages with Low-calorie, Low-carb, Low-sugar and Low-purine-body Content

*Tanrei Green Label*, a low-malt beer with 70% less carbohydrate content<sup>1</sup>, has been gaining wide popularity for its refreshing taste, and has been leading the Japanese functional alcohol beverage market since it hit the store shelves in 2002.

In February 2009, Kirin Brewery introduced *Tanrei W*, a low-malt beer that has 99%<sup>1</sup> of its purine body content removed using a world-first technology<sup>2</sup> developed by the company. This beer also has an added flavor derived from wine polyphenol<sup>3</sup> using the winemaking know-how provided by Mercian. Kirin Brewery also brought out *Kirin Zero Nama* in March 2010, which has significantly upgraded the taste of *Kirin Zero* it replaced by leveraging the technology originally developed for the *Kirin Free* non-alcohol beer while retaining the benefits of no-carb<sup>4</sup> content and the lowest calorie count<sup>5</sup> of its predecessor. In the *Kirin Chu-hi Hyoketsu* family, which is leading the ready-to-drink RTD liquor<sup>6</sup> market,

### Volume of Factory Shipment by Category



the *Toshitsu* (carb content) 50% Off<sup>7</sup> series was added in December 2005 and the carb-free *Hyoketsu ZERO* series in July 2008.

1: As compared with Kirin Brewery's other low-malt beers available on the market  
 2: Patent No. JP-3730935  
 3: Red wine extract containing polyphenol is added to its ingredients to give a richer taste.  
 4: Beverage with less than 0.5 grams of carbohydrate content per 100 ml can be marketed as "no-carb" or "carb-free" beverage under the Nutrition Labeling Standards established by the Ministry of Health, Labour and Welfare of Japan.  
 5: Lowest calorie count among all domestic low-malt beers sold from 1994 through 2009



Low-malt beers

6: RTD liquor is a packaged low-alcohol beverage sold in a prepared "ready-to-drink" form.

7: As compared with an average amount of carbohydrate content of *Kirin Chu-hi Hyoketsu*



### Soft Drinks with Low-calorie, Low-sugar and Low-fat Content

Since we introduced *Kirin Gogo-no-Kocha* (afternoon tea), the first black tea sold in plastic bottles that hit the Japanese market in 1986, we have added low-sugar and sugar-free varieties to the lineup to keep up with the growing health trend.

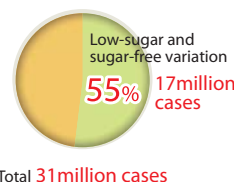
In June 2009, we brought out *Gogo-no-Kocha Straight Plus*, designated as food for specified health uses for its ability to slow the body's absorption of sugar. In February and March 2010, all new *Gogo-no-Kocha Healthy Milk Tea*, sugar-free, fat-free<sup>8</sup> milk tea, hit the market. Also during this period, the low-sugar chilled-tea series was renewed as the *Zero* series that includes a milk tea variation.

In 2009, the 10-year-old *Kirin Fire* canned coffee broadened its lineup to include *Black*, the *Hikitate*

*Bitou* (freshly ground and low sugar) series and the non-sugar *Cafe Zero*; these low-sugar and sugar-free variations accounted for slightly over half of sales generated by all *Kirin Fire*-branded canned coffees combined.

In addition, we have the *Kirin Amino Supli* amino acid drink, *Kirin Nuda* sugar-free, non-calorie carbonated drink, and *Nama-cha* green tea drink in our lineup to meet customers' diverse health needs.

### Percentage of Low-sugar and Sugar-free Variations to Total Sales of Kirin Fire Canned Coffees in 2009



8: Beverage with less than 1.5 grams of fat content per 100 ml can be marketed as "non-fat" or "fat-free" beverage under the Nutrition Labeling Standards.

### Non-calorie Sweetener

Kirin Kyowa Foods offers a wide variety of trend-setting seasonings and food materials that it develops with its proprietary technologies. In January 2009, the company nationally launched the *Cafino* non-calorie sweetener, whose natural

sweet taste and zero calorie count appeal to customers who have their coffee and tea without sugar on calorie-intake concerns.



# Leading the Way to Healthy Living

1: Ornithine is categorized as a recovery amino acid as it is reproduced during the ornithine cycle after being consumed in the human liver. A faint trace of this amino acid is found in some food items such as freshwater clams as well as in a human body. Ornithine in these eight products is produced through fermentation, rather than derived from freshwater clams.

## Group-wide Efforts to Help People Eat Healthy and Live Healthy

The Kirin Group has launched the Kirin Health Project, the first cross-company project undertaken by the group. This scheme is intended to develop and market a variety of food and drink products under the Kirin Plus-i brand to offer customers new value that not only brings them great taste and joy but also promotes health. Group companies bring their own expertise to this project and work together to establish an end-to-end process across a value chain that ranges from the research and development of

functional materials to the development, manufacturing and marketing of products. Thus we aim to create synergy among group companies in the health foods business. In April 2010, four group companies brought out eight items in the first series of products bearing the Kirin Plus-i brand. All these eight products contain ornithine recovery amino acid<sup>1</sup> that Kyowa Hakko Bio has developed and produced. We are combining group-wide efforts to help customers eat healthy and live healthy.

### Companies Participating in the Kirin Health Project



2: 1% fruit juice content  
3: No fruit juice content

### Comments by Project Members Involved in Developing the First Series of Kirin Plus-i Products



**Kirin Brewery**  
*Yasumuhi-no Alc.0.00%* (non-alcohol beer-tasting beverage for non-alcohol days)  
This is a non-alcohol beer that targets beer drinkers who stay away from alcohol from time to time to give a temporary break to their livers but would like to stay with a beer-tasting beverage, so that they all can enjoy beer for years to come. We had a really hard time making a rich-tasting non-alcohol beer that can satisfy demanding beer drinkers. We hope to create the new non-alcohol beer market by communicating a positive message that it's perfectly all right to have the Alc.0.00% beer on a self-designated "non-alcohol" day.

**Ken Kitabayashi**  
Marketing Department  
Sales and Marketing Division



**Kirin Beverage**  
*Otona-no Kirin Lemon<sup>2</sup>* (Kirin Lemon for adults)  
This is a non-sugar carbonated drink with health benefits. It contains health-enhancing ingredients, such as ornithine, citric acid and vitamin B6, and is flavored with early-harvested lemon that gives it a pleasant fruit taste and leaves no bitter aftertaste. I'm sure all these benefits have a great appeal to adult customers.

**Ukon Double<sup>3</sup>** (turmeric double)  
This is a turmeric-based drink enriched with ornithine. It has a pleasant citrus flavor that helps reduce the distinct bitter aftertaste of turmeric.

**Junko Mashita**  
Marketing Department  
Marketing Division



**Koikai Dairy Products**  
*Otona-no Yogurt* (yogurt for adults)  
This product was developed based on a trend we were seeing that a growing number of people are having yogurt in the evening as well as for breakfast. It was a challenge to find the right fermentation technique for yogurt enriched with ornithine while retaining a good taste. This functional yogurt is the result of an innovative approach that Koikai engineers and other engineers involved in the project took to collaborative product development.

**Kentaro Ariyoshi**  
Marketing Department  
Marketing Division



**Kirin Kyowa Foods**  
*Cayu-na* (freeze-dried rice porridge)  
The market for instant soups has been growing, led by cup soups with bean noodles. Project teams set up at Kirin Kyowa Foods and Kirin Kyowa FD—responsible for the manufacturing of the product—worked together to develop the cup rice porridge. We have overcome the challenge of removing the distinct aftertaste of ornithine by tweaking the manufacturing process. The result is rice porridge with a good taste and a functional benefit.

**Yasuhiro Funakoshi**  
Marketing & Planning Department  
Sales and Marketing Division





## R&D on Food and Health and Publishing the Results

Kirin Holdings is developing future technologies and a coordinated technical infrastructure in the fields of food and health at its Central Laboratories for Frontier Technology. Group companies, in an effort to deliver new value in food and health, are also conducting R&D activities focused on products and manufacturing technologies in their own research facilities.

The Kirin Group believes it important to provide product information to our customers so that they can make an informed decision to buy products that meet their individual health needs. In addition, highlights of the R&D results we have produced are published on our web site.



Central Laboratories for Frontier Technology

### Kirin Group's R&D operations



Our R&D organization and results are available at:  
<http://www.kirinholdings.co.jp/english/rd/index.html>

### Research into Health Benefits of Beer

Beer is said to have been invented more than 5,000 years ago. The Central Laboratories for Frontier Technology has been conducting scientific research into both the beneficial and adverse effects that beer has on the human body, leveraging the latest scientific knowledge and technologies. Its research has established that beer has antioxidant properties that promote a smooth blood flow as effectively as those of red wine. It has also found that beer can help reduce the loss of bone density. The research has established that

isoxanthohumol derived from hops—a bitter ingredient used in beer—can reduce the loss of bone density. Isoxanthohumol is present in natural hops in only a negligible amount, but can be made from xanthohumol—a compound contained in hops—during the brewing of beer.

The laboratory continues its research into the health benefits of hops, which have a long history of being used as herbs, with other research institutions in Japan and abroad.

### Research into Health Benefits of Wine

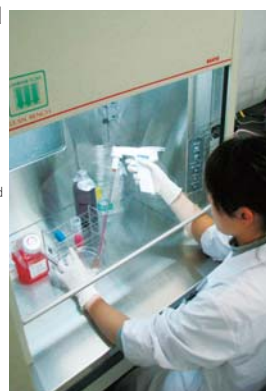
Mercian is researching basic technologies for biological resources, on wine and other food products, and on cooking at its three research facilities—the Bioresource Laboratories, the Product Development Research Laboratory, and the Processing Liquors Research Laboratory.

Researchers at the Product Development Research Laboratory have worked with those from outside the company and discovered that: 1) resveratrol—a variation of polyphenol contained in wine—promotes angiogenesis and the reproduction of nerve cells; and 2) it also facilitates the expression of genes responsible for metabolism and combustion of fatty acid and for anti-aging activities.

The first discovery was reported by Professor Kenji Okajima of Nagoya City University Graduate School—a co-researcher from outside the company—at the 3<sup>rd</sup> Polyphenol Research Association held on August 7, 2009; the second

finding was presented by Professor Hiroyasu Inoue of Nara Women's University—also a co-researcher from outside the company—at the 82<sup>nd</sup> Annual Meeting of the Japanese Biochemical Society on October 21, 2009.

These findings have attracted attention from the research community as they may provide a clue to solve the so-called French Paradox—a regular intake of a moderate amount of red wine over an extended period of time is negatively correlated to the risk of suffering from cardiovascular diseases, strokes and dementia.



Researcher in a lab

# Leading the Way to Healthy Living

## Therapeutic Antibody



### Information about therapeutic antibodies available online

Kyowa Hakko Kirin has on its web site a section dedicated to antibody engineering technology, which provides basic facts about therapeutic antibodies and their difference from conventional small-molecule pharmaceuticals. <http://www.kyowa-kirin.co.jp/english/rd/antibody/index.html>

1: Unmet medical need: medical need that is not addressed adequately by an existing therapy. (U.S. Food and Drug Administration)

2: Global specialty pharmaceutical company: a company with world-class strengths in innovative drug discovery.

3: POTELLIGENT® Technology: a technology to reduce the amount of fucose in the carbohydrate chain of antibodies, which was first developed by Kyowa Hakko Kirin and the benefits of which are internationally recognized.



Presentation ceremony for the 21st Kato Memorial Research Sponsorship

4: The Kato Memorial Bioscience Foundation was established in 1988 to respect the wishes of the late Benzaburo Kato, the founder of Kyowa Hakko, to contribute to the socioeconomic development of a society by promoting technological advancement.

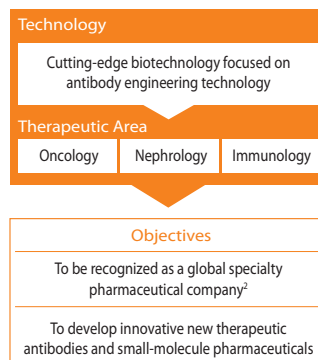
## Helping People Suffering with Diseases Live a Better Life

Kyowa Hakko and Kirin Pharma—both with extensive expertise in biotechnology—merged to establish Kyowa Hakko Kirin Co., Ltd. in October 2008. Both companies brought with them their advanced technologies in therapeutic antibodies and R&D resources in focused fields to the

merged company. This move is expected to shorten the lead time in bringing new drugs from research laboratories to the global market where they can make a difference in helping people suffering from diseases live a better life.

### Focused R&D Fields that Address Unmet Medical Needs<sup>1</sup>

Kyowa Hakko Kirin is working to establish proprietary drug-discovery technologies and industry-leading manufacturing technologies for biotechnology-based drugs. The company focuses its R&D operations on cancer, kidney, and immunological diseases to take advantage of its expertise in antibody technology. In these three therapeutic areas, Kyowa Hakko Kirin expects to accelerate new drug development. The company also is expediting the steps from nonclinical testing to the manufacturing of investigational new drugs to clinical testing to obtaining approval for new-drug application and marketing new drugs, so as to deliver them to patients around the world as quickly as possible. It has research facilities in Japan, China, Great Britain, and the United States to conduct R&D operations efficiently and expeditiously.



### R&D Results and Progress

■ Kyowa Hakko Kirin spent 31.6 billion yen in pharmaceutical R&D, or 20% of its pharmaceutical revenue over the nine months from April through December 2009.

#### ■ Therapeutic antibodies

The human body has a built-in protection mechanism called the immune system that defends it against disease by killing invading pathogens with antibodies. Therapeutic antibodies, in which Kyowa Hakko Kirin has proven expertise, are types of pharmaceuticals that engage this innate immune system to cure diseases. The good thing about therapeutic antibodies is that they can identify and attack only malignant cells such as cancer cells, causing few side effects. Expectations are high for them as highly effective drugs capable of treating diseases that respond poorly to conventional drugs. Kyowa Hakko Kirin will continue to leverage its unique technologies to develop as quickly as

possible innovative new drugs and provide them globally for people suffering from diseases.

#### ■ Providing medical assistance to developing countries

The company has been providing a steady supply of Leunase injections—an indispensable pharmaceutical for treating childhood hematological malignancy—to children suffering from that disease in India, Indonesia, Pakistan, Sri Lanka, the Philippines, Vietnam and other developing countries in Asia since the 1970s.

### Extending Financial Assistance to Bioscience Research Projects

The Kato Memorial Bioscience Foundation<sup>4</sup> promotes and provides financial assistance to research projects considered beneficial to the advancement of bioscience. In fiscal 2009, it

sponsored 25 research projects in medical science and biotechnology, 28 researchers who planned to make presentations at international bioscience conferences, and 10 bioscience conferences.

Kyowa Hakko Kirin's Antibody Pipeline (As of January 2010)

Therapeutic Area	Code Name	Country/Phase	Indication	Remark
Cancer	KW-0761	Japan Phase 2 United States Phase 1/2a	Hematologic tumor	- Utilizing POTELLIGENT® Technology <sup>3</sup> - Humanized monoclonal antibody
Cancer	KRN330	United States Phase 1/2a	Cancer	- Fully human monoclonal antibody
Cancer	BIW-8962	United States Phase 1/2a	Cancer	- Utilizing POTELLIGENT® Technology - Humanized monoclonal antibody
Immunology /Allergy	ASKP1240	United States Phase 1	Organ transplant rejection	- Fully human monoclonal antibody - Developed with Astellas Pharma Inc.
Other	KRN23	United States Phase 1	Hypophosphatemic disease such as X-linked Hypophosph	- Fully human monoclonal antibody

## Helping Developing Countries Solve Food-related Problems

### United Nations University-Kirin Fellowship Program

While many Asian countries have been developing economically, they have a long history of serious food-related problems, such as food shortages and malnutrition. The Kirin Group, which operates food and health businesses in Asia and Oceania, has been sponsoring

the United Nations University-Kirin Fellowship Program since 1993. This program is intended to assist developing countries in Asia in their efforts to solve food problems and achieve healthy socioeconomic growth.



A fellow in a food science laboratory

<b>Achievements</b>	<ul style="list-style-type: none"> <li>• The program has sponsored 83 up-and-coming fellows from nine Asian countries in their food science research from its inception in 1993 through 2009.</li> <li>• It is one of United Nations University's most successful sponsorship programs for capacity development.</li> </ul>
<b>Program outline</b>	<ul style="list-style-type: none"> <li>• It provides financial assistance to research projects in food science in the hope that it will help developing countries in Asia solve their food problems on their own.</li> <li>• It also helps fellows take the knowledge and technical skills they gain through research in Japan back to their home countries to promote scientific, technological and social progress in their communities.</li> </ul>
<b>Whom to sponsor</b>	<ul style="list-style-type: none"> <li>• Five food researchers and scientists selected annually from universities and research institutions in Asian countries by United Nations University and the National Food Research Institute (NFRI) in Tsukuba, Ibaraki Prefecture, of the National Agriculture and Food Research Organization.</li> <li>• The program provides financial assistance to fellows for one-year research projects at NFRI and for follow-up research for up to two years after they return to their home countries.</li> </ul>

### Comment by a Fellow on the 2009 Program

#### Satmalee Prajongwate from Thailand

Thailand is one of the largest rice-producing countries in the world, and its people commonly use processed rice flour in the preparation of meals. Rice flour contains a small amount of resistant starch that gradually increases blood sugar levels when digested, and acts like dietary fiber. My task

here is to develop a method for increasing the resistant starch content of rice flour. In recent years, foods with a low glycemic index<sup>4</sup> that release energy slowly have been gaining popularity among health-conscious consumers. If we can produce rice with an enhanced resistant starch content in Thailand, that would add value to Thai rice and create a greater demand for it.



Satmalee Prajongwate

4: Glycemic index: Classifying foods according to how fast they raise blood-sugar levels in the body.

### Research Projects by Fellows on the 2009 Program from April 2009 through March 2010

Fellow	From	Research theme
San Juan Edith M (Philippines)	Researcher at National Food Development Center	Preserving the quality of fresh produce through heat processing, while making more effective use of by-products
Borse Babasaheb Bhaskarrao (India)	Researcher at National Central Food Technology Research Institute	Developing biomaterials from spices, plants and their by-products
Nelwan Leopold Oscar (Indonesia)	Instructor at Bogor Institute of Agriculture	Applying filtration technologies to improve the flavor of fish sauce
Luan Guang-Zhong (China)	Associate Professor at Northwest A&F University	Identifying how glucide affects coagulated soy-based food products
Satmalee Prajongwate (Thailand)	Researcher at Food Research and Development Institute at Kasetsart University	Developing a technology to increase the resistant starch of rice flour

# Ensuring Food Safety

The Kirin Group strives to establish and maintain the highest quality assurance across its entire business processes ranging from the sourcing of raw materials through marketing so as to deliver safe products that customers can trust.

## Strenuous Efforts to Achieve the Highest Quality Assurance in the Food Industry

1: HACCP: Hazard Analysis and Critical Control Points, a management system for food safety  
 2: AIB Food Safety: A safety management and audit system for food factories developed by AIB International

### Kirin Group's Quality Assurance Efforts

As more customers are having strong concerns about food safety, the Kirin Group, always maintaining a forward-looking perspective, has in place a standardized quality assurance manual that applies to every group company so as to enhance the overall level of quality assurance across the group. This manual discusses the Kirin Group Basic Policy on Quality and the Group Principles of Action, both based on the group's core value—being held ever since the inception of Kirin Brewery—of being customer-focused and quality-oriented, as well as the Kirin Group Quality Standards.

To fully implement the Kirin Group Basic Policy on Quality, group companies are driving continual improvement of their quality, using the quality management system that facilitates performing as-is analyses, identifying issues and implementing the PDCA cycle. They have

### Traceability System

The Kirin Group has a traceability system that enables us to acquire, store, track and retrieve information, including quality inspection results,

### End-to-end Quality Inspection System

The Kirin Holdings Center for Food Safety Science<sup>3</sup> is armed with the latest knowledge and technology to analyze and evaluate traces of harmful substances and microbes that contaminate and spoil food, and uses these tools to comprehensively assess the safety of food materials and products that the Kirin Group uses and markets. The center is also developing and deploying technologies capable of detecting and analyzing even faint traces of substances, such as residual agrochemicals and ingredients known to cause allergic reactions when consumed by the

### Kirin Group Basic Policy on Quality

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

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

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

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

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

adopted international quality management standards such as ISO 9001, HACCP<sup>1</sup> and AIB Food Safety<sup>2</sup>, and established the quality management system based on the Kirin Group Quality Standards as part of ongoing efforts to achieve an even higher level of quality assurance.

related to individual products over their entire life cycle that ranges from the receipt of raw materials through delivery to retailers. We are planning to disclose the information recorded by the system.

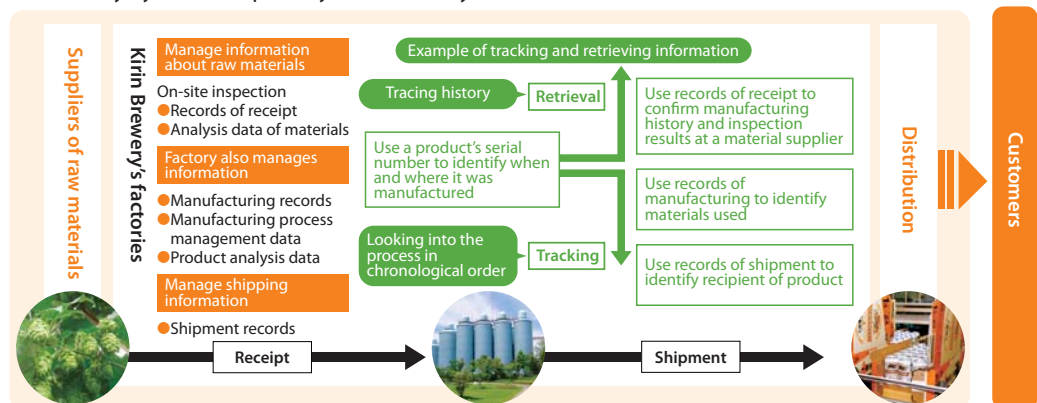
human body.

In addition, the Center for Food Safety Assurance<sup>4</sup> has developed and implemented the PLANET centralized data management system for automatically acquiring quality information and evaluation results related to malt, hops, yeast and other materials used for Kirin Beer. This system enables the center, Kirin Brewery's factories, the Laboratory for New Product Development and suppliers in Japan and abroad to instantly access registered quality data, bringing greater efficiency and enhancement to their quality assurance efforts.

3: Center for Food Safety Science supports all group companies in their pursuit of higher quality and food safety.

4: Center for Food Safety Assurance supports all group companies in their pursuit of greater quality assurance.

### Traceability System Adopted by Kirin Brewery





Traceability through Each Phase of Product Life Cycle of Kirin Beer

**Delivering Safe and Reliable Products with Good Taste**

Customers have little or no chance to see what is going on behind the scenes in our beer making until they pick up cans of Kirin Beer in a supermarket. That is why we are committed to paying uncompromised attention to detail in making and delivering our products. We will continue offering safe and reliable products that customers come to appreciate.



**Development**



**Takehito Itakura**

Laboratory for  
New Product Development  
Kirin Brewery

Here in the Laboratory for New Product Development, we design and develop products that offer tangible value propositions to customers. While we are always on the lookout for new materials of fine quality, they absolutely must meet our stringent safety standards to be selected for our products.



**Sourcing of raw materials**



**Miwako Egawa**

Procurement Department  
Kirin Business Expert

We follow our internal safety standards when procuring raw materials. In addition, we regularly assess the quality performance of our suppliers and feed the results back to them to ensure continual improvement to the quality of materials we use. We also look for new safer materials and new reputable suppliers.



**Manufacturing**



**Yoshikazu Momota**

Production &  
Quality Control Department  
Production Division Kirin Brewery

We apply not only scientific approaches but also our five senses to ensure the safety, reliability and quality of our products in each step of the manufacturing process that begins with the receipt of raw materials and ends with loading products onto trucks. We also take a hands-on approach to resolving quality issues that arise from manufacturing.



**Logistics**



**Yosuke Sendo**

Logistics Department  
SCM Division  
Kirin Brewery

We keep the inventory of beer products at the right level and at the right temperature so as to be able to deliver fresh products to retailers in good condition.



**Sales**



**Satoshi Izuka**

Sales Department  
Sales and Marketing Division Kirin Brewery

We hold the Kirin Draft Masters School for people who serve beer from dispensers at restaurants and bars to ensure that Kirin draft beer is served to customers in an optimum way. We also ensure that our in-store advertising and promotion meet our stringent standards of deployment so that customers can choose our products with confidence. Our salespeople in the field are asked to constantly improve their skills in addressing customers' needs promptly and courteously.



## Ensuring Food Safety

### Rigorous On-site Inspection and Uncompromised Quality Control over Hops

Kirin Brewery sends engineers who are specially trained and internally certified to its contracted hop farms to inspect the quality of freshly harvested crops of hops. These inspectors use their five senses to thoroughly check the crops' aroma, color and form, and select only those lots that they determine are right for the flavor of Kirin Beer. The crops of hops that the beer company chooses to buy after this rigorous screening are delivered by precisely temperature-controlled trucks to keep them in good condition to Kirin Brewery's factories, where another inspection is conducted on them upon arrival to see if they are

in good shape. Only when they are found to be of a production grade, are they brought to the brewing line. The company collects and monitors the quality data of hops it uses and maintains the high-standards of quality assurance so as to give consistently savory flavor to the beer it manufactures.



A quality inspector checking fresh hops

### Our Quest for Higher Quality Is Critically Acclaimed

Kirin Group's products have ranked among the highest in quality in international and domestic food contests.

Nagano Tomato won four Gold Awards and two Grand Gold Awards for its six entries at the Monde Selection, a prestigious food contest organized annually by the International Institute for Quality Selections in Belgium, in 2009. Its two processed mushroom products won Grand Gold Awards for three consecutive years; its two tomato juices, ketchup, and a processed mushroom product received Gold Awards. Among these six award-winning products, two of them received the International High Quality Trophies for achieving the Gold Award level or higher for three

consecutive years. The company won this trophy in 2008 as well.

Mercian participated in the 7<sup>th</sup> Japan Wine Competition in 2009 and its *Chateau Mercian Nagano Chardonnay 2007* and *Mercian Katsunuma no Awa 2008* won both Gold Awards and Highest Category Awards, and *Chateau Mercian Jonohira Cabernet Sauvignon 2005* received the Gold Award.

The Japan Wine Competition has been held annually since 2003 to raise the quality of, and consumer awareness of, domestic wines. In the 7<sup>th</sup> competition, a record 680 wines were submitted, to which 13 Gold Awards were presented.



Monde Selection International High Quality Trophy



Monde Selection Grand Gold Award



Monde Selection Gold Award



Nagano Tomato's award-winning products



Mercian's award-winning wines

### Technology to Expediently Evaluate Microbes' Resistance to Heat

Kirin Beverage has developed a world-first technology to directly measure the hardness of a single cell using a scanning probe microscope capable of observing nano-scale phenomena. This technology has led to the discovery that the hardness of a single bacterial spore is closely related to its level of resistance to heat and

sterilization. This finding has enabled the company to develop a technology to evaluate microbial risks to soft drinks more quickly and efficiently than using conventional techniques with which even an experienced lab technician took 30 to 60 days to complete an evaluation.

## Working with Business Customers and Suppliers to Ensure Quality

### McDonald's Endorsed the Consistently High Quality of our Products

In 2009, Nagano Tomato received an Award of Excellence from McDonald's for having supplied the chain with tomato ketchups in the Asia-Pacific region, Middle East and Africa for three years that set the quality standards against which all other ketchups were measured.

McDonald's commented that Nagano Tomato—one of the chain's global target supplier—won the award because its tomato ketchups was of consistently high quality and stimulated other suppliers into improving theirs. This is a good example of how our business customer appreciates our relentless pursuit of safety and quality of our products.



Award of Excellence

### Working with Restaurants to Offer Greater Satisfaction to Customers

Restaurants are an important place for us as that is where customers have the opportunity to enjoy the good taste of our beverage products.

Kirin Brewery works with other group companies to offer restaurants a broad line of beverages in every category on their drink menus. Its



Kirin Brewery salesman advising a restaurant owner

salespeople in the field leverage their extensive sales experiences, and with understanding of restaurant owners' emotional and rational attachment to their establishments, to advise them on the mix of beverage products right for their locations and types of businesses.

Kirin Brewery's sales staff also advise restaurants on ideas for seasonal sales promotions and assist them in developing new menus.

It is increasingly important to work closely with these restaurants in order to make them a place that offers greater satisfaction to their patrons. Since we formed an alliance with Diageo, a British alcohol beverage company, in 2009, we have added their liquors and spirits to our product portfolio and we now offer a much broader mix of alcohol beverages to restaurants.

We hosted a Japan regional round of the Diageo World Class Cocktail Competition. This was intended to promote a cocktail culture in Japan as well as to nurture Japanese bartenders to become world-class mixologists.

### We care about the quality of our sales promotion items

The Kirin Group's Center for Food Safety Assurance assigns its sales-promotion-tool team to perform quality assurance for giveaways and in-store samples used to promote sales of our beer and low-malt beer products. Kirin Brewery checks the quality of sales promotion items based on stringent internal standards so that customers can enjoy them in safely.

This includes running a test on the stability of food items to prevent poisoning and a test on glasses and T-shirts to verify their compliance with Japanese Industrial Standards.

We pay the same level of careful attention to giveaway items as we do for products for sales. This is critical in ensuring safety and reliability of everything we offer to our customers.

## Ensuring Food Safety

### Maintaining Two-way Communication with Customers

#### We Value Customer Feedback

We believe maintaining good communication with customers and incorporating their feedback into everything we do is as important as delivering safe and reliable products and services they can trust and enjoy.

In 2009, Kirin Brewery received 43,000 inquiries, requests and feedbacks about its products and services from customers either by phone or by email, Kirin Beverage 33,000 of them, Mercian 5,300 of them, and Koiwai Dairy Products 5,000 of them. We realize that, when our customers choose to make contact with us, they usually do so out of trust in and expectations for our brand. Therefore, our customer centers respond to customer inquiries and feedbacks promptly and graciously, and share what customers tell us with other departments so as to integrate it into our daily business processes to improve customer satisfaction.

When we receive a complaint from a customer about our product, we thoroughly investigate the cause of the problem and report the finding back to the customer to regain her or his trust. We also use what we learned from the case to improve our products.

We follow this up by asking customers who placed complaints if they were happy with the way we handled their cases so as to continually improve the way we handle customer complaints. This follow-up survey on customer satisfaction was first initiated by Kirin Brewery in 2001 and has been adopted by other group companies. Representatives from customer centers in eight group companies (Kirin Brewery, Kirin Beverage,

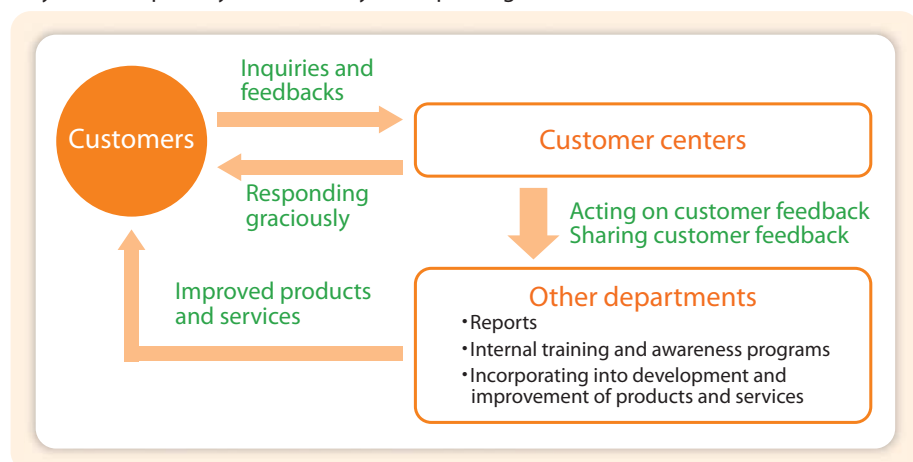
Mercian, Koiwai Dairy Products, Nagano Tomato, Kyowa Hakko Kirin, Kyowa Wellness and Kirin Holdings) meet once a month to exchange information and ideas for improving overall customer satisfaction and for remaining customer-focused.

We believe that by sharing among ourselves the needs and expectations that customers communicate explicitly and implicitly in their feedback, we can continually improve our products and services, which in turn will lead to greater customer satisfaction.



Kirin Brewery's Customer Center

#### System Adopted by Kirin Brewery for Improving Customer Satisfaction





## Communicating and Soliciting Information to Enhance our Credibility

### Factory Tours Offering Hands-on Experience of our Quality Assurance Efforts

Kirin Brewery's 11 factories and Kirin Distillery's Fuji-Gotemba Distillery are open to public tours, in which tour guides show and tell visitors what is going on in each step of the manufacturing processes. Visitors also have an opportunity to attend a beer seminar and a summer class on the environment. Tour guides are constantly improving their technical knowledge and communication skills to give better guided tours to visitors.

Mercian's Katsunuma Winery and Karuizawa Distillery are also available for public tours. The

Katsunuma Winery is scheduled to reopen with an upgraded facility under the new name "Chateau Mercian" in September 2010, and will serve as a hands-on information center where visitors can learn deeply about and enjoy domestic wines.

These factory tours give visitors a good hands-on opportunity to learn with their own five senses about how our products are made. At the same time we can learn from their comments and feedback made during tours to improve our products and services.



Summer class on the environment

### Using Customer Feedback to Improve Cardboard Containers for Franzia Wine

We have incorporated requests and feedbacks from our customers into improving many of our products and packages.

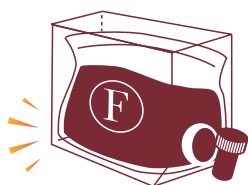
Here is an example. Mercian's Franzia wine is sold in a cardboard container with a plastic liner designed to prevent oxidation.

The design of the container has been improved in response to customer feedback that said they were having a hard time emptying out all the contents from the container. The redesigned container has one of its bottom corners beveled

off, to which an angled tap is attached—positioned lower than in an earlier design. Coupled with a tilting feature, this makes it easier to pour wine into a glass—all the way to the last drop. (The redesigned container reduces 94% of the amount of wine left unpourable in the earlier design.)

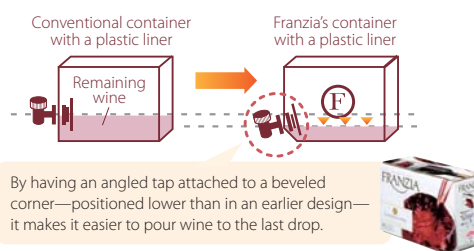
We will continue to consider requests and feedbacks from our customers to be important sources of ideas for improving our products and services.

#### Franzia's cardboard container with a plastic liner



Wine is in a special plastic liner inside the container. When you pour wine from it into a glass, the liner deflates to prevent the entrance of air. You can enjoy a glass of wine whenever you feel like it, keeping the remaining wine in good condition.

Note: Place the container on a flat, horizontal surface, with the tap pointing downward.



By having an angled tap attached to a beveled corner—positioned lower than in an earlier design—it makes it easier to pour wine to the last drop.

(Developed by Mercian and Kirin Brewery, patent pending)

### Expert Advice

#### Group-wide Improvement in Quality Gaining Greater Credibility from Consumers

I can see that the overall quality level of the Kirin Group has been improving steadily—to a large part thanks to the ongoing efforts of each group company and the Center for Food Safety Assurance—following the Kirin Group Basic Policy on Quality. It is also evident that group companies are making serious efforts to meet consumers' expectations for quality and safety in every step from the sourcing of raw materials to marketing. Providing relevant information for consumers online is a good approach to enhance the Group's credibility. I would suggest that the Group become more specific in

communicating its priorities and goals to consumers to foster even stronger trust and credibility; the Group might also consider publishing specific targets and directions for improving customer satisfaction as well as what process to follow for improvement based on customer feedback to strike the right chord with customers. It is good to know that the Group has established a policy and a system for handling customer feedbacks and incorporating them into its business. I hope the Group will continue to lead the industry in exceeding our expectations.



**Yukiko Furuya**  
Executive Director  
Nippon Association of  
Consumer Specialists

# Promoting Responsible Drinking

As a corporate group that manufactures and markets alcohol beverages, we consider it our social responsibility to prevent and eliminate harmful use of alcohol in a society and promote responsible drinking as part of ongoing efforts to help develop a prosperous society.

## Kirin Group's Basic Policy on Addressing Alcohol-Related Problems

While alcohol beverages give joy and pleasure to people, consuming them in an irresponsible manner can lead to a variety of problems. As a socially responsible corporate group engaged in the manufacturing and marketing of alcohol beverages, the Kirin Group takes it upon itself to address alcohol-related problems in a straightforward and appropriate manner. We have been undertaking a wide range of activities in collaboration with local

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

### Basic Policy

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

### Action Guidelines

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

## Organized Approach to Promote Responsible Drinking

A lead unit is in place in Kirin Brewery, tasked with promoting responsible drinking throughout the Kirin Group, and each group company and office has a designated staffer in charge of promoting responsible drinking. When this staffer does something about alcohol-related problems associated with her or his company's business or community, she or he follows instructions and advice given by Kirin Brewery to ensure consistent governance.

We began providing employees with training on responsible-drinking promotion in a more organized fashion in 2008. In addition to the on-site training that designated staffers provide for all 25,000 employees in domestic group companies during the responsible-drinking drive month in April, similar training is given to employees-to-be,

new recruits and new executives during by-rank training sessions. We will continue to fulfill our responsibility as a corporate group engaged in the alcohol business by taking proactive approaches to promote responsible drinking and address public health.



Meeting of designated staffers in charge of promoting responsible drinking

## Addressing Alcohol-Related Problems

### Educating the Public

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

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



The ABCs of Alcohol and Health  
A brochure that discusses alcohol and health in an easy-to-understand manner

### Public Awareness Campaigns to Promote Responsible Drinking and Prevent Harmful Use of Alcohol

(As of December 31, 2009)

	Media	Released in	Target Audience	Total Copies Distributed
<i>The ABCs of Alcohol and Health</i>	Brochure	1996	Public	6,563,200
<i>Drinking and Health – Students Edition* Adults Edition*</i>	CD-ROM	2000	Junior high school students/ Adults	182,700/ 14,200
<i>Minors and Alcohol</i>	VHS video	1993	High-school and college students	33,000
<i>Minors and Alcohol: Revised Edition</i>	VHS/DVD	2005	Junior high school students	27,200
<i>Minors and Alcohol: Revised Edition</i>	DVD	2006	International audience and people with hearing disabilities	
Learn about and Enjoy Alcohol and Health	Web site	2007	Public	

\*No longer available

### Campaigns to Eliminate Drunk Driving

#### ● Supporting the Designated Driver Campaign

In September 2009, Kirin Brewery announced its support of a designated driver and safe ride campaign called the “Steering-Wheel Keeper Campaign” as part of its CSR activities through the marketing of products. This campaign is promoted by the Japan Traffic Safety Association, the Japan Foodservice Association, and the Japan Automobile Federation (JAF). The company uses *Kirin Free*—a non-alcohol, beer-tasting beverage—as a vehicle to get across its message against drunk driving during the campaign.

In the spring and fall of 2009 when a national traffic safety campaign was under way, Kirin

Brewery held public-awareness events against drunk driving in highway rest areas in the Tokyo Bay Area and Chiba Prefecture. In February 2010, the company marketed nationwide a limited version of *Kirin Free* in bottles with a Steering-Wheel Keeper Campaign label on them (pictured).

We also talk about this campaign to visitors on factory tours and work with local governments to promote it.



#### ● Supporting a Movie with an Anti-Drunk Driving Theme

A 2007 fact-based movie “Zero Kara-no Kaze” (Wind from Zero) depicted the story of a mother who lost her son in a drunk-driving accident and collected a petition calling for the introduction of a charge of vehicular homicide being into law in Japan. We sponsored the production of the movie and its DVDs to be distributed free to public junior high schools around the country. In addition, we invited the director of the movie, Toshi Shiyo, to Kirin Holdings head office for a speech and a showing of the movie to raise employees’ awareness about drunk driving.

#### ● Kirin Fund against Drunk Driving

In 2010, we have added the Kirin Fund against Drunk Driving as an option in our special benefit program for shareholders. Money raised through the fund is donated to the Japan National Organization Welfare of Victims of Automotive Accidents. We hope this gives our stakeholders an opportunity to think about responsible drinking.



Brochure for special benefit program for shareholders



#### Steering-Wheel Keeper Campaign

When a group of people drive to a restaurant or a bar for drink, they choose a designated driver from among them, who agree to have no alcohol drinks during the meal and to drive other members back home afterward. It is a practice to avoid drunk driving.

#### Public-awareness event

In September 2009, we held a public-awareness event against drunk driving in the Makuhari Rest Area on the Keiyo Highway, in which we distributed campaign literature to drivers and offered them samples of *Kirin Free*.



JAF President Tanaka (right) and Kirin Brewery President Matsuzawa (left)



## Drinking in Society

### Label on Kirin Free

An image of a kirin depicted on the label clearly shows that *Kirin Free* is a beer-tasting drink. Also on the label is prominently displayed "0.00%"—an indication that this is a non-alcohol beverage. In addition, a note on the label says, "This is a beverage intended for use by adults 20 years or older" to keep underage people away.



1:Mid-strength  
Alcohol content of 3 to 4%

### Story behind the Development of *Kirin Free*

#### Aiming to Eliminate Drunk Driving

Kirin Brewery launched the non-alcohol, beer-tasting beverage *Kirin Free* in April 2009. Its development—aimed to eliminate drunk driving—started in 2007 when a

heavier penalty was introduced for drunk driving in the revised Road Traffic Act in Japan.

#### Group Companies Joined Forces

The greatest challenge was to give a beer-like taste to *Kirin Free*, which was to be manufactured without using the fermentation process to make it 100% alcohol free—but it is fermentation that gives a distinct taste to beer. We started from scratch to find ways to make *Kirin Free* taste just like beer.

The development team in the project went through many trials and tribulations until they combined the technology to produce beer wort that Kirin Brewery had refined and perfected with the one to blend flavors—a specialty performed by an development team working on *chu-hi* and

cocktail drinks—to successfully reproduce a delicate and complex flavor that was almost identical to the one produced by yeast. We also leveraged a technical know-how developed by Kirin Beverage for its soft drink products when we came up with a technique for effectively reducing the sour taste. The good taste of *Kirin Free* was made possible by the combination of our three proprietary technologies (all patent pending)—to control the malt-derived taste, to blend flavors, and to reduce sourness—and was refined through tasting tests conducted twice as many as normally done before launched nationally.

#### Tasty and Safe

Before launching *Kirin Free*, we made sure that it not only tastes good but also it is a safe product. We referred to technical documents published by the National Research Institute of Police Science before conducting a series of tests in which we asked test drivers to try *Kirin Free* before getting into driving simulators and confirmed that the pre-drive consumption of this drink had no effect on their driving performance. These tests verified our confidence that it is perfectly all right for a driver to have *Kirin Free* before getting

behind the wheel. After *Kirin Free* hit the market, customers have been buying it as a pre-drive alternative to beer and as a general-purpose alternative to beer. We will continue to be responsive to social needs and customer feedback to deliver products that meet the diversified needs of as many customers as possible.



**Namiko Kajiwara**  
Marketing Department Kirin Brewery

### A Topic from Abroad

#### Developing Low-Alcohol Beverage Products

We have been seeing a growing popularity around the globe for mid-strength<sup>1</sup> beer with a low alcohol content. One in every four beers sold in Australia is of a low-alcohol type.

To meet an increasing demand for low-alcohol beer, Lion Nathan added Tooheys Extra Dry Festival Release 3.5 (3.5% alcohol content) in January 2010 to its lineup of low-alcohol beer, which includes XXXX Gold and Hahn Premium Light.

The company is also marketing Steinlager Edge, the first mid-strength beer (3.5% alcohol content) in New Zealand, and a lower alcohol version of Preece wine.



## Proactively Addressing Alcohol-Related Problems in Japan and Abroad

### Preventing Underage Drinking

Kirin Brewery, in addition to participation in the industry-wide organized efforts to prevent underage drinking, is undertaking its own initiatives. This includes making and distributing educational DVDs in Japan and abroad, and implementing voluntary standards on beer advertising, which include the Advertising Ethic Standards, Advertising Ethic Rules and Guidelines, and are more stringent than the industry standard. Based on these standards, an internal ethic committee screens all beer advertising that the company runs.

Lion Nathan has been supporting Youth Off the Streets, a local NPO engaged in a youth-care

program to prevent underage drinking. The NPO's activities include helping parents and their children have better relationships and stronger bonds with each other through workshops and camps to help young people develop self-confidence and a sense of responsibility; rehabilitating young people with alcohol-related problems; and helping young mothers acquire parenting skills.



Supporting the NPO Youth Off the Streets

### Working with Industry Organizations

In 2005, the World Health Organization (WHO) asked its member countries to monitor and control health problems arising from alcohol consumption and report the progress. The Kirin Group and other Japanese alcohol makers have joined the Global Alcohol Producers Group, an international trade organization, to make concerted efforts to accommodate WHO's request on a global scale.

In Japan, we are working with four other leading Japanese beer companies in the Brewers Association of Japan (BAJ) to address alcohol-related problems in a society. In addition, to prevent harmful use of alcohol such as underage drinking and excessive drinking, we have adopted the Voluntary Standards on Alcohol Advertising and Labeling established by the Alcohol Trade Organization Council, comprising eight alcohol trade groups including BAJ and the

Japan Wineries Association.

We have been participating in the "Stop Underage Drinking" campaign organized primarily by BAJ since its inception in 2005.

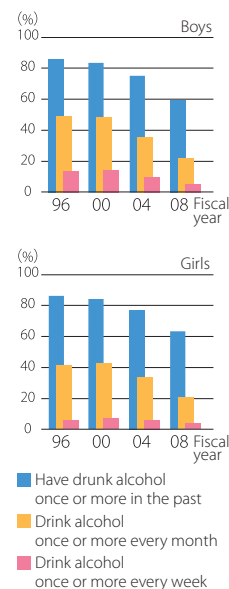
Kirin Brewery represented the Japanese brewing industry at a WHO conference held in Geneva, Switzerland in 2008, and reported on the Japanese industry's efforts to address alcohol-related problems and their effectiveness.

#### An excerpt from the voluntary standards on alcohol advertising

- Keep alcohol advertising off TV programs aimed at underage viewers
- Use no celebrities or well-known fictional characters with appeal to underage audiences in alcohol advertising
- Keep billboard advertising of alcohol products off from the vicinity of schools
- Run no TV advertising of alcohol products from 5:00 a.m. through 6:00 p.m.<sup>2</sup>

<sup>2</sup>:Effective October 1, 2010. Advertising of corporate branding and public manners by alcohol companies are allowed.

Frequency of Drinking among High School Students



Source: "2008 Report on Underage Smoking and Drinking," a research project subsidized by the Ministry of Health, Labour and Welfare



"Stop Underage Drinking" symbol

### Expert Advice

## Alcohol Company's Social Responsibility

Drinking makes people feel good, but too much drinking can make people lose their inhibitions. Heavy drinking makes people more vulnerable to illness, injuries, auto accidents, physical violence, domestic violence, and the loss of social standing. That is why we need to establish social guidelines on drinking alcohol, and alcohol beverage companies have social responsibility to enforce voluntary standards on alcohol advertising and prevent harmful use of alcohol.

I would like the alcohol beverage industry to take a more aggressive approach to protect underage people and pregnant women from the exposure to alcohol advertising. In 2009, ASK conducted a survey on alcohol advertising on TV and, as a result, requested alcohol trade groups to exercise

tighter control over it. They responded positively by adding several items of voluntary standards including a cautionary statement against drinking targeting pregnant women. I am very pleased to know that the Kirin Group has gone a step further by stopping using in its advertising a scene in which a woman is drinking alone in broad daylight.

I am afraid that the guidelines that the Japanese alcohol industry has in place on alcohol advertising are substantially less in their scope and scale than what other countries are doing. I would like the Kirin Group to lead the industry in educating the public on the risks of drinking and exercising more stringent self-control over alcohol advertising.



**Tomomi Imanari**  
Chairperson  
Japan Specified Non-profit  
Corporation to Prevent Alcohol  
and Drug Problems (ASK)

# Leading the Way to the Future Lifestyle of Food

The Kirin Group inspires new ideas for lifestyle of food in the younger generation and promotes cultural development around alcohol and food as part of ongoing efforts to share the joy of food and health with more people and to enrich their food cultures.

## Kirin Institute of Food and Lifestyle

The Kirin Institute of Food and Lifestyle, since its inception in July 2007, has been researching people's dietary habits and food cultures to identify new lifestyle and social trends. The institute then uses the findings to develop a vision of what role the Kirin Group should play in leading the way to the future lifestyle of food. It also works with

customers and the Group's employees to create lifestyle that illustrates the future direction of food culture.

The research findings are also shared with group companies to develop products that deliver new value to customers.

## Nurturing Food Literacy in Youth

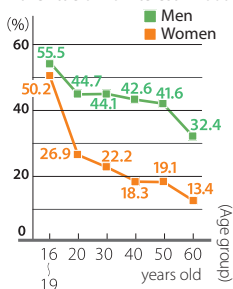
The Kirin Institute of Food and Lifestyle has found that young people are not much interested in what they eat. We call the degree of knowledge and ability a person possesses to make an appropriate decision about what he or she eats "food literacy" and it comprises the ability to eat the right food, to

prepare the right meal and to choose the right food. We hope to nurture food literacy among young people so that they can make healthier food choices and start thinking about the future lifestyle of food.

### Half of teenagers are not much interested in what they eat

More than half of teenage boys and girls we surveyed do not get involved in the preparation of dinner or have little interest in what they eat.

Percentage of people who have little or no interest in food



### Hands-on Programs on Food for Children

#### Kirin Kids School of Good Flavor

We have been offering children a series of hands-on programs with food-related themes since 2008. This program is called "Kirin Oishii Gakko" (Kirin kids school of good flavor) and is intended to get children more interested in what they eat and encourage them to talk about food with their parents and siblings more often at home.

On a program about fermentation, they learn with fun about the intricacy of that process through visual observations and experiments. On a program about the sense of taste, they first learn about five taste sensations—sweetness, sourness, saltiness, bitterness and savoriness (or *umami*)—and learn how the sense of taste can be enhanced by four others—senses of sight, smell, hearing and touch.

### Food Education in Soccer Classes

The Kirin Group has been holding the Kirin Soccer Field, a soccer class for elementary students, in 12 cities in Japan since 2008. In 2009, we started offering children attending this class a food education program as well so that they can develop healthy bodies necessary to continue to enjoy playing soccer.

We provide a brochure titled "Eat to Become a Better Soccer Player – the Secrets of Good Dietary Habits" to the children and their parents who participate in the soccer class, to give them

something to think about to develop healthy and strong bodies. This brochure is based on experiences by Shoji Jo, a former member of the Japan National Soccer Team and a supervisor of the soccer class, and discusses good dietary habits under five themes—breakfast, lunch, rice balls, picky eating habits, and the day of a soccer game.



Shoji Jo talking about the "Secrets of Good Dietary Habits"

### Comment by a Kirin employee abroad

An employee at Kirin Brewery (Zhuhai) Co., Ltd. in China comments on the Kirin Kids Class on the Secrets of Good Food, "If we can have something like this in China as part of social studies in our elementary and junior high schools, it would be a tremendous help."

### Kirin Kids Class on the Secrets of Good Food

Kirin Holdings sponsored the "It's A Tasty World – Food Science Now!" food exhibition held at the National Museum of Emerging Science and Innovation. Eight group companies\* worked with the Kirin Institute of Food and Lifestyle to hold the Kirin Kids Class on the Secrets of Good Food during the event. In this class, we offered elementary students or older 14 programs that gave them an opportunity to learn the importance of diet and the quality of what they eat.

\* Kirin Holdings, Kirin Brewery, Mercian, Kirin Beverage, Koikai Dairy Products, Kirin Kyowa Foods, Nagano Tomato and Kyowa Hakko Kirin



### Collaborative Study on Sustainable Food Culture

In a partnership program with the University of Tokyo under way since October 2008, we bring experts from diverse fields and university students into a collaborative study on how to contribute to a sustainable food culture and on Japanese approaches to lifestyles of food in the 21<sup>st</sup> century. In 2009, six workshops, including hands-on experience on the farm, were held to discuss the right foods and the right way of cooking them that meet the needs of both food producers and consumers. We also invited Yoji Yamada, a renowned Japanese film director, to deliver a

special lecture. At the conclusion of the program, students presented their research findings.



Kirin Open Seminar

### Kirin Open Seminar held at "It's A Tasty World – Food Science Now!" food exhibition

In January 2010, we held the Kirin Open Seminar at the National Museum of Emerging Science and Innovation. About 140 people attended the seminar that included a keynote speech by Norimichi Kojima, Managing Director and Executive Vice President of the University of Tokyo, and a joint presentation by six group companies titled "The Pursuit of Deliciousness in Food and Beverage Products." During the post-seminar sampling of food and beverages, presenters and attendees exchanged lively conversation.

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

In the company-sponsored Forum on Future of Food and Health, employees and executives of group companies met to discuss what the Kirin Group can do to help consumers have better lifestyles of food and health in response to issues raised by experts and food scientists from Japan, a few other Asian countries, Australia and the United States.

We will continue delving into this theme and publish our collective insights in a report tentatively called "Future Lifestyle of Food and Health" in 2011.



Group sessions at the forum

### Promoting Diverse Food Cultures

Group companies communicate information about food and lifestyles to consumers through various media as part of ongoing efforts to help people enjoy rich and satisfying diets.

#### Beer Culture

Kirin Brewery holds in its beer factories public seminars on the nuances of beer as well as public events that explore the history and culture of beer.

#### Wine Culture

Mercian Katsunuma Winery assists local communities in Yamanashi Prefecture in adult enrichment classes and human resources development. In January 2010, Mercian employees gave lectures at the Koshu Adult Class hosted by the City of Kofu in Yamanashi Prefecture as well as at the Institute of Enology and Viticulture at the University of Yamanashi.

#### Tea Culture

Kirin Beverage posts to its web site a wide range of information about black tea to encourage more people learn to enjoy black tea.





# Environmental Sustainability

## Environmental Policy and Material Balance

The Kirin Group addresses environmental concerns and issues through its day-to-day business operations so as to remain “focused on people, nature, and craftsmanship to redefine the joy of food and health” as the Group’s Identity Statement declares.



### DBJ Environmental Rating

In March 2009, Kirin Holdings received from the Development Bank of Japan (DBJ) environmentally responsible financing. Under this financing scheme, a company that meets the standards for credit ratings and environmental ratings is eligible to obtain financing with preferential interest rates from the DBJ. We received the highest ranking in the evaluation of environmentally responsible management for our industry-leading efforts to significantly reduce CO<sub>2</sub> emissions through the use of solar energy and biogas. We also received special recognition as an “Environmental Model Company.” We leveraged our excellent environmental ratings to apply for the interest-subsidy scheme backed by the Ministry of the Environment of Japan, and took out a syndicated loan of 20 billion yen. The money was used for capital investment to reduce environmental impact arising from our business operations.

### Kirin Group’s Basic Policy on Environmental Stewardship

The Kirin Group’s business is to use what nature provides for us to create something that is beneficial to people’s lives. We are fully aware that this process has a direct and an indirect impact on the natural environment. That is why we take it upon ourselves to be ecologically responsible and address environmental concerns and issues through our business operations.

In October 2008, we updated the Group’s environmental policy to include a declaration of commitment to become a low-carbon corporate group. We are committed to playing an active role in helping create a sustainable society, while developing and marketing “green” products that offer tangible environmental benefits to customers.

### Basic Policy and Action Guidelines on Environmental Stewardship

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

## Promoting Environmental Stewardship and Environmental Management System

Based on the Group's Environmental Policy, each group company integrates its own environmental initiatives into its management objectives and acts on them.

In March 2010, Kirin Business Expert, a shared-service company in the Kirin Group, took over responsibility for quality assurance and environmental management for the entire group. Prior to this, Kirin Holdings monitored environmental management systems and environmental risk management systems operated by other group companies. Under the new operational framework, Kirin Holdings is responsible for ensuring continual improvements to the Group's environmental management, and for enhancing its environmental governance. The Kirin Group has been establishing an environmental management system based on the ISO 14001 international standards on

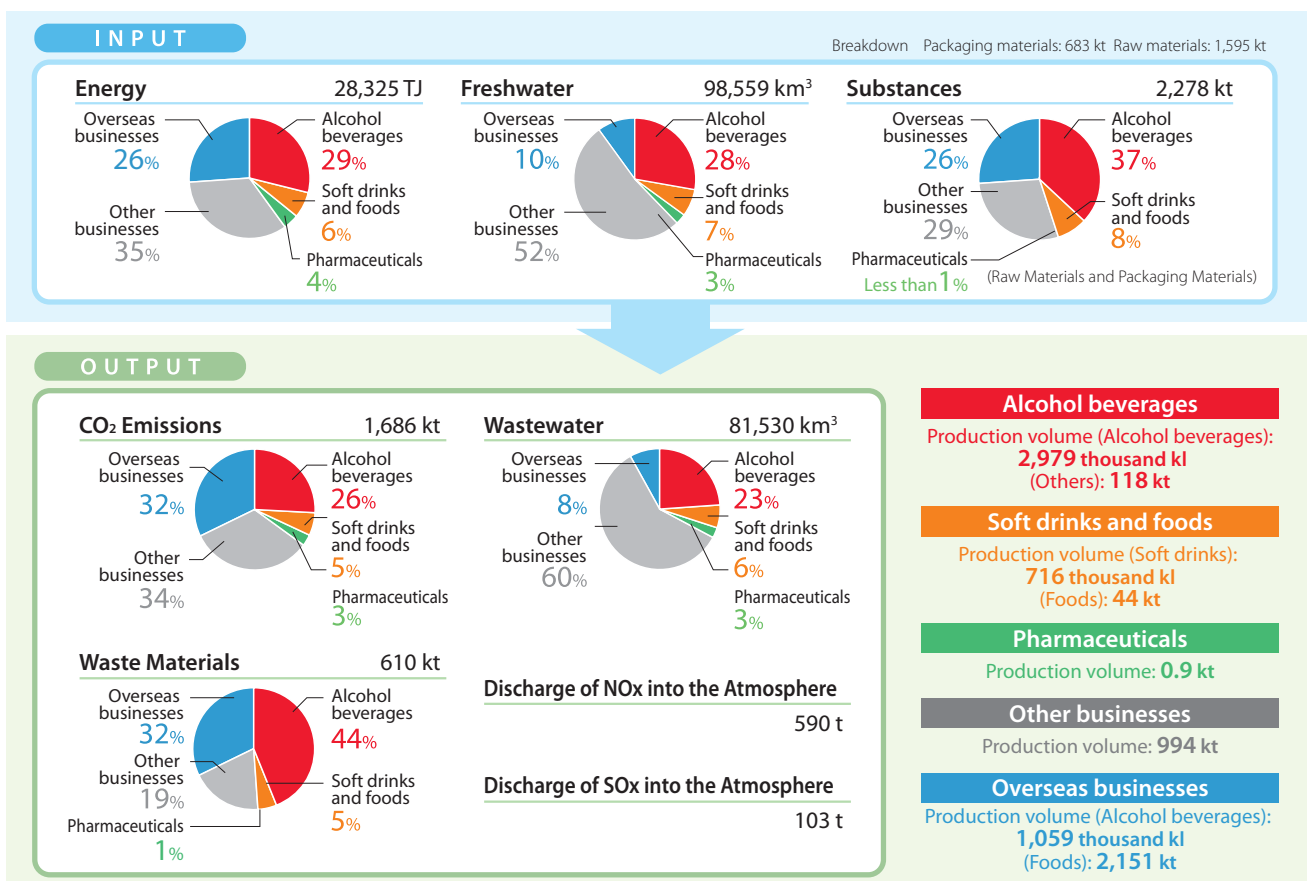
environmental management. In March 1997, Kirin Brewery's Hokuriku Plant became the first plant certified under ISO 14001 in the Japanese food industry. Since then, our offices and plants have obtained ISO 14001 certification in Japan and abroad. In addition, in an effort to migrate by-site environmental management systems into a company-wide integrated management system, Kirin Brewery became the first beer company in Japan to receive company-wide certification under ISO 14001 in June 2008. Kyowa Hakko Kirin also obtained company-wide certification in May 2009.

We have adopted environmental accounting standards based on "Environmental Accounting Guidelines 2005" published by the Ministry of the Environment of Japan to disclose our environmental investments and expenses, which are also reported to management.

This Sustainability Report covers major subjects related to the Kirin Group's environment stewardship.

## Material Balance

The Kirin Group assesses in detail the environmental impact resulting from its business operations and uses the findings to reduce it. Shown below are the results for material balance broken down by business segment for 2009.



<b>Alcohol beverages business</b>	Kirin Brewery Co., Ltd., Kirin Distillery Co., Ltd., Ei Sho Gen Co., Ltd., Kirin City Co., Ltd., Kirin Merchandising Co., Ltd., Kirin & Communications Co., Ltd., Kirin Logistics Co., Ltd., Kirin Engineering Co., Ltd., Kirin Techno-System Corp., Mercian Corp., Mercom Corp., Nippon Liquor Ltd., Musee d'art Mercian Karuizawa
<b>Soft drinks and foods business</b>	Kirin Beverage Co., Ltd., Koivai Dairy Products Co., Ltd., Kirin Kyowa Foods Co., Ltd., Nagano Tomato Co., Ltd.
<b>Pharmaceutical business</b>	Kyowa Hakko Kirin Co., Ltd., Kyowa Medex Co., Ltd.
<b>Other businesses</b>	Kyowa Hakko Bio Co., Ltd., Kyowa Hakko Chemical Co., Ltd., Kirin Agribio Co., Ltd., Yokohama Arena Co., Ltd., Yokohama Akarenga Inc., Kirin Echo Co., Ltd., Kirin Holdings Co., Ltd., Kirin Business Expert Co., Ltd., Kirin Business System Co., Ltd., Kirin Real Estate Co., Ltd.
<b>Overseas businesses</b>	Kirin Australia PTY LTD, Kirin (China) Investment Co., Ltd., Kirin Brewery (Zhuhai) Co., Ltd., Lion Nathan Group, National Foods Limited

\*Environmental performance data for the Kyowa Hakko Kirin Group cover the period April 1, 2008 through March 31, 2009, with the exception of energy-use data that cover the period January 1, 2009 through December 31, 2009.





## Environmental Sustainability

# Striving to Become a Low-Carbon Corporate Group

Climate change has global implications and its impact on nature could seriously affect the Kirin Group's businesses. That is why we have made "becoming a low-carbon corporate group" a central focus of our CSR activities conducted in day-to-day business operations.

## Action Plans for Becoming a Low-Carbon Corporate Group

The risk of climate change could have a serious impact on the Kirin Group, which relies on what nature provides to conduct business. In August 3, 2009, we formulated a strategy for addressing global warming and set medium- to long-term

targets for reducing carbon footprints throughout the entire Group. These targets are applied to every aspect of our business—ranging from product development through disposal and recycling—across the entire value chain.

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

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

- 1 We will reduce CO<sub>2</sub> emissions generated from our entire global value chain by half from the 1990 level by 2050.
- 2 We will reduce CO<sub>2</sub> emissions resulting from our global manufacturing, distribution and office operations by 1% or more annually through 2050.
- 3 By 2015, we will bring CO<sub>2</sub> emissions from our manufacturing, distribution and office operations in Japan down to 35% below the 1990 level.



**Biogas power plant operated by Amita Group**

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

### Disposal and Recycling

- Using coffee grounds and used tea leaves as substrates to generate bioelectricity (See Page 41)
- Switching to lighter returnable glass beer bottles (See Page 40)
- New advanced *pecology* bottle, the lightest plastic bottle used in the unsweetened bottled tea market in Japan (See Page 41)
- Plastic bottles for wine (See Page 40)
- Corner-cut cardboard case (See Page 41)
- Lighter carton case for six packs of canned beverage (See Page 40)



**Material for freezer lubricant oil**

Kyowa Hakko Chemical is increasing the production capacity of synthesized fatty acid, a material for freezer lubricant oil.

### Consumption

- Material for lubricant oil for freezers that use a chlorofluorocarbon alternative that is harmless to the ozone layer
- Refrigeration-resistant yeast (See Page 40)



**Eco-friendly vending machines**

Kirin Beverage is switching to vending machines that use an energy-efficient heat pump.

### Sales

- Non-fron vending machines with heat pumps
- Switching to greener cars for salespeople in the field (See Page 39)
- Reducing the use of in-store point-of-purchase materials (See Page 39)

**Kirin Environmental across its Entire**

**Eco-friendly products**

## What is a Low-Carbon Society?

The low-carbon society that the Kirin Group aspires to help create is a society that not only minimizes its carbon emissions, but also enables people to lead a simple yet fulfilling life in harmony with nature. We will play an active role—across our entire value chain—in helping create such a low-carbon society

by reducing our use of resources and energy as well as by offering customers products with tangible green benefits. This will enable the Kirin Group—which is focused on people, nature, and craftsmanship—to continue to deliver value in food and health.

### Minimizing carbon emissions

We need to build a social system that is willing to break with the paradigm of valuing mass production, mass consumption and mass disposal, and that is ready to spare no efforts to minimize carbon emissions.

### Enabling a simple yet fulfilling life

Choosing an alternative path than the one of going after higher living standards through mass consumption of goods and services will enable us to appreciate nature more, and attain a higher inner quality of life. This is a collective mindset that will bring us closer to a low-carbon society.

### Living in harmony with nature

We need to preserve and restore the natural environment and develop nature-friendly technologies so that we can get closer to nature, and ultimately, create a society that maintains a harmonious coexistence with nature.

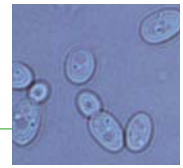
## Development

- Participating in the "Project to Produce Bioethanol for Fuel" carried out in Tokachi, Hokkaido (northern part of Japan)
- Molecular breeding of a yeast strain capable of efficiently yielding materials for bioplastics
  - PET bottles made in part from plant-based materials (See Page 41)



### Bioethanol plant

Kirin Brewery participated in a bioethanol project backed by the Ministry of Agriculture, Forestry and Fisheries of Japan and developed a fermentation plant.



### Molecular-bred yeast

We have bred a strain of yeast capable of efficiently yielding L-lactic acids, which can be made into biomass-based plastics.

## Saving resources

# Group's Stewardship Value Chain

## Saving energy

## Sourcing

- Aluminum cans with standardized can ends
- Company uniforms made from recycled PET bottles



### Standardized can-end design

Kirin Brewery and Suntory, two leading beer companies in Japan, have agreed to standardize the specifications of can ends so as to reduce the use of aluminum.



### Eco-conscious uniforms

Kirin Beverage's salespeople in the field wear uniforms made from fibers created from recycled PET bottles.

## Manufacturing

- Use of renewable energies (See Page 38)
- Electricity-and-heat cogeneration system fueled by biogas (See Page 39)
- Fuel switching (See Page 39)
- Substantial reduction in the amount of water used to clean pipes and tanks (See Page 42)
- Recovering and recycling phosphoric acids (See Page 41)



### Renewable energies

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

## Distribution

- Purchasing PET bottles in preforms
- Improving the load efficiency of trucks (See Page 39)
- Shared truckload delivery of products to retailers (See Page 39)
- Modal shift from truck to rail (See Page 39)



### PET bottles in preforms

Kirin Beverage purchases PET bottles in less bulky preforms from suppliers, which improves load efficiency of trucks and reduces CO<sub>2</sub> emissions from transportation.

## Quantifying carbon footprints across the entire value chain

Collecting information about CO<sub>2</sub> emissions generated from manufacturing, distribution and office operations does not go far enough to minimize carbon footprints across the entire value chain. We also need to quantify CO<sub>2</sub> emissions resulting from the sourcing of materials by suppliers as well as consumption and disposal by customers. We are setting up a system for measuring the total amount of CO<sub>2</sub> emissions across our value chain and will use the results to assess environmental impact by business segment and by process. We are working toward setting near- to medium-term reduction targets by business segment and by process.





## Environmental Sustainability ■ Striving to Become a Low-Carbon Corporate Group

# Saving Energy

The Kirin Group is implementing energy-saving measures to achieve the goal of cutting CO<sub>2</sub> emissions from its manufacturing, distribution and office operations in Japan by 35% below the 1990 level by 2015, and of reducing CO<sub>2</sub> emissions from these operations around the globe by 1% or more annually through 2050.

## Reducing CO<sub>2</sub> Emissions by 35% in Manufacturing, Distribution and Office Operations

The Kirin Group has been striving to achieve the challenging goal of substantially reducing CO<sub>2</sub> emissions from its operations. In 2009, group companies in Japan brought their CO<sub>2</sub> emissions down to 31%, or 595 kt, below the 1990 level.

This was achieved through efforts directed toward saving energy in manufacturing, distribution and office operations in a manner appropriate for each business segment. More specifically, we began switching to cleaner gas boilers; began using nonpolluting renewable energies; installed and upgraded energy-efficient apparatus including an electricity-and-heat cogeneration system; shifted toward greater use of rail for freight transportation; and switched to eco-friendly cars for salespeople in the field. The implementation of these measures has also helped us become less dependent on increasingly costly fossil fuels.

We will spare no efforts to achieve the goal of cutting CO<sub>2</sub> emissions resulting from our manufacturing, distribution and office operations in Japan by 35% below the 1990 level by 2015, and of reducing CO<sub>2</sub> emissions from these operations around the globe by more than 1% annually through 2050.

By-segment CO<sub>2</sub> Emissions by Group Companies in Japan

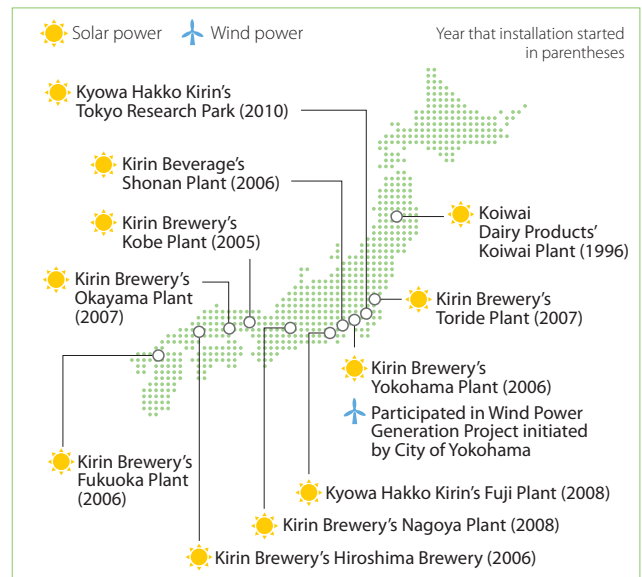


Scope of reporting: Kirin Brewery Co., Ltd., Mercian Corp., Kirin Distillery Co., Ltd., Ei Sho Gen Co., Ltd., Kirin Logistics Co., Ltd., Kirin Engineering Co., Ltd., Kirin Techno-System Corp., Kirin Merchandising Co., Ltd., Kirin City Co., Ltd., Kirin Beverage Co., Ltd., Kirin Kyowa Foods Co., Ltd., Nagano Tomato Co., Ltd., Koiwai Dairy Products Co., Ltd., Kyowa Hakko Kirin Co., Ltd., Kyowa Medex Co., Ltd., Kyowa Hakko Chemical Co., Ltd., Kyowa Hakko Bio Co., Ltd., Kirin Holdings Co., Ltd., Kirin Business Expert Co., Ltd., Kirin Real Estate Co., Ltd.  
Amounts of CO<sub>2</sub> emissions shown above include those reported as a specified consignee pursuant to the Energy Conservation Law of Japan.

### Kirin Group Factories in Japan that Installed Gas Boilers

1999 and earlier	Kirin Brewery's Yokohama Plant (1980), Nagoya Plant (1988) and Kobe Plant (1996), Mercian's Fujisawa Plant (1995)
2000	Kyowa Hakko Kirin's Tokyo Research Park
2001	Kyowa Hakko Kirin's Sakai Plant and Takasaki Plant
2003	Kirin Brewery's Chitose Plant
2005	Kyowa Hakko Kirin's Fuji Plant
2006	Kirin Brewery's Sendai Plant, Toride Plant, Okayama Plant and Fukuoka Plant, Nagano Tomato's Main Plant, Mercian's Iwata Plant
2007	Kirin Brewery's Shiga Plant, Kyowa Hakko Chemical's Yokkaichi Plant, Kyowa Hakko Bio's Hofu Plant, Koiwai Dairy Products' Tokyo Plant, Nagano Tomato's Matsumoto Plant
2008	Kirin Beverage's Shonan Plant, Koiwai Dairy Products' Koiwai Plant, Kirin Distillery's Fuji-Gotemba Distillery
2010	Kirin Beverage's Maizuru Plant

### Kirin Group Factories in Japan Using Renewable Energy Sources



### Carbon Disclosure Project

In 2009, Lion Nathan, an Australia-based group company, participated in the Carbon Disclosure Project (CDP), a nonprofit organization headquartered in London that requests major corporations around the globe to disclose information about their greenhouse gas emissions as a step to managing the risks of global climate change.

Also in 2009, the company was named in the Goldman Sachs JBWere Climate Leadership Index (CLI). In CLI, three companies are chosen from each industry segment and named as "best in class" in their approaches to managing climate change risks.

Lion Nathan has been implementing a number of CO<sub>2</sub> reduction measures, including the installation of cleaner gas boilers and energy-efficient sterilizers for bottles and cans. These measures reduced the total amount of greenhouse emissions from its breweries in Australia by 8.4%, or 13.6% per one liter of beer produced, in 2009 from the previous year—despite an increase in the company's total beer production.

Kirin Holdings is among 500 global companies for which CDP asks environmental data. We will continue to keep investors around the globe informed of our environmental performance and will report to CDP Water Disclosure.



## Manufacturing

The Kirin Group is working to reduce CO<sub>2</sub> emissions produced by its manufacturing operations. In 2009, Kirin Brewery brought its CO<sub>2</sub> emissions from manufacturing down to 57% below where they were in 1990. This represented nearly half of the total reduction achieved by the Kirin Group in 2009. Kirin Brewery's achievement was made possible by the greater use of an electricity-and-heat cogeneration system that runs on biogas generated during the processing of wastewater at its factories; by the deployment of a vapor re-compression system for recovering, cleaning and compressing steam generated during the process of boiling wort for beer, and reusing the compressed steam in the boiling process; and by switching to utility gas as a fuel source. The company has set an even more aggressive goal of reducing CO<sub>2</sub> emissions resulting from its manufacturing, distribution and office operations in Japan by 60% from the 1990 level by 2012, and is working hard toward that goal.



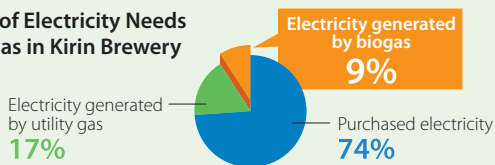
Rows of gas boilers

Kyowa Hakko Kirin has also been working to reduce CO<sub>2</sub> emissions from manufacturing through the load leveling of steam used in its factories, the switching from oil boilers to greener gas boilers, and the installment of high-efficiency chemical boilers. In December 2008, the company joined other chemical companies and participated in the government-backed Prototype Project of Voluntary Domestic Emissions Trading Scheme.

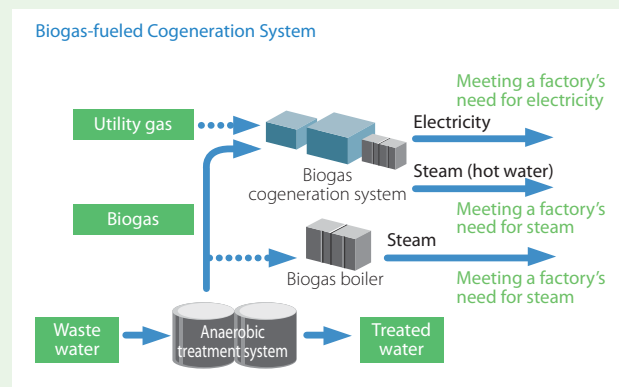
### Effective Use of Biogas

Kirin Brewery has leveraged its expertise in fermentation biotechnology to develop an effective way to use otherwise wasted biogas generated during the anaerobic treatment of wastewater. The biogas—produced from organic substances such as spent grains from beer brewing—is renewable, flammable gas and can be used to fuel a cogeneration system that generates electricity and heat. As biogas is carbon-neutral, its use as a substitute for fossil fuels helps reduce CO<sub>2</sub> emissions. The company increased capacity of the anaerobic treatment facility that generates biogas and, as a result, 9% of its electricity needs was met by biogas power generation in 2009.

#### Percentage of Electricity Needs Met by Biogas in Kirin Brewery in 2009



### Use of Biogas Generated during Anaerobic Treatment



## Distribution

The Kirin Group is also reducing CO<sub>2</sub> emissions resulting from distribution operations. Kirin Beverage was certified with the Eco Rail Mark by the Railway Association of Japan in March 2006. An Eco Rail Mark certification is granted to a business whose extensive use of rail for freight transportation is judged to be beneficial to the environment. In 2009, the company shipped 50,000 five-ton containers of products by rail, which reduced CO<sub>2</sub> emissions by 82.5% compared to if that amount of products had been delivered by truck. Kirin Brewery cut down on the total number of trucks used, which resulted in a 12% reduction in CO<sub>2</sub> emissions from distribution and transportation practices in three years. This was achieved through shared truckload delivery with Sapporo Breweries and increased use of larger trucks. In 2010, Kirin Brewery became certified with the Eco Rail Mark for its accelerated shift to rail for freight transportation. The company aims to increase rail transportation by 18% on a ton-kilometer basis by the end of 2010 from the previous year, with a goal of reducing CO<sub>2</sub> emissions from distribution operations by 540 tons on a year-on-year basis.



## Sales and Office Operations

The Kirin Group is switching to eco-friendly cars for salespeople in the field and reducing the use of in-store point-of-purchase materials as well as reducing CO<sub>2</sub> emissions generated from offices. Kyowa Hakko Kirin is becoming greener in its sales operations. In 2008, the company switched its fleet of cars to low-emission vehicles for medical representatives in the field. In 2009, it began replacing these vehicles with hybrid cars with a goal of accomplishing a changeover of 1,000 vehicles by 2014. Kirin Brewery is switching vehicles for its salespeople in the field—depending on monthly mileage—from midsize cars to subcompacts with low CO<sub>2</sub> emissions; the company has also switched all cars in its fleet to fuel-efficient, low-emission vehicles. It has set a reduction target for point-of-purchase materials and is working toward it. The Kirin Group participated in the "Team Minus 6%" project to meet the national goal of reducing CO<sub>2</sub> emissions by 6% from the 1990 level by 2012, backed by the Ministry of the Environment of Japan. As of September 2009, 18,000 Kirin Group employees, as part of the project, took part in the "Reduce CO<sub>2</sub> Emissions by One Kilograms per Person per Day" campaign, and achieved a combined reduction of 19,500-kilogram of CO<sub>2</sub> emissions per day. We will participate in the "Challenge 25" campaign, the successor to the earlier project, which is run by the ministry.



## Environmental Sustainability ■ Striving to Become a Low-Carbon Corporate Group

# Saving Resources and Offering Eco-Friendly Products

Efficient use, and effective reuse, of finite natural resources will result in smaller carbon footprints across the entire value chain. With this in mind, we develop and offer products with a low environmental impact to customers while applying green packaging solutions to our products and making better use of resources.

### Green Packaging

Containers and packages are designed to serve several purposes including preserving the quality of contents until they become waste after use. We take packaging seriously and continually improve both design and materials used.

The Kirin Group used 683,000 tons of containers and packages for its products in 2009. The chart in the middle to the right shows a breakdown by material.

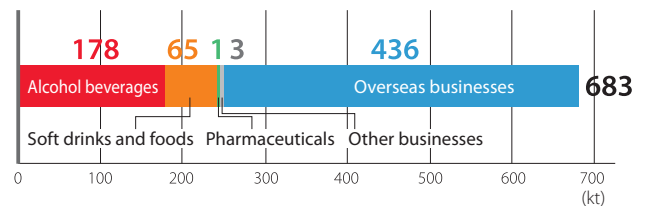
We have taken a series of measures to make our packages lighter: switching to lighter returnable glass bottles for beer; making the walls of aluminum cans thinner; switching to the smaller 204 diameter can end; reducing the weight of a two-liter PET bottle from 63 grams to 38 grams; and reducing the weight of a shipping carton for six-pack 350-ml cans of beverage from 36 gram to 34 grams. In addition, we ask customers and retailers to support in our efforts to simplify packaging.

We are also working to increase the recycling rate of used containers and packages. For instance, we use recyclable cartons for *Kirin Hypa juices*.

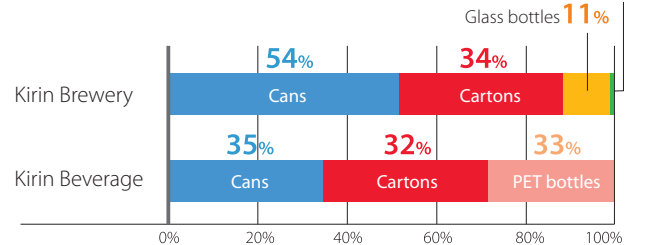
The Kirin Group formulated the "Guidelines for Designing Green Packaging" in 1994 and updated them in 2008 to make systematic and sustained efforts on packaging. In addition, the Packaging Development Center in Kirin Brewery is responsible for devising and implementing a technical strategy for developing containers and packages, and shares it with other group companies.

We will develop even greener packages with a low environmental impact throughout their entire life cycle that ranges from the sourcing of raw materials through disposal and recycling, without compromising their safety or key functions of protecting the quality of contents.

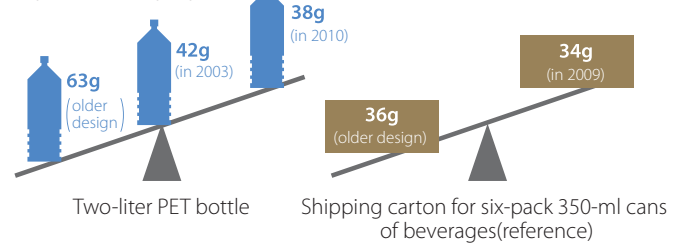
Total Amount of Packaging Materials Input by Business Segment in 2009



Packaging Broken down by Material in 2009



Lighter Packaging



## Offering Eco-friendly Products

The Kirin Group is developing and marketing eco-friendly products as part of its efforts to reduce its environmental impact across the value chain. The next step is to establish guidelines for such green products.

### Examples of Our Eco-friendly Products

#### Wine Sold in Plastic Bottles

Mercian began selling import wine in PET bottles in 2009. The use of these substantially lighter bottles has resulted in a 30% reduction in CO<sub>2</sub> emissions generated during the transportation of bottled wine.

These PET bottles have a three-layer structure with excellent ultraviolet-filtering and oxygen-barrier features, and their ability to keep wine in good condition is as good as that of glass bottles. As an added bonus, they are easy to carry and break less easily when dropped.



#### Carbon Offset Beer

In 2008, Barefoot Radler, marketed by Lion Nathan, became the first carbon offset beer in the certification program promoted by the Australian government. This beer is considered carbon neutral as the CO<sub>2</sub> emissions generated in its entire life cycle are offset by the purchase of matching credits. In addition, Barefoot Radler is sold in glass bottles that are 16% lighter than the previous design and is shipped in cartons made from 100% recycled paper to minimize the product's environmental impact.



#### Dia Yeast REIZO

Kirin Kyowa Foods has produced the world first refrigeration-resistant yeast named "Dia Yeast REIZO." This baker's yeast temporarily stops working at low temperatures and resumes fermentation when brought back to an operational temperature. This enables bakery companies and smaller bakeries to use only the amount of dough necessary for baking, resulting in reduced energy use and less waste.



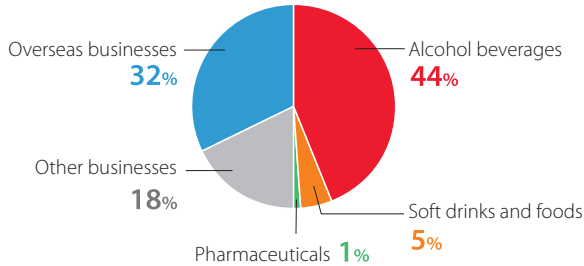


## Better Use of Resources

### Recycling of Waste Materials

As you can see from the chart below, nearly half of the waste materials the Kirin Group generates are from its alcohol business and soft drinks and foods business in Japan. We are continually reducing waste and maintaining a high recycling rate while

### Percentage of Waste Materials Broken down by Business Segment in 2009



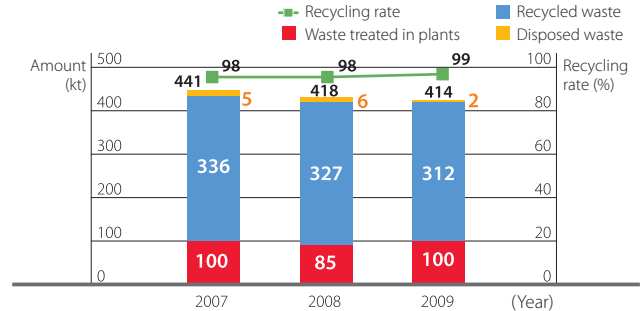
### Developing Better Ways to Recycle By-products

Kirin Brewery has been working to make high value-added materials from by-products generated during brewing. The company has succeeded in making nutrients for mushroom beds from spent brewing grains, which accounts for 60% of by-products it generates; the nutrients are marketed by Kirin Echo under the name *Genkinoko* (energizer for mushrooms). Kirin Beverage provides some of the coffee grounds and used tea leaves—by-products of beverage manufacturing—as energy sources for bio power plants. Kyowa Hakko Kirin has developed a technology to recover high-purity phosphoric acids during the wastewater treatment process. As phosphoric acid resources are in short supply

developing ways to make better use of by-products instead of throwing them away.

\*Factories in Kirin Brewery, Kirin Beverage and Kirin Distillery maintain a 100% recycling rate of the waste materials they generate.

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



Genkinoko



Phosphoric acid-recovery facility

globally, this technology is expected to provide an effective solution to the shortage. Recovered phosphoric acids are used for agricultural materials.

### United Nations University (UNU) Zero Emissions Forum

In January 2009, Kirin Brewery received a plaque of appreciation from the UNU Zero Emissions Forum for its accomplishments in raising awareness of zero emissions. The company strives to maintain a 100% recycling rate at all its factories—an achievement made for the first time in the beer industry—and will continue research and development into finding ways to turn by-products generated during brewing into something with a higher added value.



Plaque of appreciation presented by UNU Zero Emissions Forum

### New Advanced Pecology Plastic Bottle

In April 2010, Kirin Beverage began using new advanced *pecology* bottles for its *Kirin Nama Cha*, bottled green tea. The new two-liter *pecology* bottle is even lighter than its already light predecessor, and its 38-gram weight is the lightest among all plastic bottles used in the unsweetened bottled tea market in Japan (as of March 15, 2010). Moreover, the new *pecology* bottle is made in part from plant-based materials, using less oil to make it. The new *pecology* bottle has additional green features: It is easy to squash after use; its wrap-around plastic label is easy to remove; and its cap is made of standardized materials. All these make the bottle more recyclable and make it convenient for customers to simply throw empty bottles into recycle bins. It also has a universal design: Its label uses easy-to-read fonts and its cap is easy to grasp, twist and open.



### Corner-Cut Cardboard Case

A corner-cut case is a wrap-around cardboard shipping case, the four corners of which are beveled off, and which requires less paper to make. As an added bonus, it is easier to carry and handle. By giving the case eight vertical walls instead of four, it has greater resistance to vertical pressure, thus allowing thinner cardboard to be used in its manufacture. Kirin Brewery began using these corner-cut cartons in 2004, and currently uses them to pack 24 canned beverages from its entire lineup—250-ml cans, 350-ml cans, and 500-ml cans of beer, low-malt beer, *chu-hi*, and non-alcohol beer (imported beverages not included).



# Conserving Water Resources

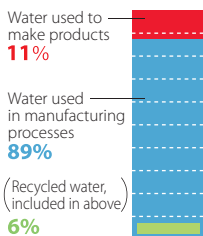
## Wastewater-treatment facility



It is equally important to treat wastewater before discharging it into rivers and sea. We have voluntary standards for wastewater treatment, which are more stringent than regulatory standards, to minimize the impact of wastewater on the environment.

## Usage of Water in Manufacturing of Alcohol Beverages and Soft Drinks in Japan in 2009

As more water was used in manufacturing processes than in making products, reducing water use in the manufacturing processes will make a big difference.



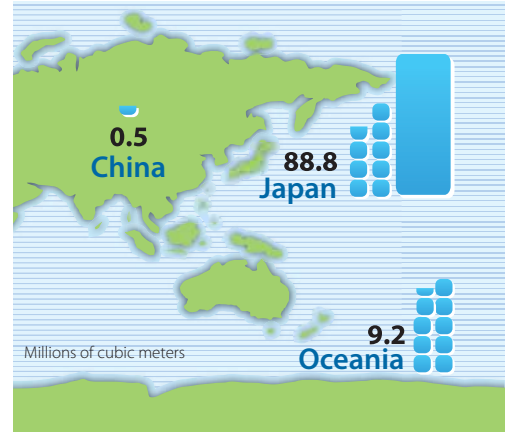
Kirin Brewery's Kobe Plant

Water resources are finite and the Kirin Group relies on water to make products. We leverage our technical prowess to make efficient use of water in our global operations while engaging in grass-roots activities to protect water sources.

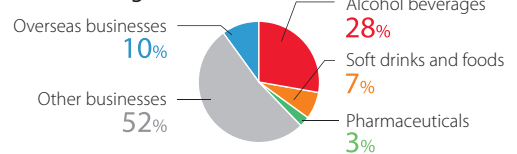
## Kirin Group's Water Resources Use

Of the Earth's total water supply, saltwater accounts for as much as 97.5%, and freshwater the remaining 2.5%. Of the total freshwater supply, the great majority are icecaps, glaciers and ground water. Surface water to which we have direct access represents only 0.1% of the total water supply. It is of global significance to make effective use of our limited water resources. In 2009, the Kirin Group used 98.6 million m<sup>3</sup> of water resources in its global operations, the majority of which were consumed in its alcohol beverages business and other businesses. We used a considerable amount of water in our operations in Australia, where water is in extremely tight supply. We need water not only as a main ingredient to make our products, but also as cleaning water and coolant in the manufacturing process. We recognize that securing a stable supply of water and making effective use of it is critically important to our business, and we are working toward it.

## Amount of Freshwater We Used in Regions in which We Have Major Manufacturing Facilities



## Percentage of Water Use by Business Segment in 2009



## More Efficient Use of Water

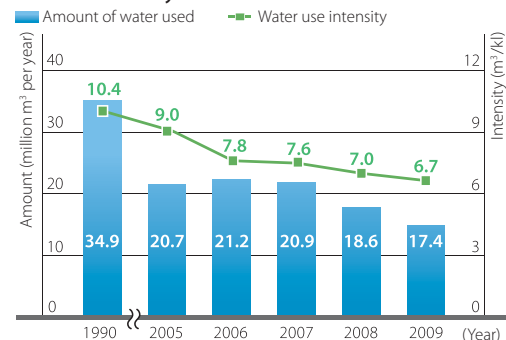
In the manufacturing of alcohol beverages and soft drinks, more water is used to clean the insides of tanks and pipes than to make the actual beverage products. In fact, 89% of the water we used in 2009 was for cleaning purposes. Therefore, the Kirin Group spares no efforts to significantly reduce water use in its factories through conservation and reuse of water. As a result, Kirin Brewery, for instance, reduced the amount of water used in manufacturing by 50%, or by 36% in water use intensity, from the 1990 level in 2009.

In particular, Kirin Brewery's Kobe Plant boasts one of the most efficient water-use intensity in the Japanese beer industry. This plant is designed to use less water in the manufacturing process in the first place, and its design has become a model for other plants to follow. In addition, it has made vigorous efforts to cut water use, including the reusing, in part, of cleaning water for tanks—which makes up the bulk of water use—and the use of recycled wastewater as a coolant and for watering the grass.

## Kirin Group's Efforts to Preserve Water Resources

More efficient use of water	Water-saving factory layout design, such as dispersed placement of utility facilities Redesigning of cleaning processes and greater use of recycled wastewater (cascading)
Wider use of water-saving technologies	Sharing of water-saving technologies among group companies in Japan and abroad
Water-source protection projects	Preservation of forests that protect and reproduce water sources

## Amount of Water Used and Water Use Intensity in Kirin Brewery



The Kyowa Hakko Kirin Group has quantified the resource efficiency of freshwater and uses the result to develop ways to make more efficient use of cooling water in its factories. It has reduced water use by pumping less groundwater and establishing, in 2007, a water-circulation system optimized for the temperature and usage of water, including the recycling of cooling water for alcohol distillation columns.

Lion Nathan has been making strenuous efforts to save water in all its breweries and wineries. In 2009, the company reduced water use per unit of production for one liter of beer by 34% from the 1995 level.

Lion Nathan's Castlemaine Perkins Brewery—located in Queensland, Australia, which suffers

from a severe water shortage—built a wastewater-treatment facility with a subsidy from the state government in 2008. Wastewater is treated using reverse osmosis membranes and reused in cooling towers and boilers, and for cleaning. As a result, the brewery used 2.2 liters of water per unit of production for one liter of beer in 2009, down from 9.5 liters of water used before the treatment facility became operational. This is one of the best water-saving performance in the world achieved by a brewery.

We will share these technologies to save and recycle water among all group companies around the globe so as to make even more effective and efficient use of water resources.

\*Resource efficiency of freshwater  
1,000 kl/100 million yen  
1,000 kl/ton of products



Castlemaine Perkins Brewery

## Water-Source Protection Projects

Forests perform vital services including the conservation of biodiversity, prevention of sediment disasters, preservation of soil, and most importantly, recharging of groundwater.

The Kirin Group has been promoting forest preservation at water sources near its breweries since 1999, and is undertaking its own forestation projects in 17 locations in Japan.

We have also launched a forestation project outside Japan; Kirin Brewery (Zhuhai) planted trees in the Qiao Dao Island Mangrove Natural Reserve in Zhunhai, China, in May 2009.



Forestation in Kirin Tochigi Forest



Kirin Distillery's Fuji-Gotemba Distillery uses cleaner underflow water from Mt. Fuji.

### Kirin Water-Source Forestation Projects

Location	Name	Started in	Area (hectares)	Tree species
Chitose, Hokkaido	Kirin Chitose Water Source Forest	2007	13.26	Sakhalin spruce
Shibata-gun, Miyagi Prefecture	Kirin Kita-Zao Water Source Forest	2007	8.87	Japanese cedar, yellow cedar, hinoki cypress, beech
Sakuragawa, Ibaraki Prefecture	Kirin Brewery Water Source Forest	2004	1.0	Wild cherry, chestnut oak, konara oak
Utsunomiya, Tochigi Prefecture	Kirin Tochigi Forest	2009	2.05	Japanese cedar, hinoki cypress, horse chestnut
Takasaki, Gunma Prefecture	Kirin Takasaki Water Source Forest	2007	1.55	Japanese cedar, konara oak
Ashigara Kami-gun and Hadano, Kanagawa Prefecture	Kanagawa Water Source Forest	2009	1.8	Japanese cedar, hinoki cypress
Hakusan, Ishikawa Prefecture	Kirin Hakusan Water Source Forest	2007	12.6	Japanese cedar, beech, quercus crispula, konara oak
Noumi, Ishikawa Prefecture	Kirin Noumi Mountain Forest	2008	13.2	Japanese cedar, hinoki cypress, konara oak, chestnut oak
Mizunami, Gifu Prefecture	Kirin Brewery Water Source Forest	2005	1.5	Wild cherry, konara oak, wild chestnut, maple
Yaotsu-cho, Gifu Prefecture	Kirin Kiso River Water Source Forest	2007	7.0	Hinoki cypress, cherry, maple
Sunto-gun, Shizuoka Prefecture	Kirin Fuji-sanroku Water Source Forest	2006	43.03	Larch, Nikko fir
Inugami-gun, Shiga Prefecture	Kirin Water-Source Protection Project – Biwako Forestation	2004	820	Maple, konara oak, camellia, oak
Sanda, Hyogo Prefecture	Kirin Kanpuku Forest	2000	18.5	Konara oak, red pine, Japanese cedar, hinoki cypress
Tohaku-gun, Tottori Prefecture	Misasa Kirin Forest	2008	47.62	Konara oak, chestnut
Kume-gun, Okayama Prefecture	Kirin Okayama Water Source Forest	2007	5.69	Cherry, konara oak, chestnut oak
Takaoka-gun, Kouchi Prefecture	Tassuiga-wa Ikan No Mori	2009	35.8	Hinoki cypress, Japanese cedar
Asakura-gun, Fukuoka Prefecture	Kirin Fukuoka Water Source Forest	2006	12.01	Japanese cedar, hinoki cypress

### Environmental benefits of Kirin Water Source Forest

The Kirin Fuji-sanroku Water Source Forest is operated under the Corporate Forests program supported by the Forestry Agency. This forest's ecological benefits, such as the maintaining of watersheds, purification of water, and biological carbon fixation, are quantified in monetary and physical terms.



Kirin Fuji-sanroku Water Source Forest



# Conserving Biodiversity

The Kirin Group relies on what nature has to offer to conduct its business and recognizes the importance of conserving the Earth's biodiversity. We ensure the sustainable use of biological resources and the proper management of genetic resources while continuing to preserve ecosystems in a natural state.

### Helping children learn about the environment

#### Bio Adventure Laboratory

Kyowa Hakko Kirin gives science classes to children in cities around Japan to give them a hands-on opportunity to learn about genes and microbes and become interested in science in general.



Bio Adventure Class held during a spring break

#### Nature observation project

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



Children observing fish in a biotope area during a summer nature observation project (Okayama Plant)



Mayaran



Golden venus chub

## Proper Use of Genetic Resources and Fair Sharing of Benefits from their Use

The Convention of Biological Diversity, adopted in 1992, stipulates that the country of origin of particular genetic resources has sovereign rights over them.

The Kirin Group recognizes its business relies on a variety of genetic resources and properly utilizes them in accordance with "Guidelines on Access to Genetic Resources" published by the Ministry of

Economy, Trade and Industry of Japan in 2005.

In addition, we maintain good communication with countries of origin of genetic resources over the fair sharing of benefits we gain from their use.

The Kirin Group plans to devise "Group Guidelines on Access to Genetic Resources" by the end of 2010 to ensure regulatory compliance.

## Ensuring Sustainable Use of Biological Resources

Ensuring sustainable use of biological resources is a critical element in conserving the Earth's biodiversity.

Mercian has been providing assistance to sustainable agriculture; it worked with a local community in Nagano Prefecture to restore 12.5 hectares of abandoned farmland into a vineyard in 2003. When developing the site, the company was careful to preserve the landscape, paying special attention to the natural environment and scenery around the area. It also used fertilizer with a low environmental impact and switched to mist spraying to reduce the amount of agrochemicals used on the vineyard and to prevent them from contaminating soil and water in and around the area.

Lion Nathan has a winery in New Zealand, which contains a wetland whose ecosystem has to be closely monitored under an environmental obligation. Lion Nathan goes further to plant seedlings of native species in the wetland to help preserve its original ecosystem; its employees planted 1,800 seedlings of 12 native species in 2009.



Wither Hills Winery in New Zealand

## Preserving Diverse Species and their Habitats

The Kirin Group works with local communities in which it operates factories and research centers as part of its efforts to preserve rare species of plants, animals and fish, and important indigenous species.

When we build a factory, we attempt to preserve the original landscape as much as reasonably possible and re-create a space that fits seamlessly into the surrounding natural environment. We plant a variety of trees, including fruit-bearing trees and softwoods, on the slopes around a factory. Some factories have a biotope site built around a pond.

Kirin Brewery's Okayama Plant breeds in its premises *ayumodoki* (kissing loach), a fish designated as a protected species by the Japanese government. In the biotope site at the Kobe Plant, *mayaran*—that had been growing wild in the area before the factory was built—have been brought back. Golden venus chub, a species threatened with extinction, also lives in the biotope.

### Green Award

Kirin Brewery's Kobe Plant received a 2009 Award of Excellence in Green Projects from the Minister of Economy, Trade and Industry for its outstanding achievements in environmental preservation.

The Kobe Plant has an operational policy to achieve a harmonious coexistence with local communities.

This factory is designed to fit into the natural environment surrounding it; a reservoir and a hillock that used to be in the vicinity of the factory until 30 years ago, have been re-created in its premises. Employees have planted trees in and around the factory. The plant is also engaged in a community outreach program, in which its biotope site is made available to local elementary and junior-high students so that they have a hands-on opportunity to learn about the environment.



Award plaque

# Controlling Chemical Substances and Preventing Pollution

The Kirin Group—which is focused on people, nature, and craftsmanship—takes seriously its duty to prevent environmental pollution arising from its business. We adhere to environmental laws and regulations and continually reduce environmental risks.

## Environmental Risk Management and Emergency Preparedness

The Kirin Group has established more stringent voluntary environmental standards than environmental laws require; we have installed facilities and equipment designed to prevent air pollution and water contamination, and constantly monitor for any signs of potential environmental hazards. In addition, to ensuring preparedness for potential environmental incidents, we regularly conduct pollution-containment exercises and have a system in place to promptly notify local

governments and communities in the event of an emergency.

Moreover, we have voluntary guidelines for the disposal of waste materials, under which we check waste-processing service providers before signing contracts with them and audit their performance regularly. Each group company conducts an internal audit of these systems to ensure their effectiveness and make continual improvements to them.

## Controlling and Minimizing Chemical Discharge

Kyowa Hakko Kirin, because of the nature of its business, handles a large amount of chemical substances. Under the Basic Policy on Environment, Safety and Product Safety, the company undertakes Responsible Care activities that include stringent assessment of the safe handling of chemical substances from the research phase through to their use and disposal. In addition, as a member of the Japan Chemical Industry Association, Kyowa Hakko Kirin is working to achieve voluntary control targets for 12 chemical substances<sup>2</sup> specified by the association. The company is also working to curb discharge of Class 1 Specified Chemical

Substances under PRTR<sup>3</sup>. Concerning volatile organic compounds, it has set voluntary reduction targets and cut their discharge by 11% from the 2003 level in 2008.

The Kyowa Hakko Kirin Group has set a goal of cutting its chemical discharge by half compared with the 2003 level during 2010, and is working to achieve that goal.

The Pharmaceutical and Chemical Products Division at Mercian has also set a goal of reducing its total discharge of chemical substances specified by PRTR to one-fifth or less of the 2002 level in 2012, and is working toward that goal.

### Regulatory compliance

The Kirin Group had no instances of noncompliance with environmental laws, regulations or rules in 2009. We will continue to reduce environmental risks through environmental audits and training.

### Numbers of employees<sup>1</sup> who participated in environmental training programs in 2009

- Waste management : 380
- Wastewater treatment : 60
- Internal audit and environmental laws and regulations : 131

1 : Numbers of employees who attended training programs given by Kirin Brewery Techno Academy and Kirin Holdings

2 : Of the substances on the list of priority hazardous air pollutants prepared by the Central Environmental Council at the Ministry of the Environment of Japan, the Japan Chemical Industry Association has selected 12 substances over which to exercise voluntary control. Of these 12 substances, the Kyowa Hakko Kirin Group handles acetaldehyde, ethylene oxide, and benzene.

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

## Expert Advice

### Vigorous, Far-reaching Efforts to Reduce Carbon Footprints

I like the proactive approach the Kirin Group has taken to reducing its carbon footprints. It has set a long-term, group-wide reduction target to achieve by 2050. In addition, it is an extremely good idea for each group company to announce a set of its own environmental goals in line with the group-wide objectives. This is an approach that other companies should consider taking. If I have a wish, it is that the Kirin Group shoots for an even more aggressive reduction target for CO<sub>2</sub> emissions to be achieved by 2050.

When a manufacturer strives to become a low-carbon company, it is critically important to reduce carbon footprints along its entire value chain as well as to solicit understanding of and support to its efforts from both in and out of the company. As the Kirin Group is one of the leading beverage companies in Japan, its environmental stewardship has a significant

impact on society at large. Moreover, when a large number of its employees all embrace environmental consciousness, that will help drive the society toward a greener environment. Therefore, the group-wide approach, combined with the site-specific approach, to addressing environmental issues will make a big difference in the long run.

Working with competitive beverage companies to implement the shared truckload delivery system and standardize can-end specifications is an excellent approach. I would suggest that the Kirin Group step up such collaborative efforts. Competing in the market while collaborating in environmental action is likely to have a positive impact on the entire industries. Last but not least, I hope the Kirin Group will become more proactive in achieving greater buy-in from retailers and consumers toward how it exercises its environmental stewardship.



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



# Declaration of Environmental Commitment

Each major group company has announced its own declaration of environmental commitment, which is based on the Kirin Group's Action Plans for Becoming a Low-Carbon Corporate Group.

## Kirin Brewery's "Eco-First Commitment"

Kirin Brewery relies on grains, hops, fruits and water that nature provides to manufacture and market beer and other alcohol beverages. As a socially responsible company, we will remain compliant with laws and regulations and proactively implement the following initiatives to reduce our environmental impact for the benefit of society at large.

### 1. We will proactively and responsibly implement the three Rs (reduce, reuse and recycle) initiatives for containers and packages.

- We will step up our efforts to develop greener containers and packages with significantly lower environmental impact throughout their entire life cycle from manufacturing through transportation to use and recycling. To achieve this objective, we leverage our technical expertise in developing greener packages as demonstrated in light, returnable glass beer bottles—which are 21% lighter than the previous design and which received a Minister of the Environment Award for Package Designed with the Three Rs Concept—as well as the lightest aluminum cans with 204-diameter can ends (18% lighter than the earlier design), and corner-cut cardboard cases (2% lighter than the previous design).
- We will make our carton cases for six packs of beverage 5% or more lighter than those developed in 2007 by 2012. We will also make our aluminum cans and other containers lighter.
- We will maintain our returnable-bottle collection system and raise consumer awareness of it to encourage reuse of glass bottles.
- We will develop new containers and packages made of single materials, and make those made of composite materials easy to break apart after use to encourage recycling. In addition, we will work with recycling promotion organizations to raise consumer awareness of recycling of packages.

### 2. We will aggressively recycle by-products and waste.

- We will maintain a 100% recycling rate of various by-products and waste materials we generate, such as by recycling spent brewing grains generated in the brewing process of beer and low-malt beer into feed, soil conditioners, and mushroom beds, and by reusing old and damaged plastic cases as materials for plastic pallets.
- We will develop a more advanced technology to recycle spent brewing grains into, for instance, substrate for bioethanol production through participation in the Regional-Use Biofuel Model Demonstration Project backed by the Japanese government.

### 3. We will step up our efforts to help prevent global warming.

- We will continue our efforts to curb CO<sub>2</sub> emissions from our factories by switching to cleaner utility gas and by installing our own power facilities fueled by methane gas generated in the wastewater-treatment process.
- We will cut CO<sub>2</sub> emissions from our factories by half, or by 45% per unit of production, from the 1990 level by 2012.
- We will reduce the total number of trucks we use by switching from 20-ton trucks to 25-ton trucks—which will cut per-truck CO<sub>2</sub> emissions by more than 10%—and by sharing trucks with other beverage companies to deliver our products to retailers. In addition, we will review delivery routes to take shorter routes.
- We will reduce CO<sub>2</sub> emissions per unit of production generated during the transportation of products by 6% from the 2006 level by 2012.
- We will use the life-cycle-assessment (LCA) method\* to make our environmental performance, including the disclosure of CO<sub>2</sub> emission data, more visible.
- The entire Kirin Brewery Group is committed to the "Reduce CO<sub>2</sub> Emissions by One Kilograms per Person per Day" campaign backed by the Ministry of the Environment of Japan.

\*A method of scientifically and objectively quantifying and evaluating environmental impact of a product arising from its entire life cycle that ranges from the sourcing of raw materials and manufacturing through consumption and use to disposal.

### 4. We will step up our efforts to protect water sources that serve our factories around Japan.

- We will continue to undertake the Water-Source Forestation Projects in the communities in which we operate our factories, and participate in forest-conservation projects in those communities.

Kirin Brewery will publish progress reports on these initiatives on a regular basis and keep the Ministry of the Environment informed of them.



### Participating in the Challenge 25 Campaign

In January 2010, Kirin Brewery participated in a kick-off event for the Challenge 25 Campaign backed by the Ministry of the Environment. In this event, Kirin Brewery represented the business community as chair of the Eco-First Promotion Conference and announced its medium-term reduction target for CO<sub>2</sub> emissions.

### Eco-First Promotion Conference

A conference established by 23 companies recognized as "Eco-First Companies" to ensure the implementation of "Eco-First Commitments" and work together in their efforts to carry out sophisticated and distinctive environmental activities.

## Kyowa Hakko Kirin's Declaration of Environmental Commitment Yuzuru Matsuda President Kyowa Hakko Kirin Co., Ltd.

We hereby declare our commitment to preserve the global environment so that our children can live healthy and safe lives.

### We will strive to become a low-carbon corporate group.

- The Kyowa Hakko Group will reduce its CO<sub>2</sub> emissions by 15% from the 2005 level by 2020.
- We will make greater use of renewable energy.
- We will cut energy use in our offices by 1% annually.
- We will replace a fleet of 1,000 cars for our salespeople in the field with that number of hybrid cars by 2014 as part of Eco-Drive initiatives.

### We will save resources.

- We will purchase raw materials, office supplies, and equipment with a low environmental impact.
- We will maintain a zero emission rate by continuing to separate garbage before disposal and by reducing waste materials.

### We will step up our efforts to preserve and protect the environment.

- We will continue to ensure that our business operations meet environmental requirements and occupational safety and health requirements throughout a product life cycle that ranges from research and development through manufacturing and marketing through to use and disposal.
- We will continue to deliver eco-friendly products and services to our customers.

### We will preserve the environment and ecosystems in the communities in which we operate.

- We will continue to carry out the Water-Source Forestation Project and other environmental preservation activities.
- We will get involved in community clean-up projects and other community beautification projects.

## Kirin Beverage's Declaration of Environmental Commitment

Hitoshi Maeda President Kirin Beverage Co., Ltd.

Kirin Beverage values people, society and harmonious coexistence with nature. True to our corporate philosophy of creating a new form of beverage culture, we work with our customers and society in our environmental efforts through products that find their ways into people's everyday lives.

To be consistent with the Kirin Group's goal of becoming a low-carbon corporate group, we bring environmental innovations to our products and coordinate all our employees' efforts to reduce carbon footprints throughout the company's value chain.

### 1 We will save resources in our business.

- 1** We will proactively implement the three Rs (reduce, reuse and recycle) initiatives for containers and packages.
- We will make even lighter the two-liter PET bottle, whose weight was already reduced by 21 grams to 42 grams in 2003.
  - We will maintain our returnable-bottle collection system to encourage reuse of glass bottles.

- 2** We will aggressively recycle by-products and waste.
- We will maintain a 100% recycling rate of the by-products and waste materials we generate, such as by recycling coffee grounds and used tea leaves generated in the manufacturing process at our Shonan Plant and Maizuru Plant.
  - We will develop containers and packages for our products using materials and compositions that meet voluntary standards established by the Japan Containers and Packaging Recycling Association, so as to increase their recycling rate.

### 2 We will save energy throughout our value chain to reduce CO<sub>2</sub> emissions by 1% annually. We will use the LCA method to make our environmental performance, including the disclosure of CO<sub>2</sub> emission data, more visible.

- 1** **In manufacturing**  
We will continue our efforts to reduce CO<sub>2</sub> emissions by switching to cleaner natural gas and by installing energy-saving, energy-efficient equipment.

- 2** **In distribution**  
We will continue implementing modal shift from truck to rail as well as shipping products directly from our factories to retailers.
- We make greater use of rail to transport our products so as to curb CO<sub>2</sub> emissions generated by the truck fleet.
  - We ship our products directly from our factories to retail customers to shorten transportation routes.

- 3** **In sales**  
We will continue to make our vending machines more energy efficient.
- We will accelerate switching to vending machines with energy-efficient heat pumps.
  - We turn off the lights in vending machines in accordance with voluntary standards established by an industry association.

### 3 We will bring environmental innovations to our products.

### 4 We will maintain and upgrade the environmental management system utilized by manufacturing departments and sales departments as well as by the headquarters that supervises those departments.

### 5 We will encourage every employee to become more proactive in helping prevent global warming.

- The entire Kirin Beverage Group will encourage its employees to participate in the Challenge 25 Campaign backed by the Ministry of the Environment.

### 6 We will keep our customers and communities constantly informed of environmental innovations we incorporate into our products.

## Kirin Kyowa Foods' Declaration of Environmental Commitment

Soichiro Katsura President Kirin Kyowa Foods Co., Ltd.

Kirin Kyowa Foods brings nutritious food and health to customers. We will preserve the environment and reduce carbon footprints from our business operations to help create a prosperous society that lives in harmony with nature. To achieve these objectives, we hereby declare our commitment to the following initiatives.

**We will reduce CO<sub>2</sub> emissions from our manufacturing and office operations by an average of 1% or more annually for the next three years.**

**We will aggressively recycle by-products and waste.**

**We will develop products that offer tangible environmental benefits to our customers.**

## Nagano Tomato's Declaration of Environmental Commitment

Eiji Matsuo President Nagano Tomato Co., Ltd.

Nagano Tomato engages in producing safe and healthy food as well as soft drink products in the middle of a rich and preserved natural environment in Matsumoto in central Japan. We take it upon ourselves to preserve this environment, to reduce carbon footprints in all our business operations, and to minimize all environmental impact, so that our children can continue to enjoy the beauty of nature. With this fundamental philosophy in mind, we hereby declare our commitment to the following initiatives to preserve global environment in 2010.

**We will reduce CO<sub>2</sub> emissions from our manufacturing and office operations by 1% from the previous year.**

**We will reduce waste materials.**

**We will develop green products.**

## Mercian's Declaration of Environmental Commitment

Hiroshi Ueki President and CEO Mercian Corporation

As the "merci" ("thank you" in French) in our company name implies, we are always grateful to our customers and use what nature provides to create something beneficial to their daily lives. We are also grateful to nature for what it offers to our lives, and we strive to preserve the natural environment in a way that a prosperous society lives in harmony with it. With this philosophy in mind, we hereby declare our commitment to the following initiatives.

**We will reduce CO<sub>2</sub> emissions so as to become a low-carbon company.**

**We continuously improve containers and packages for our products to minimize their environmental impact.**

**We use our biotechnology and manufacturing technology to reduce our environmental impact.**

**We will reduce and recycle waste materials.**



# Respecting Humanity

## Basic Policy

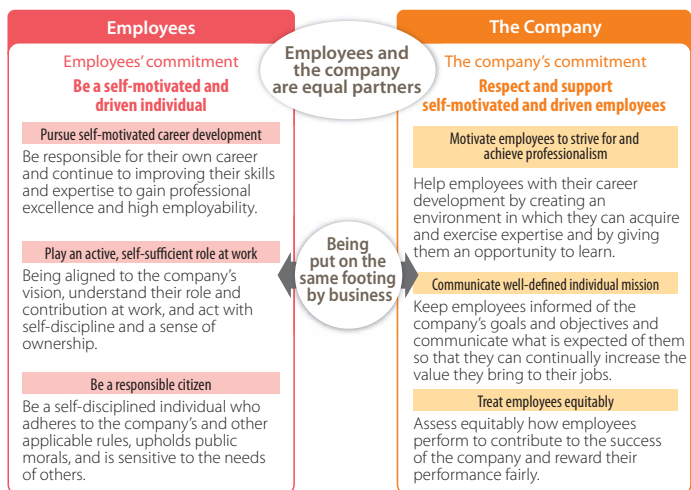
The Kirin Group takes the stance that employees and the company are on the same footing and expects every employee to go the extra distance to fulfill her or his professional potential. To back them up, we create a safe and comfortable workplace environment throughout the organization.

### What We Expect from Our Employees

Derived from its Corporate Philosophy, the Kirin Group pledges respect for humanity in its Action Declaration; the declaration states that the Group is committed to “creating a workplace in which each employee can exhibit her or his independence and creativity, taking pride in the job and enjoying a sense of meaning and purpose.” In the belief that employees and the company are equal partners brought together by common business goals, this is what the company expects from employees and what the company will do for them.

#### Respecting Humanity

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



### Human Resources Management Committee

Human resources managers from seven group companies\* convene the Group Human Resources Management Committee every month. In this committee, they discuss the long-term

strategic agenda and proposed new policies concerning human resources management, and share a common understanding of the Group's philosophy.

\*Kirin Holdings, Kirin Brewery, Kirin Beverage, Mercian, Kyowa Hakko Kirin, Kirin Kyowa Foods and Kirin Business Expert

## Relationship with Labor Unions

As of March 2010, the Council of Kirin Group Workers' Unions comprises seven labor unions representing group companies. These labor unions play an important role in ensuring that

group companies respect humanity in their relationships with employees. Management of the Kirin Group works with the council to maintain stable labor-management relationships.

## Respecting Human Rights

The Kirin Group adheres to laws and regulations as well as to social ethics, which are expressly outlined in "The RULE"—the Group's code of conduct. The RULE states in its "Relations with Employees" and "Respect of

Human Rights and Prohibition of Discrimination" sections that the Group respects employees' human rights and bans all forms of discrimination and harassment in a workplace.

### "Relations with Employees— Respect of Human Rights and Prohibition of Discrimination" (An excerpt from The RULE.)

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

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

### Group-wide Efforts to Respect Human Rights

We provide human rights training and compliance training for employees annually. In 2009, 98% of Group employees participated in human rights training sessions, which were focused on how to get along with employees from abroad against the backdrop of the ever-globalizing nature of the Kirin Group's business. In addition, we refer to basic principles promoted by the United Nations Global Compact, which we signed in 2005, when we assess human rights compliance by our subsidiaries and offices outside Japan. When we reviewed compliance by our subsidiaries in China in 2009, we found their rules of employment included clauses against sexual harassment and supervisor harassment. This was an indication that the

idea of workplace harassment was being communicated to their employees. We received reports from them that there were no instances of sexual harassment in 2009. We will continue monitoring human rights compliance by our overseas subsidiaries and offices in greater scope, taking into consideration social customs prevalent in the countries in which they operate. We have internal and external hotline systems in place that enable employees to report and consult on cases of violation or potential violation of a code of conduct for human rights protection stipulated in The RULE. Employees can use the hotline to make an anonymous report on unethical behavior and are protected against retaliatory action for such disclosure.



# Embracing Diversity among Employees

Companies operating in a constantly changing society are expected to provide an opportunity for people with diverse backgrounds to fully demonstrate their abilities. The Kirin Group strives to meet this expectation by fostering a corporate culture that embraces diversity among employees.

## Corporate Culture that Embraces Diversity among Employees

We believe in a corporate culture that encourages people with diverse talents to interact freely with each other and to meet their potential as that will enable the Group to effectively adapt to external changes and achieve a sustainable growth over the long term. As employees with diverse backgrounds have

been joining the Kirin Group in increasing numbers over the past few years, it is critical for the Group to learn to leverage the talents and skills of those diverse employees. This will also meet the social needs arising from the changing demography and diversifying values in a society at large.

## Empowering Female Employees to Grow Professionally

Kirin Brewery, as a first step to promoting diversity among employees, has been empowering female employees to grow professionally. In October 2006, the company put together “Kirin Affirmative Action Initiatives”<sup>1</sup> for hiring, developing and supporting female employees, including the practice of offering 40% of all new jobs to female applicants and a plan to promote 100 female employees to managerial positions by the end of 2015.

Furthermore, we established the Kirin Women’s Network (KWN) in February 2007 to encourage female employees to network with their female coworkers across organizations as well as to motivate them to become more zealous in career aspirations. KWN holds regional meetings around Japan twice a year, in which consciousness-raising and self-motivation workshops and lectures are provided for participating female employees. It also provides a leadership training program called

“Kirin Women’s College” for selected female employees.

These programs have proved effective in empowering more female workers to realize their potential in diverse fields. In fact, an increasing number of female employees have been promoted to presidents of group companies, presidents of regional sales companies, and managers in group companies abroad.



KWN regional meeting

### Kirin Mentoring Program

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

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

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



1: Kirin Holdings, Kirin Brewery and Kirin Business Expert began implementing the initiatives in 2006, and other group companies are considering their adoption.

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

# Work-Life Balance

The Kirin Group has formulated the Charter of Work-Life Balance, which provides a basis for fostering an environment in which employees can successfully balance their careers and their lives outside work at every life stage and that makes them feel comfortable staying with the company longer. Employees are given career options to choose from at each stage in their lives.

## Policy

Maintaining the right work-life balance is critically important for each employee to feel motivated to exercise initiative and creativity and to feel proud and enthusiastic of her or his job. In April 2010, three group companies<sup>3</sup> drew up the common Charter of Work-Life Balance, which outlines the Kirin Group's idea of work-life balance and how to achieve it.

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



3: As of this writing, Kirin Holdings, Kirin Brewery and Kirin Business Expert have adopted the Charter of Work-Life Balance. Other group companies are considering its adoption.

## Implementing Work-Life Balance Programs

The Kirin Group takes a systematic approach to ensuring all employees—men and women—can balance their careers and home life<sup>4</sup>. In January 2009, Kirin Brewery, in an effort to offer its employees broader options to achieve their own work-life balance, introduced three new programs: 1) "Work-Life Balance Support Program" allows employees to take an extended leave of absence when they choose to go with their spouses who are relocating out of town for job-related reasons or when they choose to pursue a self-development opportunity outside work; 2) "Family Support Leave" allows employees to take a leave of absence either to take care of their children, to care for sick family members, to attend school events with children, or to receive fertility treatment; and 3) "Resume-Career Program" allows employees who quit the

company for personal reasons to return to work for the company. We will continue to develop a diverse environment that supports employees' efforts to maintain their work-life balance.

### An Excerpt from the Charter of Work-Life Balance

#### Basic Stance on Work-Life Balance

- 1 The right work-life balance varies from person to person and at each stage in that person's life.
- 2 Each employee is entitled to choose the work-life balance that she or he thinks is right for herself or himself.
- 3 The company ensures that an appropriate environment<sup>5</sup> is provided in which each employee feels comfortable choosing the work-life balance that she or he thinks is right for herself or himself.

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

5: Providing an appropriate environment includes not only establishing systems and programs but also ensuring that employees can take advantage of them without having to worry about the implications on their careers.

## Expert Advice

### Embracing Diversity and Implementing Work-Life Balance Programs

I am impressed with the meticulous way the Kirin Group is embracing diversity among employees—which is one of its strategic initiatives—including grassroots efforts to hold KWN regional meetings around the country to raise female employees' self-awareness, as well as the progressive implementation of a mentoring program within the Group. It is good that work-life balance programs are working for the promotion of employee diversity in a practical way. The next step would be to figure out how to ensure a good work-life balance for salespeople in the field who do not have much flexibility in

scheduling their work hours. I would also suggest that the Group consider offering broader career opportunities to employees who are not contractually required to relocate from where they currently work. The Group might prefer to go to the next level of embracing diversity among a broader employee base as it is not just about hiring and promoting more female workers. I hope the Kirin Group will take the lead in promoting employee diversity and set a good example for other companies to follow. This will create a society in which men and women can successfully thrive in their careers.



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

# Human Resources Development

The Kirin Group encourages and assists employees' self-motivated career development, which both benefits their professional growth as an individual and enhances the organization's collective strengths.

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

The Kirin Group respects humanity and believes in human resources development. In 2010, we intend to step up our efforts to implement the people-focused management practices called for in KV2015. Specifically, we will expand training programs for employees,

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

## Expanded Group-wide Approaches to Leadership Training

Each group company is responsible for conducting human resources development programs that meet its specific business needs; it provides training programs for its employees and supports their self-motivated skill development and learning. At the same time, we take group-wide approaches to employee development; we have Kirin Executive School and Kirin School of Management, which recruit employees with leadership potential from group companies and offer them training programs to nurture the next generation of business leaders. In addition, as part of our efforts to groom global

managers, we sent four Japanese employees on a short-term on-the-job training program in National Foods, a Kirin Group company in Australia, in 2009. In return, group companies in Japan plan to host employees of National Foods on a short-term assignment. We will continue to offer employees an opportunity to experience working in an international setting.



Japanese employees and their Australian hosts on an exchange program

## Encouraging Employees to Seek New Challenges

The Kirin Group encourages highly-motivated employees—regardless of their gender, age or nationality—to take on new challenges and offers an opportunity to express their individuality and maximize their potential. As the Group expands geographically and in terms of scale and scope of its business, employees will have more of such opportunities.

### Tamaki Sano

Insight Planner, Consumer Innovations and Insights, Marketing  
National Foods Limited  
Australia

On-the-job experiences have made me what I am professionally today. It all started in Kirin Brewery's Tokyo Sales Office, where I spent the first six years of my career selling and delivering beer to retail customers. I leveraged this field-sales experience when I got involved in marketing as a member of the project to develop the first generation of Hyoketsu, an RTD alcohol beverage. The ambitious goal we had of making it a global brand led me to want to bring Kirin products to the global market, and I jumped at an opportunity to study abroad to earn an MBA.

Here in National Foods, I'm in the Marketing Department and trying to find out what customers are looking for in milk beverages and fruit juices.

When you have a chance to work outside Japan, you realize how Kirin's human resources development programs have been designed and implemented from the long-term perspective. When you're sufficiently self-motivated, you'll have a greater chance to grow your career. Kirin is an employee-focused company.



### Career Profile

1994: Joined Kirin Brewery Tokyo Sales Office  
2000: Transferred to the Laboratory for New Product Development in the Marketing Department  
2008: Studied abroad and earned an MBA. Upon return to Japan, assigned to the Strategy Planning Department at Kirin Holdings, involved in developing the Kirin Group's growth strategy including one for overseas markets  
2010: Received an assignment at National Foods as one of the first two Japanese female employees who are on an overseas assignment

# Occupational Safety and Health

The Kirin Group—operating a number of manufacturing facilities in Japan and abroad—vigorously ensures occupational safety and health in these facilities as it is one of the most important aspects of manufacturing operations.

## Ensuring Occupational Safety and Health

The Kirin Group regards occupational safety and health as one of the key operational considerations and its Compliance Guidelines discuss activities to ensure it. As ensuring employees' safety and health is our

top priority, we comply with relevant laws and regulations and keep workplaces safe, clean and healthy—in which employees feel comfortable working.

## Ensuring Employees' Mental Health

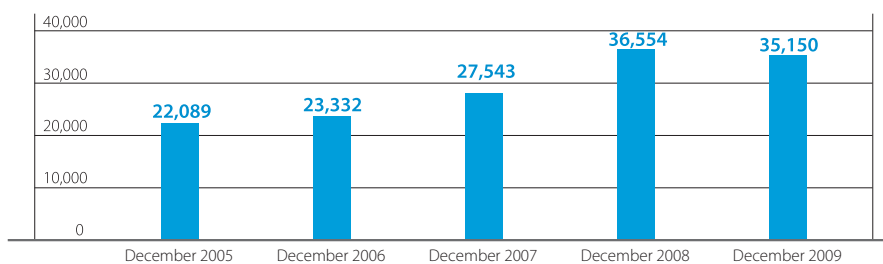
We have wellness programs aimed at improving and maintaining the physical and mental health of our employees. We take a preventive approach to employees' mental health issues by creating an

environment in which all employees can fulfill their potential, including offering leadership training programs and employee assistance programs\* operated by a third party.

\*Implemented in Kirin Holdings, Kirin Brewery, Kirin Business Expert, Kirin Beverage and Kirin Engineering

### Human Resources Data

Employee Head Count on Consolidated Basis



Data for Selected Group Companies\*

\* Kirin Holdings, Kirin Brewery and Kirin Business Expert

Employee Head Count

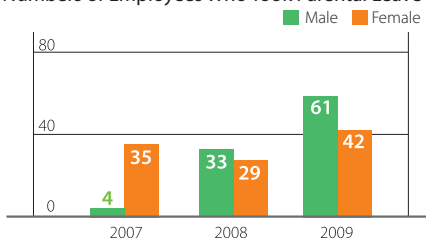
	2007	2008	2009
Total employees	3,919	3,992	3,943
Male			
Head count	3,078	3,113	3,043
Average age	42.27	42.41	42.50
Average years in service	17.75	17.78	17.98
Female			
Head count	841	879	900
Average age	38.42	38.70	38.78
Average years in service	15.62	15.81	15.86

Numbers of New Recruits

	2007	2008	2009
Total new recruits	207	210	129
Male	156	133	86
Female	51	77	43
Percentage of females to total recruits	24.6%	36.7%	33.3%

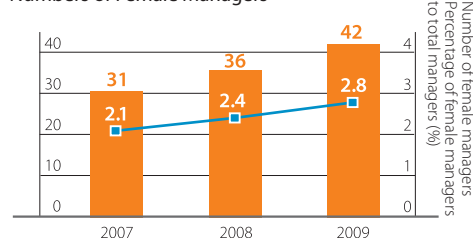
● Numbers for 2007 and 2008 include those of the former Kirin Pharma  
● Numbers of college graduates, junior-college graduates and high-school graduates combined

Numbers of Employees Who Took Parental Leave



● Numbers for 2007 include those of the former Kirin Pharma

Numbers of Female Managers







# Collaborative Relationships with Suppliers

## Socially Responsible Procurement

The Kirin Group works closely with its suppliers in conducting socially responsible procurement practices across the entire Group. This is part of our ongoing efforts to fulfill our social responsibility to customers, society and shareholders.

### Working with Suppliers to Address Social Issues

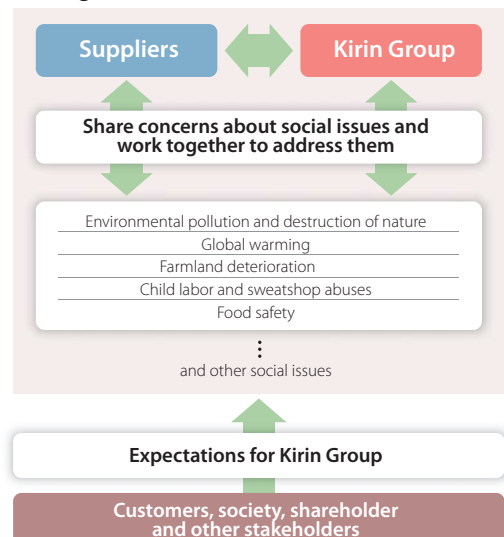
A manufacturer of consumer products has to work closely with its suppliers to deliver safe, reliable and quality products and services to customers. That is because social issues that adversely affect a manufacturer—ranging from cases of food products with false or deceiving labels and foreign substances found in food products to child labor in a country that produces raw materials and accidental disclosure of customers' personal information—definitely need to be kept under tight rein, and be addressed if and when they occur, across the manufacturer's entire supply chain, of which suppliers are an integral part. Moreover, a manufacturer cannot adequately address longer-term issues, such as the global environment, poverty and food safety, without the cooperation of its suppliers.



Visiting a supplier's facility

The Kirin Group has established policies and systems for CSR procurement and green procurement, based on which it selects and evaluates suppliers and advises them on continual improvement. Through this process, we share with our suppliers concerns about the social issues mentioned above and work with them to address such issues.

### Sharing Concerns about Social Issues



## Kirin Group CSR Procurement Basic Policy

### Policies and Guidelines on CSR Procurement

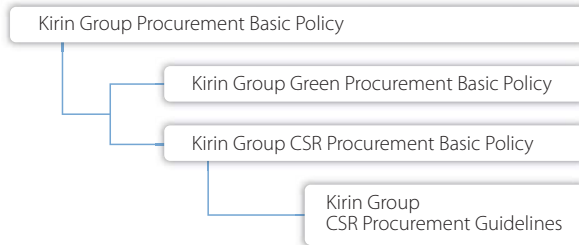
The Kirin Group has formulated—under the Kirin Group Procurement Basic Policy—the CSR Procurement Basic Policy and the Green Procurement Basic Policy, and is communicating to its suppliers how they and the Kirin Group can work together to share and fulfill social responsibilities.

We also have in place the CSR Procurement Guidelines, which outline operational procedures our suppliers are asked to follow. These guidelines comprise five key areas of operational relevance as summarized to the right, and are communicated to our suppliers at an annual supplier meeting. In addition, we evaluate each supplier's performance from the CSR perspective and give it a rating of 1 to 10 in a comprehensive evaluation with a total possible rating of 100 points.

### Reviewing Suppliers' Performance

We ask suppliers to keep us updated in writing of how they are following the guidelines. When necessary, our procurement coordinators meet with suppliers to review their progress and work together to make improvements.

### Policies and Guidelines on Procurement Management



### CSR Procurement Guidelines

<b>1</b> Compliance	Comply with applicable laws and regulations of the country or region in which you operate. Cooperate with Kirin Holdings Co., Ltd. and other group companies in their efforts to support and comply with the 10 principles stated in the United Nations Global Compact.
<b>2</b> Environmental Concerns	Read and understand the Kirin Group's Environmental Policy and comply with applicable laws and regulations, the industry's voluntary standards and standards established by a Kirin Group company with regard to raw material procurement and waste disposal. Exercise environmental stewardship, including the prevention of environmental incidents, on your own responsibility and at your own expense.
<b>3</b> Quality Assurance	Read and understand the Kirin Group's Quality Policy and comply with applicable laws and regulations and the industry's voluntary standards with regard to the quality of materials and products you supply to a Kirin Group company. Comply with standards established by a Kirin Group company to ensure the quality of materials and products you supply to it meets the requirements defined by that company.
<b>4</b> Risk Management	Cooperate with a Kirin Group company in its efforts to carry out risk management activities and to take preventive measures in a proactive manner.
<b>5</b> Information Security	Handle appropriately any and all confidential information including business and technical information as well as personal information you obtain from a Kirin Group company under a purchase agreement. Do not disclose such information to any third party or use it for other purposes than allowed by the agreement without the prior and explicit consent of the Kirin Group company.

### Suppliers' Compliance with the Guidelines in Fiscal 2009

We assess suppliers' compliance with the CSR Procurement Guidelines when we register new suppliers and conduct on-site inspection of registered suppliers. In 2009, we performed 54 assessments associated with registering new suppliers and conducted 90 on-site inspections of registered

suppliers. We found no cases of noncompliance from the CSR perspective. At a supplier meeting organized by Kirin Business Expert in June 2009, we briefed 94 participating suppliers on Kirin Brewery's CSR procurement policy and practices and solicited their cooperation.

## Kirin Group's CSR Procurement System

Since January 2010, Kirin Business Expert has been progressively taking over procurement functions for group companies in Japan—including affiliated companies—more than 50% of which are owned by Kirin Holdings. This is intended to procure safe, reliable and quality materials at the best possible prices so as to deliver value-added products to customers. When the consolidation is completed, Kirin Business Expert will become responsible for selecting and evaluating suppliers, negotiating and approving purchase prices on behalf of the

Kirin Group, and providing training and administrative guidance on procurement for other group companies.

In addition, we will apply the Kirin Group Procurement Rules and other procurement-related rules to group companies. By establishing a Group-wide CSR procurement system, we will be able to better fulfill our social responsibilities in procurement operations and ensure that our entire supply chain meet CSR requirements as the Group grows its business scope and scale.

# Partnering with Suppliers

We consider our suppliers business partners and aim to develop mutually beneficial relationships that allow both of us to achieve a higher level of excellence. This is prerequisite for us to bring new value and safe and quality products to our customers.

## Building Relationships of Trust with Suppliers

### Ensuring Compliance in Procurement Practices

Securing safe raw materials that meet our quality requirements is indispensable in our business. We also need to build sustainable relationships of trust with all suppliers that provide us with raw materials and other products and services. Furthermore, we have to adhere to the Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (commonly known as the Subcontract Act) of Japan. To ensure that our procurement practices meet compliance requirements, we have published the Procurement Guidebook for internal use. This guidebook discusses dos and don'ts with regard to procurement in plain language to ensure fair and equitable sourcing practices throughout the Group.

### Survey to Measure Suppliers' Satisfaction

We conduct an anonymous questionnaire survey with our suppliers to find what they like and do not like about the Kirin Group's procurement practices.

### Supplier Satisfaction Survey

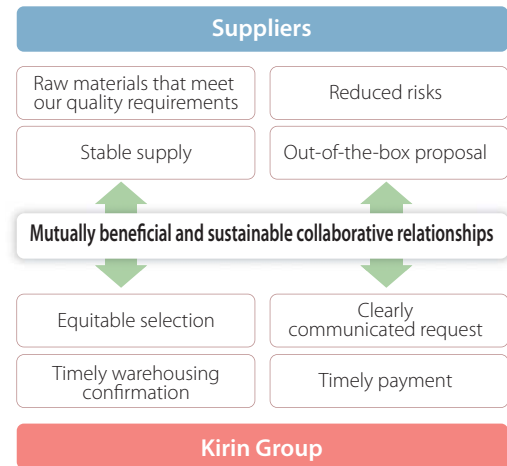
#### Our practices that suppliers found to be working

- A procurement coordinator treats a supplier courteously in terms of attitude and choice of words at a meeting and in exchanges via e-mail and phone.
- A procurement coordinator respects and adheres to laws, regulations and a signed purchase agreement.
- A procurement coordinator demonstrates ability to resolve a problem in a professional manner.
- A Kirin Group company complies with its CSR policy and the United Nations Global Compact, and conducts environmentally correct business transactions.

#### Our practice that needs to be improved

- A Kirin Group company provides a supplier with a demand forecast or equivalent on a timely basis and at a proper frequency.

### Significance of Compliance in Procurement Practices



A total of 237 suppliers responded to the 2009 survey. The results are summarized in the box below. We are working to build further on what we are good at and improve what we are not.

### Key Items of Dos and Don'ts Discussed in Kirin Group Procurement Guidebook

1. A person in a department that makes a purchase request—an employee outside the procurement department—is not allowed to make a decision on a purchase price or from whom to purchase.
2. Submit a purchase request with sufficient lead time.
3. Giving delivery instructions to a supplier without signing a purchase contract is a violation of the compliance policy.
4. Enter the correct delivery date into a purchase request.
5. Conduct a warehousing check and confirmation expeditiously upon delivery of purchased items.
6. Leave the decision on a supplier and a purchase price to the procurement department.
7. Do not let a personal or business relationship interfere with a procurement decision or process.

## Responsible Sourcing Practices at Lion Nathan

Lion Nathan has 44% and 55% shares in the alcohol beverage market in Australia and New Zealand, respectively. The company purchases agricultural crops worth over \$57 million annually in these countries and also is a major buyer of packaging materials for its beverage products. To conduct socially-responsible procurement practices, Lion Nathan helps its suppliers in their environmental and human-rights efforts. Under its environmental procurement policy, the company selectively purchases products that are energy efficient and leave low carbon footprints throughout their life cycles, as well as containers and

packages made from recycled materials. It also asks its suppliers of raw materials to meet its environmental requirements and to submit environmental data. The company's procurement policy includes a pledge to respect human rights. It pays particular attention to ensuring that its overseas suppliers are not engaged in child labor or sweatshop abuses, and that their workers have freedom of association. In 2009, Lion Nathan added to its contracts with new suppliers a clause requesting them to respect their employees' human rights. It also conducted supplier surveys and, in some cases, performed on-site inspections to review suppliers' labor practices.



## Partnerships with Suppliers

### Mercian Works with Grape Farmers

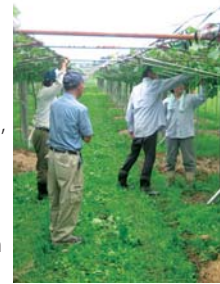
Mercian's Katsunuma Winery buys grapes from its contract farmers on a continual basis, which is intended to ensure long-term sustainability of the local agriculture. Mercian shares an understanding with the farmers that the company will continue doing business with them until their vineyards no longer yield grapes. Grape



Winter pruning

pomace collected from the winery and vines pruned in their vineyards in winter are made into

compost for use in the company's own vineyard. Mercian employees regularly visit contract grape farmers in Yamanashi, Nagano and Fukushima Prefectures to inspect the growth of grapes and provide technical advice on bud nipping, propagating of new vines and pruning of vines depending on the season. The wine maker also holds familiarization events with grape farmers as well as assists them in local events as part of its community outreach efforts.



Checking new vines

### Nagano Tomato Works with Tomato Growers

Since its foundation in 1957, Nagano Tomato has been engaged in contract farming arrangements—called the Nagano Method—with local tomato growers. In these arrangements, the company supplies farmers with seeds and seedlings of its original Manaka brand tomatoes and purchases the entire crops of tomatoes they produce and harvest.

Nagano Tomato employees visit contract farmers to assess the growth of tomatoes and share with them information about how tomato farms in other regions do and how much crop they take in. The company also holds workshops for these contract growers on tomato farming. In 2009, 250 farmers



Workshop on tomato farming



Contract farmers in the tomato field

attended 20 workshops in which were discussed fertilization methods and pests and disease control to maximize the yield of tomatoes. Nagano Tomato will continue to maintain collaborative relationships with local contract farmers in the middle of the rich natural environment.

### Putting into Practice Ideas Proposed by Suppliers

The Kirin Group welcomes ideas for making packages greener from suppliers and puts them into practice.

#### aTULC

aTULC is a name given to an aluminum can made from an aluminum sheet with its surfaces coated with PET film on both sides. The can's plastic-laminated interior surface eliminates the need for painting and post-painting sintering as well as the need for lubricant, which would be washed off with water. These benefits result in reduced CO<sub>2</sub> emissions from the manufacturing of aluminum cans as well as reducing the amount of water used in the process. A smaller amount of aluminum is needed to make a single aTULC can than the earlier design, without jeopardizing the can's strength. The aTULC technology was originally developed for cans for beer and low-malt beer by *Toyo Seikan Kaisha, Ltd.*, and was adopted by Kirin Brewery for the first time in the world. Currently, *Tanrei Green Label* and *Kirin Classic Lager* are sold in aTULC cans.







# Accountable Management System

## Corporate Governance

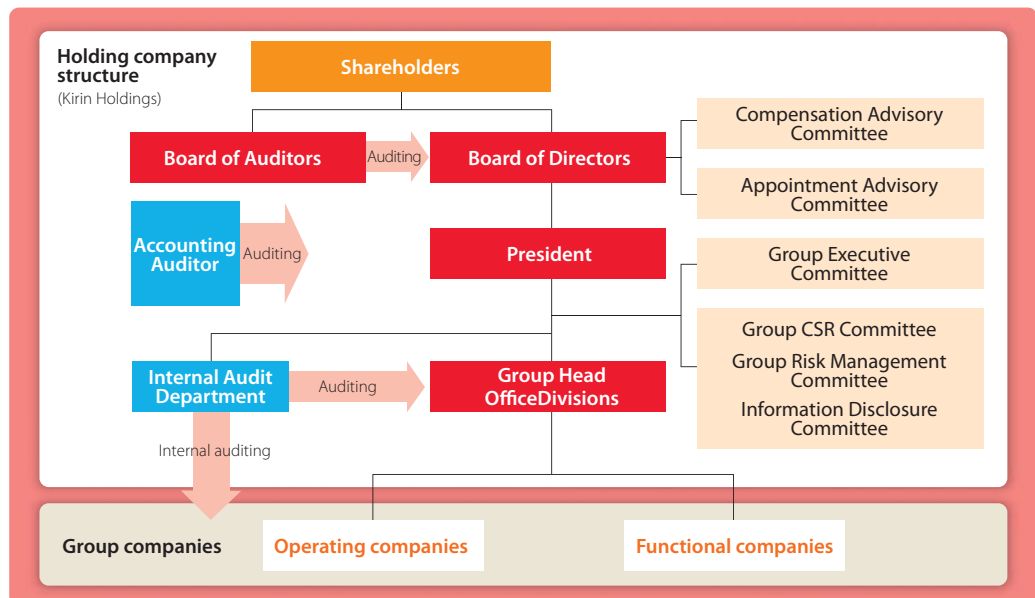
We are implementing a stronger group-wide corporate governance framework as part of our efforts to bring greater equity and efficiency to corporate management as well as to retain the trust of stakeholders inside and outside the Group.

### Basic Stance

Enhancing corporate governance is one of the prime management objectives of the Kirin Group. We are implementing a stronger group-wide corporate governance framework as part of efforts to bring greater equity and efficiency to

corporate management as well as to retain the trust of stakeholders inside and outside the Group. In July 2007, the Kirin Group made the transition to a pure holding company system to establish a corporate structure optimized for growth: Kirin

### Corporate Governance Structure



Holdings—the Group’s holding company—manages its operating subsidiaries engaged in alcohol beverages, soft drinks and foods, and pharmaceutical businesses as well as managing functional entities that provide back-office support and services for the entire Group. The corporate governance framework we have in place is designed to promote the quantum-leap revenue growth as outlined in the Kirin Group Vision 2015 long-term business plan. Specifically, a clear division of roles and responsibilities is kept in order between the holding company and its operating subsidiaries, which enables the former to facilitate aggressive revenue growth, the latter to exercise greater autonomy and flexibility in their day-to-day business operations, and both of them to work together to add value to the Group’s business. This framework is also intended to make the organization’s decision-making process more robust and expeditious, and to make its business management more transparent

and sound, all combined to maximize the Group’s corporate value. In the Kirin Group, the Board of Directors manages its day-to-day business operations while the Board of Auditors audits them. The Board of Directors, which consists of seven internal directors and two external directors, is responsible for making decisions on important business operations and legal matters as well as for governing day-to-day operations. The Group’s Board of Auditors is made up of two full-time corporate auditors and three external auditors, and defines the auditing policy and the responsibility of each auditor, based upon which auditors attend meetings of the Board of Directors and other important internal meetings. The Board of Auditors also audits the divisions in the holding company as well as other group companies, thus effectively monitoring directors’ execution of their duties.

### Corporate Governance Providing a Basis for CSR

The Kirin Group has in Japan a number of listed subsidiaries including Mercian Corporation (a consolidated subsidiary since December 2006) and Kyowa Hakko Kirin Co., Ltd. (a consolidated subsidiary since April 2008), and outside Japan has consolidated subsidiaries—such as Lion Nathan National Foods Pty Ltd in Australia—and affiliated companies accounted for by the equity method—such as San Miguel Brewery, Inc. in the Philippines.

We have three committees that coordinate and support our group-wide, global efforts to promote CSR: the Group CSR Committee manages CSR activities of the Group; the Group Risk Management Committee is responsible for overseeing risk management and compliance as a basis for implementing CSR; and the Information Disclosure Committee plays an advisory role in determining what information to disclose.

### Maintaining Internal Control System

The Board of Director has resolved to adopt the system (internal control system) outlined below to ensure appropriateness of business operations performed in the Kirin Group. The Group has implemented this internal control system and

makes continual improvements to it. Its implementation and issues associated with it are regularly reported to the Board of Directors as part of self-directed efforts to make incremental enhancements to the internal control system.

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

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

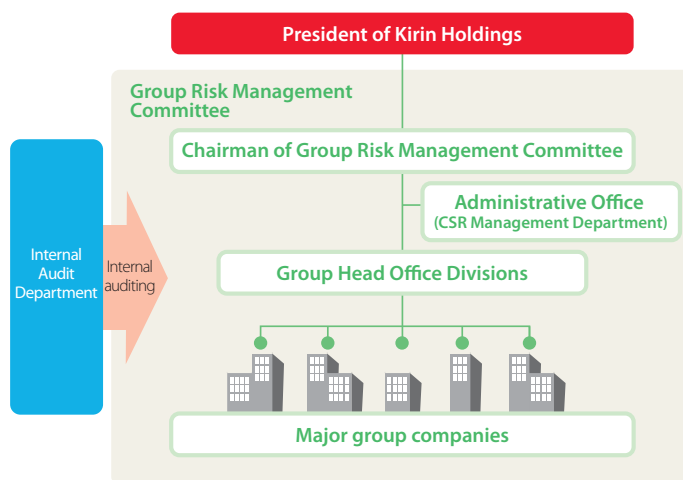
# Risk Management

Our risk management efforts are focused on anticipating and preventing risks before they occur.

## Basic Stance

The Kirin Group focuses its risk management efforts on anticipating and preventing risks before they occur. When we implemented the pure holding company structure, we established the Group Risk Management Committee, which is responsible for overseeing risk management in accordance with the Group Risk Management Rules. This system is implemented in consolidated subsidiaries in Japan and abroad to ensure the effectiveness of risk management efforts throughout the Group using the PDCA cycle.

### Group Risk Management Committee



## Risk Management and Business Continuity Planning

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

We have also developed a business continuity plan that is designed to enable us to resume operations as quickly as possible in the event that our headquarters would cease to function following a major earthquake striking the Tokyo metropolitan area.

In addition, each group company has devised a pandemic influenza plan to raise its preparedness.

## Tighter Information Security

Kirin Business System, a group company that provides IT support and services to other group companies, is responsible for managing and maintaining information security throughout the Group and providing administrative and operational guidance for each group company to ensure tighter information security.

In January 2010, we updated the Kirin Group Information Security Rules, which discuss the Group's basic stance on information security as well as systems and techniques for managing information security. This update was intended to make the rules compliant with the ISO/IEC 27001:2005—international standards for information security management system—and JISQ 27001:2006—their Japanese equivalent. In

addition, we have devised the Information Security Guidelines, which apply to group companies outside Japan and provide a basis for information security rules being created by each of them.

Each group company in Japan regularly provides its employees with information security training via e-learning so as to raise their awareness of and improve their skills in information management. Moreover, we have begun supplying smart ID cards to employees to ensure a higher level of security in personal authentication and in allowing them to access high-security areas in the companies. These measures are all intended to ensure tighter information security throughout the Group.

### Privacy policy

Recognizing the significance of protecting personal information, Kirin Holdings Co., Ltd. and its major consolidated subsidiaries establish and operate a management system to protect personal information, which includes policies, rules and operational set-ups for the protection of personal information, handle personal information appropriately, and make continual improvements to the management system.

# Compliance

Realizing that maintaining compliance underlies all CSR activities, we ensure compliance in the broad sense of the word to retain and strengthen the trust of stakeholders.

## Basic Stance

The Kirin Group realizes that maintaining compliance underlies all CSR activities and broadly defines compliance as: fulfilling both legal and ethical responsibilities that a society associates with us by adhering to not only laws but also regulations and rules prevalent inside and outside the Group as well as social norms, through which the Kirin Group will be able to

avoid the risk of unexpected financial loss or of destroying its credibility and to retain and strengthen the trust of stakeholders. The Group Risk Management Committee manages and promotes compliance across the Group. Each group company manages its compliance using the PDCA cycle as part of its risk management efforts.

## Compliance Guidelines

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

to employees of group companies in Japan and of selected consolidated subsidiaries abroad, so that they can understand, internalize and act upon our ethical principles and values.



Kirin Group Code of Conduct "The RULE," printed in Japanese, English and Chinese

## Compliance Training

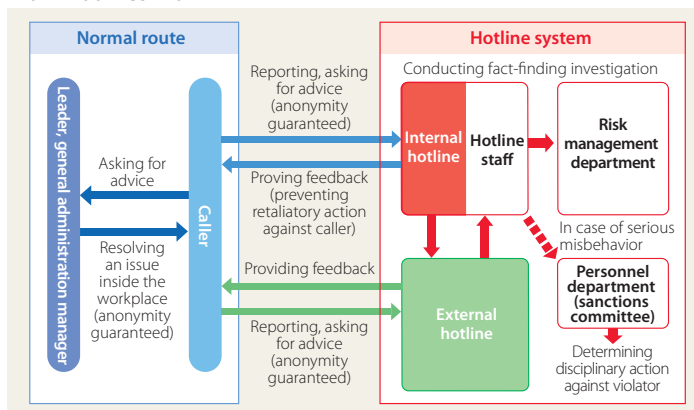
The Kirin Group trains employees of group companies in Japan and of selected consolidated subsidiaries abroad on compliance annually so as to instill greater awareness and ownership of compliance in each of them. In 2009, training sessions focused on case studies and an insight into compliance seen from the perspectives of society and Kirin. Through this annual compliance training, employees learn that compliance is not something other people do for them but

something they have to do; that they are expected to give their superiors information not only with positive implications but also with negative implications timely and accurately; and that they need to act in an open and fair manner. These are the basics of compliance they need to grasp to become more sensitive to changes in society. We will continue to provide compliance training.

## Compliance Hotline

The Kirin Group has in place two compliance hotlines; one is an internal hotline manned by Kirin staffers and the other an external one staffed by a third party. The external hotline is operated by a contracted consultant and offers greater confidentiality to callers.

### How Hotlines Work





## Accountable Management System

# Maintaining Dialogue with Shareholders and Investors

We endeavor to ensure transparency, fairness and continuity in keeping shareholders and investors informed on a timely basis.

## Our Disclosure Policy

### Disclosure Policy

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

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

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

### Method of Information Disclosure

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

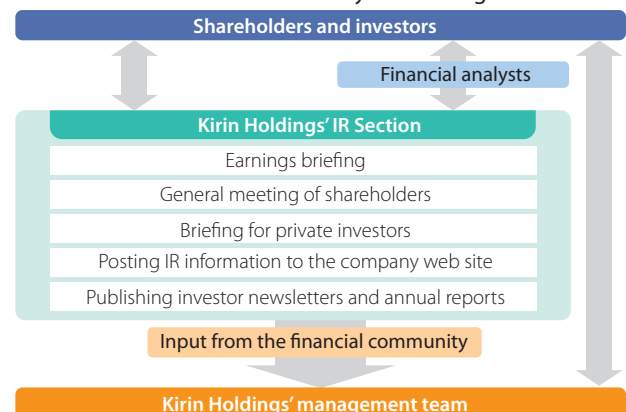
### Quiet Period

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

## Increasing Corporate Value

Kirin Holdings' Investor Relations (IR) Section strives to ensure transparency, fairness and continuity in providing information for shareholders and investors on a timely basis. In addition to keeping them informed, the IR Section considers it an important mission to foster interactive communication between shareholders and investors—who represent the financial community—and Kirin Holdings' management by listening to the former and regularly forwarding their comments and opinions to the latter with the section's own insights. This section is playing an active role in taking Kirin's stock out to the Asian as well as global arena.

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



## Award-winning IR Activities

In 2009, Kirin Holdings won the Grand Prix for the first time in the IR Prime Business Awards competition organized by the Japan Investor Relations Association, in which 335 companies participated. The company also was recognized for maintaining a high level of financial disclosure practices in the annual Awards for Excellence in Corporate Disclosure by the Securities Analysts Association of Japan.



# Third-Party Ratings of our Corporate Sustainability Performance

## Socially Responsible Investment Indexes

There has been a growing interest in socially responsible investment (SRI) that determines in which company to invest on the basis of its practices with regard to social, environmental, ethical and governance issues. Kirin Holdings, for its achievements in CSR initiatives, has been included in the following SRI indexes provided by leading SRI index providers around the world. (As of December 2009)



Ethibel Sustainability Index



FTSE4Good

FTSE4Good Global Index



Dow Jones Sustainability Indexes



Morningstar Socially Responsible Investment Index

\*Each SRI index provider has its own criteria for screening companies, and its index given to a particular company should not be taken as a guarantee for the company's future performance.

# United Nations Global Compact

## Kirin Group Participates in United Nations Global Compact

The United Nations (UN) Global Compact is a voluntary, global initiative for companies that are committed to exercising creative leadership in maintaining responsible business practices and sustainability. The UN Global Compact requests participating businesses to accept, support and practice 10 universally accepted principles outlined below in the areas of human rights,

labor, environment and anti-corruption. The Kirin Group announced its participation in the UN Global Compact in September 2005, and has since been working to align its employee relationships and its business operations ranging from procurement and R&D to manufacturing and marketing with the 10 principles.



### The UN Global Compact's 10 Principles

Human Rights	Principle 1	Businesses should support and respect the protection of internationally proclaimed human rights; and
	Principle 2	make sure that they are not complicit in human rights abuses.
Labor	Principle 3	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
	Principle 4	the elimination of all forms of forced and compulsory;
	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.

# Community Outreach Programs

The Kirin Group is actively undertaking CSR activities as a good corporate citizen to maintain harmonious coexistence with the communities in which it operates.

## Supporting Sports and Nurturing the Younger Generation

### Kirin Group's Support for Soccer

The Kirin Group focuses its CSR efforts for sports on supporting soccer. It has been supporting the Japan National Team as an official sponsor for more than 30 years since 1978, in the hope of making the Japan National Soccer Team more competitive in the international arena and of making soccer more popular in Japan.

2009 marked the 30<sup>th</sup> anniversary of the Kirin Cup Soccer game. Over the past three decades, the Japan National Team has improved its skills and soccer has gained a much broader fan base in Japan, ranging from enthusiastic supporters and spectators that fill stadiums to casual soccer players taking to the field on weekends to small children who aspire to become members of the National Team. The Kirin Group feels sympathetic for the Japan Football Association (JFA) Pledge for

2015<sup>1</sup> and is committed to sponsoring the Japan National Team through March 2015. We will continue supporting soccer focused on three key projects through 2015 to make soccer more popular in Japan.



©J. League Photo April 7, 2010  
Kirin Challenge Cup 2010  
Starting members of Japan National Team in the game against the Serbian team

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

### Nurturing the Younger Generation

We are undertaking projects to support younger soccer fans in an effort to help them in their aspiration to become members of the Japan National Team as well as to broaden the soccer fan base.

#### Mascot Escort Kids to Promote Clean Stadiums

Since 2009, the Kirin Group has been providing assistance to the JFA Youth Program, which invites elementary school students to the National Team's games held in Japan. We recruit and invite children to those games in which they are designated as "Mascot Escort Kids" and encourage spectators to participate in the post-game Clean Stadium Campaign with *Ecojiro*—which is the symbol of our environmental activities—and *Karara* and *Karappe*—which are JFA's mascots.



©J. League Photo April 7, 2010  
Kirin Challenge Cup 2010  
Mascot Escort Kids

#### Kirin Soccer Field – Soccer Class for Children

Since 2008, we have been holding the Kirin Soccer Field, soccer classes for elementary school students, in 12 cities in Japan. This program is intended to introduce children to the joy of sports and to encourage the development of healthy bodies and minds. Nearly 2,400 children participated in the classes in the first two years and the program is expected to attract another 1,200 students around the country in 2010.



Children being coached by a former member of the Japan National Team

### Three Major Soccer Support Projects through 2015

#### Project No.1

**We support every Japan National Team**

We support Japan National Teams in all categories<sup>2</sup> to help them become one of the top 10 teams in the world by 2015.

#### Project No.2

**We assist fans and supporters of Japan National Team**

We provide an environment and organize an event in which fans and supporters cheer for the Japan National Team.

#### Project No.3

**We help nurture the younger generation by introducing them to the joy of sports and encourage the development of healthy minds through soccer**

We provide small children, their families and casual soccer players with an opportunity to go out and play soccer as pastime and to continue to do so.

Make soccer more popular in Japan

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

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

The Kirin Group sponsors arts and culture events in the hope of providing more people with an opportunity to have cultural experiences in their daily lives. Since 2008, we have been engaged in social action programs, and one of them is to sponsor the piano duo "Les Freres" in their concert tour in Japan. We reserve a section of an auditorium exclusively for students of schools for the blind and visually impaired located near the hall and, during the concert, Kirin Group employees volunteer to help those students get to and from their seats. During 2009, we invited 302 students to 17 concerts, and 62 employees from 14 group companies provided assistance.



Kirin Group employees who provided assistance

## Community Support Activities

The Kirin Group strives to be part of the communities in which it operates and engages in a variety of community support activities.

### In Japan

#### Community Beautification Projects by Kirin Group companies

Kirin Group companies, which have factories and offices around Japan, engage in volunteer clean-ups for the local areas in which they operate as well as for beaches and rivers in their vicinity.



#### Giving Something Back to the Community by Musee d'art Mercian Karuizawa

Musee d'art Mercian Karuizawa donates the proceeds from the sampling of whisky offered to visitors to charities. The money is used to pay for welfare and environmental projects for the local community.

#### Health Seminar by Kyowa Hakko Kirin

Kyowa Hakko Kirin holds health seminars for adults living in and around the community in which its Fuji Plant operates. In 2009, 44 local residents attended a seminar in which a health expert talked about how to prevent lifestyle-induced diseases as early as possible. The seminar gave them a good opportunity to think about their lifestyles.

### Overseas

#### Working with Local Firefighters by Lion Nathan National Foods



When a massive bushfire broke out in Victoria, Australia, in February 2009, a team of volunteer firefighters from the Mitchelton Winery of Lion Nathan worked vigorously with local firefighters to battle the fires. The local fire company, which had been struggling financially and having serious manpower shortage, has been brought back to full-strength as the winery provides volunteer services of its employees as well as part of its property to house the fire trucks and equipment.

#### Providing Medical Care to the Community by San Miguel Brewery

San Miguel Brewery in the Philippines makes medical care and medicines available for free to the community's impoverished people at a clinic set up in one of its breweries on Mindanao Island. The company is promoting health in the community by helping people who need special medical care but are otherwise unable to receive it.



A doctor examining a patient in the clinic

#### Disaster Relief Efforts

Another form of community support activities that Kirin Group companies undertake is extending support to natural disaster relief efforts around the world. On behalf of the entire Kirin Group, Kirin Holdings made donations to relief funds for the bushfire in Victoria, Australia, and floods in Taiwan and the Philippines in 2009, and for the Haiti Earthquake and the Chile Earthquake in 2010.



# Third-Party Opinion



**The report underscores the commitment that the Kirin Group has made to achieving voluntary goals in wide-ranging areas. I would suggest that the Group create a system to track and monitor progress.**

## **Professor Itaru Yasui**

President, the National Institute of Technology and Evaluation  
Professor Emeritus at the University of Tokyo  
Honorary Vice Rector of the United Nations University

In the 1990s and early 2000s, we began to take a long, hard look at the Earth. At the first Earth Summit, held in Rio de Janeiro, Brazil, in 1992, the United Nations member states recognized the seriousness of environmental challenges facing the mankind and agreed on the UN Framework Convention on Climate Change, which in turn led to the Kyoto Protocol in 1997. The United States signed but did not ratify the protocol. In 2000, the Millennium Summit was held in New York, in which world leaders agreed to strive to address the gap in education and health created by economic disparities between developed countries and developing countries. This movement gained further momentum at the second Earth Summit in Johannesburg, South Africa, in 2002. Around this time, emerging economies such as China began to enjoy rapid economic growth. The credit crisis that began in the United States in 2008 triggered the global recession in the following year. The world economy is now showing signs of recovery, in large part driven by the robust rebound in the emerging economies, while much of the developed world remains stressed.

The 15<sup>th</sup> UN Climate Change Conference (COP15), held in Copenhagen, Denmark, in December 2009, failed to produce a much-anticipated new framework for climate change mitigation beyond 2012—a binding successor to the Kyoto Protocol. All that came out of COP15 was the Copenhagen Accord, a nonbinding agreement that participating countries would take actions to control temperature increases.

I think what happened at COP15 was not an isolated incident but should be taken as an indication that governments around the world are shifting away from mandatory approaches to environmental policies and

climate change toward voluntary approaches to them. When a business assesses its sustainability strategy and implementation, it should see them against this changing global context and determine what it can do. The old approach whereby a government imposes a mandatory policy framework on businesses may no longer work, as companies will end up making only half-hearted efforts to implement it. A new approach that would gain momentum in the business community would be for a company to adopt a challenging, voluntary goal, make a commitment to it by publicly announcing it, do everything it can to achieve it, and ask a third-party to assess the results.

This year, the Kirin Group has changed the name of its CSR report to the Sustainability Report. Ultimately, sustainability is about protecting and conserving resources for generations to come—100 years from now, much longer than a normal life span of a business. When a company looks at its business through the scope of sustainability, it would become more flexible in modifying its business domains and have a greater chance to survive and grow in the long term.

This report sends a clear message that the Kirin Group knows where it stands in wide-ranging areas in society, that the Group has established forward-looking goals in those area, and that it is firmly committed to achieving them. I am also impressed that each group company has declared its own environmental commitment.

This report seems to be a bit too aggressive in including a variety of commitments, but I think it is on the right track considering what is going on in the rest of the world. As a next step, I would suggest that the Kirin Group ask a third party to continuously track and monitor the progress of its sustainability efforts.

## Expert Advice

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



**“Group-wide Improvement in Quality Gaining Greater Credibility from Consumers”**

▶ P.27

**Yukiko Furuya**

Board Member  
Nippon Association of Consumer Specialists



**“Vigorous, Far-reaching Efforts to Reduce Carbon Footprints”**

▶ P.45

**Kosuke Ikehara**

Climate Change Project Leader  
World Wide Fund for Nature Japan



**“Alcohol Company’s Social Responsibility”**

▶ P.31

**Tomomi Imanari**

Chairperson  
Japan Specified Non-profit Corporation to Prevent Alcohol and Drug Problems (ASK)



**“Embracing Diversity and Implementing Work-Life Balance Programs”**

▶ P.51

**Professor Emiko Takeishi**

Faculty of Life-long Learning and Career Studies  
Hosei University, Tokyo, Japan

## How We Act upon Expert Advice

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

The Kirin Group considers fulfilling CSR equally important as strengthening its financial position and corporate governance. This year, we have changed the name of the report to Kirin Group Sustainability Report from Kirin Group CSR Report to underline our commitment to playing our role to create a sustainable society through our day-to-day business operations. This report discusses our CSR policies, initiatives and activities in great detail. It also tells you what we are striving to accomplish in those wide-ranging activities and what the new challenges are. Five experts offered their professional

assessments of our CSR activities and shared their opinions on what we could do to improve. They made valid points and we appreciate their candidness. We will work on their suggested improvements when we plan our new CSR projects and activities. On which areas of interest society and stakeholders focus changes over time. We will keep abreast of changes in society and keep in touch with our stakeholders to get ideas to ensure that our CSR objectives and activities remain relevant to them. We appreciate your feedback.



## Information on Kirin Group’s Sustainability

Kirin Group’s CSR activities :

<http://www.kirinholdings.co.jp/english/csr/index.html>

List of indicators based on GRI G3 Guidelines : [http://www.kirinholdings.co.jp/english/csr/pdf/report2010/gri\\_2010e.pdf](http://www.kirinholdings.co.jp/english/csr/pdf/report2010/gri_2010e.pdf)



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Published May 2010

Next report to be published May 2011