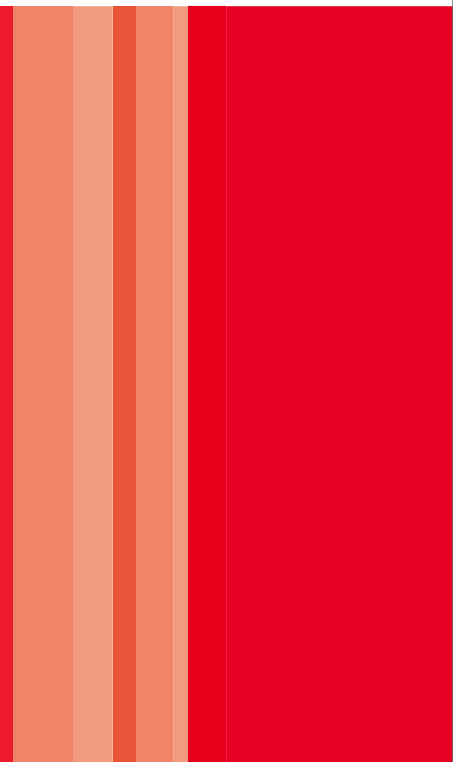


# KIRIN

## KIRIN GROUP SUSTAINABILITY REPORT 2014



ENGLISH

# Company Profile

<b>Trade Name</b>	Kirin Holdings Company, Limited
<b>Date of Incorporation</b>	February 23, 1907 * On July 1, 2007, the trade name was changed from Kirin Brewery Co., Ltd., in conjunction with the transition to a pure holding company system.
<b>Head Office</b>	NAKANO CENTRAL PARK SOUTH, 10-2, Nakano 4-chome, Nakano-ku, Tokyo 164-0001, Japan
<b>Telephone</b>	+81-3-6837-7000
<b>President and CEO</b>	Senji Miyake
<b>Paid-in Capital</b>	102,045,793,357 yen
<b>Sales</b>	2,254,585 million yen (Consolidated sales from January 1, 2013, through December 31, 2013)
<b>Number of Employees</b>	62 (Number of employees of Kirin Holdings' consolidated subsidiaries: 39,922)

(As of December 31, 2013)

## Business Segments (Core Products)



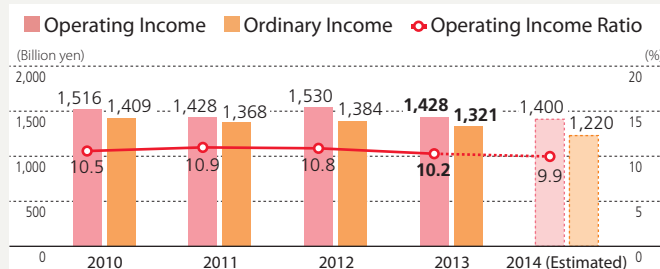
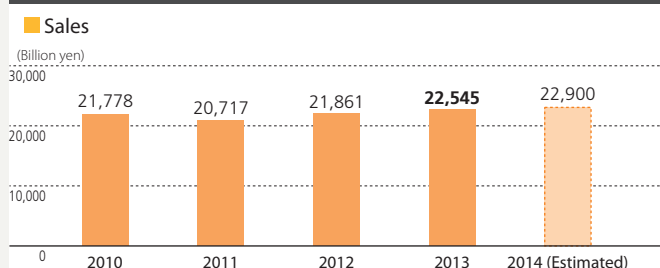
## Group Organization Structure (As of December 31, 2013)



\*1 Affiliated company accounted for using the equity method

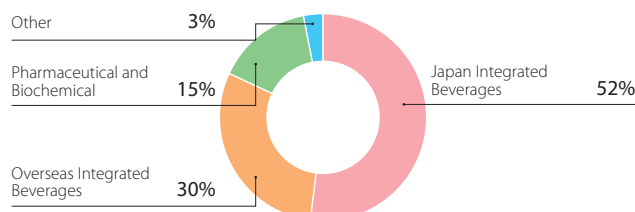
\*2 Functional company

## Consolidated Financial Highlights

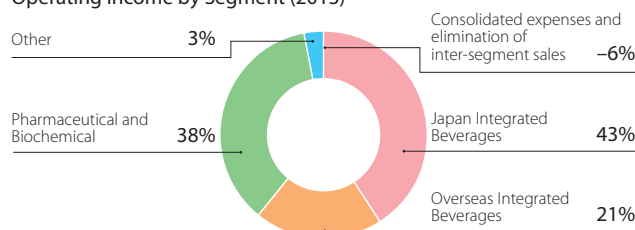


## Segment Information

### Sales by Segment (2013)



### Operating Income by Segment (2013)



We provide information on the Kirin Group's CSV activities to communicate to our stakeholders the diverse activities and the future direction we have established to achieve our corporate philosophy of "focusing on people, nature, and craftsmanship to redefine the joy of food and wellbeing." By publishing these reports, we hope to receive feedback on the Group's activities to make further improvements. The following publications and website are the main reports on the Kirin Group's activities. For more detailed information about the CSV activities of specific Group companies, please see their individual reports.

## "Sustainability Report 2014"

### PDF format available in English and Japanese

Based on information available on the corporate website, this report provides materials that are of particular interest to stakeholders, as well as initiatives that were significant to the Kirin Group during the previous fiscal year. It also functions as a guide to the information available on the website.



### Website available in English and Japanese

The corporate website introduces the Kirin Group's CSV principles and related initiatives in each field in a comprehensive and systematic manner.



[www.kirinholdings.co.jp/english/csv/](http://www.kirinholdings.co.jp/english/csv/)

## "Environmental Report" in PDF format available in Japanese only

Detailed information on environmental performance is compiled in a booklet referring to documents including the "Sustainability Reporting Guidelines," published by the Global Reporting Initiative, and the "Environmental Reporting Guidelines (FY2012 version)," published by the Ministry of the Environment of Japan.

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### Forward-Looking Statements

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

### Reporting Period

January 1, 2013, to December 31, 2013. Please note that environmental performance data for Lion covers the period October 1, 2012, through September 30, 2013.

### Scope of Reporting and Data Compilation

Where applicable, this report covers activities and accomplishments of Kirin Holdings Co., Ltd., and its 236 consolidated subsidiaries in Japan and abroad (as of December 2013), which collectively constitute the Kirin Group. Where possible, efforts are made to provide a wider range of information. On matters where Group-wide information is unavailable, names of companies for which information is compiled are specified.

## Top Management Commitment

Within the Kirin Group, we operate toward the goals set out in our long-term business plan: “Kirin Group Vision 2021” (KV2021). By providing products and services that contribute to creating value for our customers, we aim to help people foster stronger bonds and build a corporate group that can develop businesses globally, with each region pursuing sustainable growth with local communities.

We believe the mission of the Kirin Group is to be a corporate group that can contribute to communities by continuing to redefine the joy of food and wellbeing for customers, while achieving our goals.

In the course of pursuing the Kirin *KIZUNA* (Bonding) Relief-Support Project for reconstructing communities affected by the March 2011 Great East Japan Earthquake, we have learned the significance, once again, of working to resolve social challenges while conducting business activities. Stemming from the Kirin Group’s heritage of promoting CSR through business activities, we made the decision last fiscal year to position CSV\* at the center of management by appropriately taking into account our businesses and social challenges. As part of this initiative, we launched a new *Hyoketsu* brand product, *Hyoketsu Wanashi* (Japanese pear), using *nashi* pears grown in Fukushima Prefecture. The Kirin Group is also committed to accelerating its efforts overseas to create value through CSV activities and promote our CSV approach by pursuing themes specific to the Kirin Group.

We will contribute to the sound growth of people and communities by pursuing business activities in the field of food and wellbeing based on an approach specific to the Kirin Group.

I hope this report helps you understand the visions and aspirations of the Kirin Group.

President and CEO  
Kirin Holdings Company, Limited



\* Creating Shared Value (CSV) is a management concept that raises the traditional corporate social responsibility (CSR) approach to the next level of taking on social challenges to create social value, while sustaining the growth of the Kirin Group.



### Kirin Group’s Corporate Philosophy

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

### 2021 Vision

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

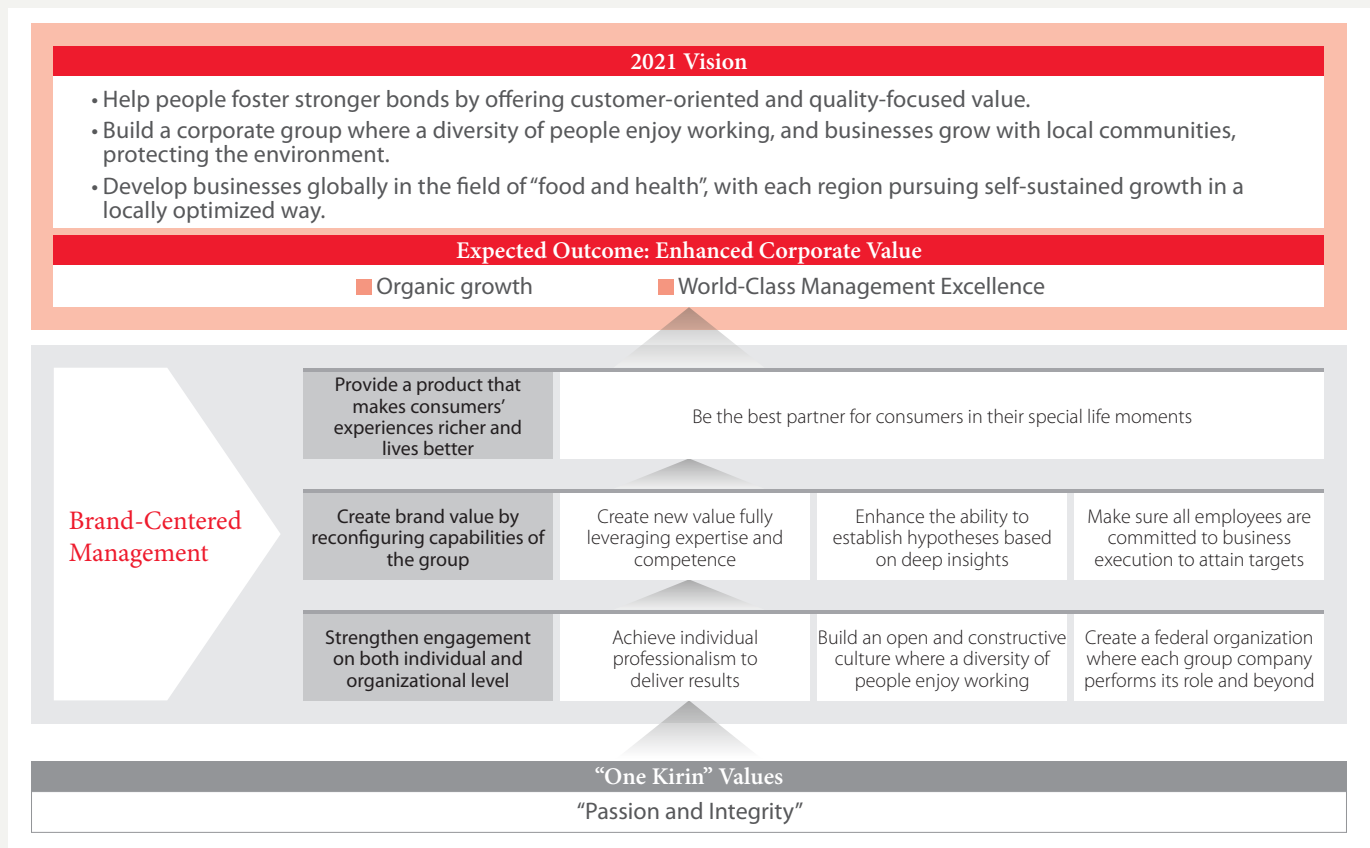
### “One Kirin” Values

Passion and Integrity

## “Kirin Group Vision 2021”

The Kirin Group pursues business activities based on its long-term business plan “Kirin Group Vision 2021” (KV2021). KV2021 was introduced in October 2012 as the Kirin Group’s new long-term road map, reflecting business expansion worldwide and changes to the operating environment experienced under the “Kirin Group Vision 2015” (KV2015), our previous long-term business plan formulated in 2006.

Our goal under KV2021 is to evolve into a company that is capable of organic and sustainable growth in global markets, including Japan. We will attain this by implementing our unique brand-centered management, through which we achieve co-creation of brand value, strengthen our engagement with stakeholders, leverage diversity, and maintain dialogue and convergence.



When formulating KV2021, we reviewed our previous philosophy statements—“The Kirin Way” and “Group Conduct Declaration”—as well as the interests of our stakeholders, business segments, and the Group’s CSR initiatives, in order to clarify the desired vision of the Kirin Group in 2021. Consequently, we have defined three core visions and a Group-wide philosophy.

The first vision is to help people foster stronger bonds by offering customer-oriented and quality-focused value. The pursuit of this vision reiterates the Group’s inherited attributes of being customer-oriented and quality-focused. These attributes apply not only to developing products and offering services, but also to all business activities through which the Group creates value to help people foster stronger bonds.

The second vision is to build a corporate group where a diversity of people enjoy working, and businesses grow with local communities, while protecting the environment. This vision directly reflects our progress toward developing an organizational culture in which employees engaged in the Group’s business activities at

global levels can embrace diversity and inclusion to generate new strength. The vision also reflects our commitment to playing a constructive role in each of the communities where we operate, protecting the blessings of nature such as water and raw materials, and establishing sustainable and harmonious relationships with local communities and the environment.

The third vision is to develop businesses globally in the field of food and wellbeing, with each region pursuing self-sustained growth in a locally optimized way. This vision reflects our intention to further diversify our businesses into a wider global arena by having each Kirin Group company take a locally oriented approach when expanding business on its own in a manner that is considered most relevant to regional social needs.

The “One Kirin” Values were established to be shared Group-wide in our determination to achieve growth and achieve our vision as a global enterprise by promoting our diversity, as well as collaboration across all businesses and regional boundaries.



## Co-creation with Stakeholders

The Kirin Group recognizes six groups of stakeholders common to all Group companies: customers, employees, communities, business partners, the environment, and shareholders and investors. We work with these stakeholders to pursue six key themes through collective

efforts to create shared value. In addition, we maintain dialogue with stakeholders in our daily business activities to keep abreast of the changing needs and expectations of the communities we serve.



## System to Promote CSV

The Kirin Group has established a Plan-Do-Check-Act (PDCA) cycle to manage its CSV activities.

Initiatives under the CSV perspective are closely linked with business activities. For this reason, we use the KISMAP\* management system to monitor the progress of CSV activities. We continually improve and upgrade the compliance management system and the quality management system, both of which are fundamental to our business operations.

The Group CSV Committee discusses and develops medium- and long-term CSV policies and strategies.

A PDCA-based, three-layered management system keeps CSV activities conducted by business companies on track. At the top layer, we have the Group CSV Committee, and at the bottom layer

are business companies that implement CSV activities. In between, a lead unit has been set up for each theme, such as the environment and offering safe and reliable products, to lead and monitor CSV activities carried out by business companies under each theme. Under this three-layered system, the Group CSV Committee, lead units, and business companies promote and monitor CSV activities using the PDCA cycle, individually and jointly.

The CSV Management Department of Kirin Holdings works with the management of the Company to monitor business companies and periodically follow up on the progress of activities.

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

# Providing products and services that enrich the experiences of customers to contribute to the sound growth of people and communities

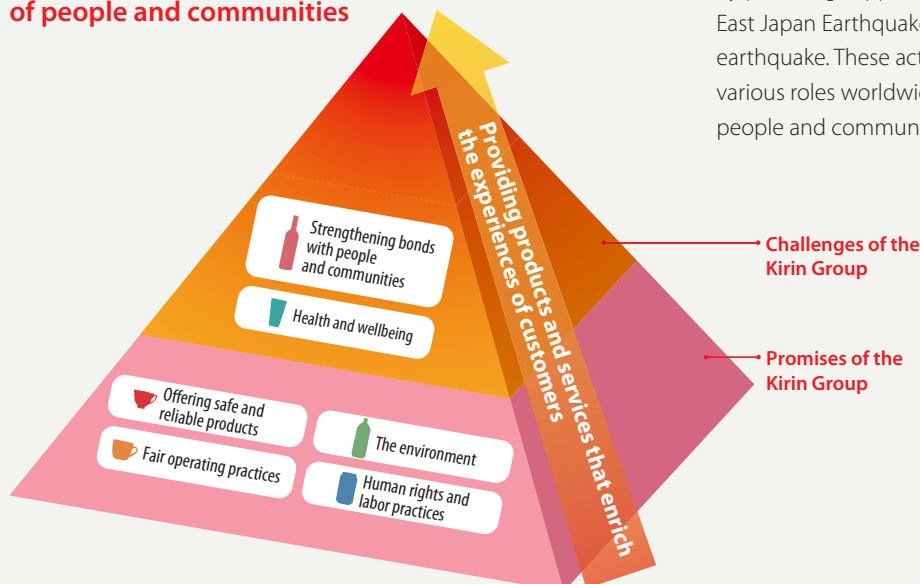
The Kirin Group is working toward achieving the “Kirin Group Vision 2021” (KV2021) by pursuing a CSV approach—creating shared values for both communities and our companies—under six key themes. We define the six themes by reassessing the CSR initiatives the Kirin Group has already taken through its business activities, clarifying where we want to be in 2021, identifying social issues and business risks and opportunities the Group must keep in mind when engaging in businesses, as well as taking into account dialogues with stakeholders and international norms such as the United Nations Global Compact. Four of the six themes—fair operating practices, human rights and labor practices, offering safe and reliable products, and the environment—are defined as fundamental business principles, as well as commitments made to communities. In addition, the other two themes—health and wellbeing and strengthening bonds between people and communities—have been set as challenges to be undertaken for delivering value to society by providing products and services that enrich the experiences of customers.

The rise in lifestyle-induced diseases has become one of the most important social issues today, not just in developed countries but also on a global basis. Within the Kirin Group, we recognize that addressing lifestyle-induced diseases is a primary objective under our CSV theme of promoting health and wellbeing. As a manufacturer that distributes alcohol beverages, we are committed

to carrying out our responsibility of educating the public on responsible drinking. Simultaneously, we take up the challenge of launching business initiatives to help people around the world improve their health and enjoy moments of happiness in their lives. For example, our Kirin Plus-i series was developed to deliver the added value of promoting wellbeing in people’s everyday lives and our pharmaceutical business delivers drugs to treat lifestyle-induced diseases.

As human relationships in local communities become more diluted, with advances in technologies and diversifying communication networks, the ways in which people maintain ties with one another as well as the quality of bonds are changing significantly. Under such circumstances, we want to make up for those elements that are fading away, build new bonds, and strengthen them. Through our business activities, we seek ideas and solutions to help people foster stronger bonds and communities achieve growth. A product that brings a new type of pleasure that is not found in conventional beers and other beverages can attract people’s attention and become a popular topic on social networking sites, leading people to meet face to face, have opportunities to gather, and spend an enjoyable time together. We remain committed to proposing products and services that can offer such new value. Furthermore, we will continue to promote ties between people by taking initiatives such as supporting the national soccer team of Japan and the national rugby team of New Zealand in athletic events where people can come together to support their teams. We also contribute to bringing communities closer together by providing support for people affected by the March 2011 Great East Japan Earthquake and the February 2011 Christchurch earthquake. These activities stem from our determination to assume various roles worldwide to help develop stronger bonds between people and communities.

## Sound growth and development of people and communities



# Strengthening bonds between people and communities



## Our Goal

True to the philosophy on which the Kirin Group was founded, we have been developing bonds among people as part of our business of providing products and services. As we continue to redefine the joy of food and wellbeing based on our corporate philosophy, we increasingly recognize the importance of strong bonds between people.

We clearly state in “Kirin Group Vision 2021” (KV2021) that our vision toward the year 2021 lies in “helping people foster stronger bonds” and “growing together with local communities.” To achieve KV2021 through our CSV approach, we will focus on the theme of “strengthening bonds between people and communities” and take initiatives from the following two main perspectives.

### **Invigorating Local Industries**

Developing local communities that support our businesses is essential for the Kirin Group to achieve sustainable growth. In Japan, we launched the Kirin *KIZUNA* Relief-Support Project and have been driving activities for reconstructing communities affected by the March 2011 Great East Japan Earthquake. We have learned through our experiences that these activities contribute step-by-step to invigorating local industries and developing local communities. We remain committed to pursuing these activities and will continue building positive effects from them to comprehensively expand the business of the Kirin Group. At the same time, as a corporate group engaged in the food and beverage business, we will drive efforts to invigorate local food-related industries in regions that support our businesses both in Japan and overseas.

### **Fostering Bonds between People**

With aging populations combined with declining birthrates and changes in lifestyles, ties between people and within communities are becoming weaker. Particularly in Japan, social isolation has become a serious social issue. We believe that food and beverages—the products we distribute in our core businesses—have a way of creating bonds among people. When consumed together with other people, the good taste and feeling of joy can be shared and spread even further. We will drive activities that contribute to people gathering and opening up communication with each other, and which can generate more opportunities for consumers to try the products distributed by the Kirin Group.



## Invigorating Local Industries

### Restoring Agriculture through Procurement of Raw Materials

Within the Kirin Group, we implement various initiatives through our business activities to assist farmers procure raw materials and provide other support to communities with our aim to invigorate local industries. In Japan, Mercian has been procuring grapes from contracted domestic farms for many years. In 2003, Mercian converted idle farmland in Maruko, Nagano (now part of Ueda City), into Mariko Vineyard and began the in-house cultivation of grapes. Château Mercian Mariko Vineyard Sauvignon Blanc has now won gold at a domestic wine competition three years in a row and is widely recognized for its high quality.

Kirin Brewery maintains contracts with hop agricultural cooperatives in Iwate, Akita, and Yamagata Prefectures to ensure continuous procurement of domestically harvested hops. Our Kirin *Ichiban Shibori Toretate* Hop lager beer—distributed for a limited time every year—has marked its 10th year in the market as one of the most popular beers in the country. Meanwhile, Lion in Australia has been working to create a supply chain that can bring benefits to four parties: dairy farmers, customers, distributors, and Lion. In addition to maintaining close relationships with dairy farmers, Lion will continue to promote the sustainable growth of dairy farming by participating in support programs operated by dairy farming industry organizations and environmental organizations in Australia.



### Support for Local Industries

The Kirin Group initiates activities to support local industries. In 2014, we entered into a comprehensive partnership agreement with Hyogo Prefecture, where Kirin Brewery has a plant. Through this partnership, we cooperate in promoting tourism, food education, and local production for local consumption to invigorate local industries in a wide range of fields. To reinforce the Hyogo brand, which is one of the goals of the partnership, we will open a morning market, Hyogo Marché, jointly with JA Hyogo Rokko at our Kobe Plant. At the Marché, we will sell local specialties, including agricultural products and processed goods, to enhance the recognition of items produced in Hyogo Prefecture, as well as the reputation of Kirin Brewery.

Overseas, Brasil Kirin, in cooperation with SENAI national industrial vocational training schools, has since 2012 been pursuing the Qualifica Project aimed at improving the local employment rate and enhancing the skills of employees. In 2012, training sessions were held in Caxias City of Maranhão in northeastern Brazil where Brasil Kirin's plant is located. In 2013, training was provided in Cachoeiras de Macacu in the State of Rio de Janeiro with 30 participants completing the technical course of their choice. We will continue to promote the project with a possible plan for horizontal deployment in other regions.



## Fostering Bonds between People

### Contributing to Fostering Bonds between People through the Distribution of Beer

We believe that food and beverages—the products we distribute in our core businesses—have a way of creating bonds among people. When consumed together with other people, the good taste and feeling of joy can be shared and spread even further. At Kirin Brewery and Lion, we actively create more opportunities for people to open up communication with one another, as well as sample products distributed by the Kirin Group.

Kirin Brewery pursues the *Hamakko* Beer development project to promote the value of beer together with the local community of Yokohama. Through our online community site, "Kirin Brewery *Kanpai Kaigi*," we invited younger residents and people from Yokohama to participate in developing a local beer. Our objective of this project is to contribute to invigorating Yokohama and its revitalization and bring about a new beer culture by having young

people reaffirm the splendor of Yokohama and the attractiveness of beer.

Meanwhile, in 2013 in Australia, Lion rolled out initiatives aimed at creating a Vibrant Beer Culture (VBC). As a leader in the Australian beer market, Lion works actively to spread the pleasure of drinking good-tasting beer in a responsible way, while enjoying feeling closer to other people. We are conducting public-awareness activities for employees, families, and friends through our Beer Academy and are promoting dialogue with customers through social media.



## Kirin KIZUNA Relief-Support Project

In July 2011, the Kirin Group made a six billion yen commitment over three years to reconstruction efforts in the Tohoku region, which was devastated by the March 2011 Great East Japan Earthquake. All Group companies have since joined forces in the Kirin KIZUNA Relief-Support Project. Driven by a strong desire to encourage people in the affected communities to foster stronger bonds with their families and communities, the Kirin KIZUNA Relief-Support Project comprises three pillars: (1) helping restore the local food culture and food industry; (2) bringing smiles back to the faces of children; and (3) helping people enhance their mental and physical wellbeing.

### Support for Industrial Reconstruction in Tohoku

As a corporate group in the food industry, the Kirin Group continues to help earthquake-affected farmers and fishermen in the Tohoku region get back on their feet in areas ranging from production to delivery of products to customers, with Kirin Brewery taking a leading role in these efforts. Kirin assigns dedicated project staff in the affected region to carry out support activities, while project members in Tokyo make frequent visits to Tohoku to meet with farmers, fishermen, NPOs, and industry experts to ascertain their needs and challenges, so that we can provide assistance that makes a difference to local industries.

Up until 2012, we offered a subsidy for farmers to purchase replacement farming equipment for that which was lost or damaged, and offered support to restore damaged aquaculture equipment. Since 2013, we have expanded our assistance to not only include production support, but also to help local farmers and fishermen develop brands for their farm and marine products, and expand sales channels for their products in preparation for *senary*\* industrial development. We have also been supporting training for future generations of farmers with leadership potential as part of our Tohoku Reconstruction and Agricultural Training Center Project. We will continue to pursue these support activities in 2014.



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

### Nurturing Future Generations in Tohoku

The Kirin Group recognizes the importance of offering learning opportunities for children in Tohoku, who will be supporting the future development and industrial reconstruction of the region. As part of our Bringing Smiles to Children program, we provide scholarships for high school students studying agriculture in Iwate, Miyagi, and Fukushima Prefectures. In addition, we offer support by holding science classes, as well as music and table tennis classes.

When helping people enhance their mental and physical wellness, we work with the Japan Football Association to sponsor soccer classes under the JFA-Kirin Smile Field program. This program is intended to encourage children to learn the importance of establishing relationships with others and building teamwork, and bring smiles to the faces of children by providing young people in the affected region with opportunities to make up for a possible lack of exercise following the earthquake and build their physical strength while enjoying sports.



## TOPICS

### Reconstruction support through business activities—Launch of Hyoketsu Wanashi

As part of the initiative to support reconstruction efforts for agriculture in Fukushima Prefecture under the Kirin KIZUNA Relief-Support Project, in 2013 Kirin Brewery released *Hyoketsu Wanashi* (Japanese pear), a drink using *nashi* pears grown in Fukushima. By launching a new product under the popular *Hyoketsu* brand we aim to support the agricultural sector of Fukushima, which faces serious challenges even today. This example reflects our initiatives to resolve social challenges in the Tohoku region under the Kirin KIZUNA Relief-Support Project, while conducting business activities based on our CSV approach.



# Health and wellbeing



## Our Goal

Within the Kirin Group, we believe that one's health refers to a state of total physical, mental, and social wellbeing, which benefits not only oneself but also one's families, friends, communities, workplaces, and future generations. Based on our corporate philosophy of "focusing on people, nature, and craftsmanship to redefine the joy of food and wellbeing," we have continued to address the theme of health, the elements of which continue to diversify along with changes in society.

With the rise in lifestyle-induced diseases becoming a serious issue worldwide, particularly over the last few years, the idea of re-examining health from the dining table as a measure for preventing such diseases is attracting growing attention. Some of the products we offer include alcohol, sugar, and fat, and consuming such products incorrectly in terms of amount or method can lead to lifestyle-induced diseases and other health-related risks. Therefore, we engage in activities under our CSV approach that contribute to reducing risks associated with lifestyle-induced diseases. We pursue product development and promote awareness of such risks by sharing our technical expertise globally across the Kirin Group. At the same time, we leverage our proprietary skills based on the fermentation and biochemical technologies we have developed since our inception to respond to various health issues, including lifestyle-induced diseases, and develop products that meet diversifying health needs.

The Kirin Group is also continuing to make concerted efforts from a global perspective to address alcohol-related problems that can be harmful to health under the theme of health and wellbeing.

## Initiatives to Prevent Lifestyle-Induced Diseases

The Kirin Group leverages its technical expertise in a wide array of products that contribute to preventing lifestyle-induced diseases.

### Examples of Our Core Products

#### ● Domestic integrated beverages

##### Kirin FREE



The world's first 0.00%, completely alcohol-free beer-flavored beverage

##### Kirin Non-alcohol Chuhai ZERO-HI HYO-REI



A non-alcohol, calorie-free, carb-free chuhai drink

##### Tropicana Kawagoto Shibori Blueberry Blend



A juice containing polyphenol, which is sourced from the berry and skin of the fruit

##### Kirin Gogo-no-Kocha Oishii Muto



A sugar-free tea that goes well with meals

##### Kirin Mets COLA



Designated as a food for specified health uses, it suppresses fat absorption during meals

#### ● Domestic food

##### Koiwai Namanyu 100% Yogurt



Designated as a food for specified health uses, this low-calorie yogurt addresses new needs such as conditioning your stomach to support good health

#### ● Overseas beverages

##### Kirin Fibz



A beverage using the same technique as in Kirin Mets COLA for suppressing fat absorption during meals (Brasil Kirin)

## Activities in the Medical Field

At Kyowa Hakko Kirin, we are creating new value for the health and wellbeing of people, mainly in the categories of nephrology, oncology, immunology/allergy, and the central nervous system. In the nephrology category, we launched ONGLYZA® tablets 2.5 mg, 5.0 mg for treating patients with type 2 diabetes in Japan in July 2013.

Diabetes is one of the major lifestyle-induced diseases that relates to an outbreak or progression of chronic renal impairment. Kyowa Hakko Kirin is committed to supporting patients and healthcare providers by offering new options for treating type 2 diabetes and responding to the needs of people challenged with illnesses.



## Offering Functional Products Using Kirin's Proprietary Technologies

### Kirin Plus-i

The Kirin Group leverages its expertise in fermentation and biochemical technologies accumulated since its founding to conduct research and development activities and develop products that respond to diversifying health issues and needs in society.

In 2008, we launched the cross-company Kirin Health Project to rapidly achieve synergies from the strengths of Group companies in the healthcare field. The Group has been providing products under the Kirin Plus-i brand to create value by offering not only a great taste and pleasure, but also health-related benefits. We have gradually widened our product lineups under the Kirin Plus-i brand. Our first products all contain the functional ingredient ornithine, which is an amino acid developed and manufactured by Kyowa Hakko Bio that helps alleviate symptoms of fatigue. We also offer products containing lactic acid bacteria, which stimulates the immune function to prevent viral infections, developed in response to health needs

among people who are busy both at work and in their private lives.

The Kirin Group will continue to leverage its wealth of research achievements and technologies, in order to develop products that enable customers to enjoy hard-to-take food items and foods with health benefits as part of their daily diet.



## Addressing Alcohol-Related Problems

We consider alcohol-related problems (ARPs) to be at odds with the Kirin Group's identity statement of "redefining the joy of food and wellbeing." As a socially responsible corporate group that manufactures and markets alcohol beverages, the Kirin Group addresses ARPs head-on and provides practical solutions. Our activities to tackle ARPs start with establishing the basic policy and action guidelines for addressing them, and range from raising public awareness about responsible drinking to defining and enforcing stringent voluntary standards on alcohol advertising and promotion activities.

Since the enactment in Japan of the "Basic Act on Measures to Prevent Damage to Health Due to Alcohol" in December 2013, we are even more alert to ensuring strict enforcement of voluntary standards. We also train our employees on responsible drinking and participate in industry-wide programs and campaigns against the harmful use of alcohol in Japan and abroad as we work with local and international communities in the fight against high-risk drinking.

### Basic Policy for Addressing Alcohol-Related Problems

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

### System to Achieve Objectives

In May 2010, the World Health Organization (WHO) resolved to adopt the "Global Strategy to Reduce the Harmful Use of Alcohol." In February 2011, following the WHO resolution, the Kirin Group established its ARP Office, a team dedicated to handling ARPs. This stepped up our efforts to address various social issues and health

risks associated with drinking and to reconstruct a system that enables us to effectively and continuously contribute to reducing the harmful use of alcohol. The Kirin Group also cooperates with trade associations in alcohol industries and governments around the world in formulating measures for reducing harmful drinking, including those specific to individual countries and regions. We also joined international trade organizations, the Global Alcohol Producers Group (GAP-G)\*1 in 2005 and the International Centre for Alcohol Policies (ICAP)\*2 in 2013, and have been globally carrying out projects to reduce the adverse effects of alcohol misuse.

\*1 Global Alcohol Producers Group (GAP-G): GAP-G is an international organization established in 2005 to provide alcohol beverage companies with a channel for dialogue with WHO. Its members are 12 organizations comprising alcohol beverage companies and brewers associations from around the world.

\*2 International Centre for Alcohol Policies (ICAP): ICAP is an international NPO established in 1995 to promote dialogue on alcohol policies internationally. Its members are 15 organizations comprising alcohol beverage companies from around the world.



'Steering-Wheel Keeper' campaign aimed at eliminating drunk driving



# The environment

## Our Goal

The Kirin Group, true to its identity statement of being “focused on people, nature, and craftsmanship to redefine the joy of food and wellbeing,” aspires to pass down the bounty of nature and the environment of the Earth to future generations in a sustainable way, so as to continue creating and offering added value to customers and society as a whole. Our goal is to realize a 100% resource-circulating society, i.e., achieving a balance between the environmental load produced by the Kirin Group’s value chain and the Earth’s ability to supply resources. To achieve this goal, we have set our environmental target areas for 2050 under four key themes, and we conduct our activities in full communication and cooperation with stakeholders.



## Kirin Group Long-Term Environmental Vision

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

In 2013, we came up with the “Kirin Group Long-Term Environmental Vision” to constructively integrate our past activities. We use it as the Kirin Group’s environmental strategy to help make a sustainable environment and society a reality, and to increase the Group’s corporate value.

### Kirin Group Long-Term Environmental Vision

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

#### Our Direction

Realization of society that is based on 100% recycling

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

#### Water Resources

We make sustainable use of water together with communities.

Driving Water-Source Protection Project activities across the country

#### Biological Resources

We support agricultural communities and make sustainable use of biological resources.

Helping tea farmers in Sri Lanka obtain certification for sustainable agriculture

#### Efforts throughout Our Value Chain



#### Containers and Packaging

We use sustainable containers and packaging in consideration of their users.

Promoting recycling of used PET bottles and containers into new PET bottles and containers

#### Global Warming

We keep the CO<sub>2</sub> emissions of the value chain within the Earth’s natural CO<sub>2</sub> absorption ability in cooperation with all the people associated with our value chain.

In 2013 CO<sub>2</sub> emissions from our manufacturing, distribution and office operations in Japan were reduced by 55% from the 1990 level

#### Our Efforts

We will work with non-governmental organizations and industry groups, and develop our initiatives maintaining close communication with a wide range of stakeholders while sharing roles to achieve our targets.

## Water Resources

The Kirin Group assesses risks concerning water resources at its production sites, and addresses water resource issues in each region to preserve water in cooperation with local communities. In 2013, the Group reduced water intensity from the previous year as follows: 4.9% at Kirin Brewery, 5.5% at Lion, and 2.0% at Brasil Kirin.

### FY2013 Results

	Total water use reduction rate	Water intensity	
		Actual results	Reduction rate
Kirin Brewery	-7.0%	4.9m <sup>3</sup> /kL	-4.9%
Lion	-18.3%	2.56m <sup>3</sup> /kL	-5.5%
Brasil Kirin	-3.8%	3.54m <sup>3</sup> /kL	-2.0%

\* The reduction rate is a comparison with the previous year.

## Biological Resources

### Sustainable Use of Biological Resources

To secure supplies of high-quality raw materials and water, it is necessary to protect the ecosystems of communities. The Kirin Group has established partnerships with communities and the people working in them to use biological resources in a way that conserves the ecosystem, as well as improves the sustainability of the communities themselves.

In 2010, the Kirin Group announced its Declaration of Support for Biodiversity Conservation. In 2013, the Group adopted the Guideline for the Sustainable Sourcing of Biological Resources and formulated action plans which are applied to Group companies within Japan. The Group has since been working to improve the sustainability of biological resources, including support for tea farmers in Sri Lanka.



### Helping Tea Farmers in Sri Lanka

Tea leaves imported to Japan from Sri Lanka are used for Kirin *Gogo-no-Kocha*. The Kirin Group surveyed its supplier tea farmers in Sri Lanka and discovered that approximately 40% have been certified for contributing to biodiversity. On the other hand, the Group also found that the farmers who can obtain certification for sustainable agriculture are limited to those with sufficient capital, and many are willing but unable to become certified.\* To facilitate the sustainability of tea farmers in Sri Lanka, the Kirin Group, in cooperation with the Rainforest Alliance, began helping farmers become certified in 2013. We provide willing farmers with support to pay for the training costs to obtain Rainforest Alliance Certification for sustainable farming.

In 2013, 15 eligible tea farms completed the training course. In 2014, 30 or more farms will receive training, while at least half of eligible farms in Dimbula and Nuwara Eliya Districts are expected to complete the training course by the end of the year.

\* According to surveys conducted by the Kirin Group

## Containers and Packaging

### Promoting the Recycling of Containers and Packaging

The Kirin Group has continued to promote 3R (reduce, reuse, recycle) activities, while conducting research on design for environment applied to containers and packaging. With further advances in technologies in recent years, in Japan we have taken the bottle-to-bottle initiative for recycling used PET bottles into new PET bottles as part of our efforts to make a zero-waste society a reality.

### Recycling PET Bottles

Kirin Beverage has been pursuing bottle-to-bottle recycling, with used PET bottle materials recycled to make new PET bottles. In 2012,

Kirin Beverage began using a bottle that contains 10% recycled PET materials and 27% plant-derived PET materials for some of its products. Furthermore, from the autumn of 2013, the ratio of recycled PET materials used was raised to 50%.

In February 2014, Kirin Beverage introduced the R100PET bottle—a sustainable 100% recycled PET bottle—for its Kirin *Gogo-no-Kocha Oishii Muto*. The R100PET bottle uses 100% mechanically recycled PET materials free of impurities. Compared with existing PET bottles using petroleum-derived materials, a R100PET bottle has 90% less petroleum-derived materials and 60% less CO<sub>2</sub> emissions.

## Global Warming

In 2009, the Kirin Group revealed its “Action Plan for Becoming a Low-Carbon Corporate Group,” and established the target to cut, by 2015, CO<sub>2</sub> emissions from its manufacturing, distribution and office operations in Japan to 35% below the 1990 level. We achieved this target earlier than planned in 2013 with a 55% reduction.

### FY2013 Results

	Carbon footprint	
	Reduction volume	Reduction rate
Kirin Brewery	1,899t -CO <sub>2</sub>	-1.1%
Lion	40,768t -CO <sub>2e</sub>	-11.6%
Brasil Kirin	8,512t -CO <sub>2e</sub>	-5.7%

\* The reduction rate is a comparison with the previous year.

# Offering safe and reliable products



## Our Goal

To meet globally increasing consciousness about food safety, the Kirin Group ensures the quality of its products by performing some of the most stringent quality-assurance practices in the food and beverage industry. We value communication with stakeholders and strive to deliver safe and reliable products and services at all times.

Kirin Group companies maintain a comprehensive system in all processes across the value chain in compliance with the Group's quality policy. We have also created the "Principle of Kirin Group Global Quality Management", which is applicable to all Group companies worldwide to further reinforce quality management throughout the entire Group.



## Quality of the Kirin Group

### Quality Management

Our dedication to quality has its roots in the Kirin Group's consistent corporate philosophy of being customer- and quality-focused, and we make it our highest priority to ensure product safety and customer satisfaction. We define this view in the "Kirin Group's Quality Policy" and "Action Principles," and reflect it in our daily activities. In addition, to mitigate quality-related risks, we have established the "Principle of Kirin Group Global Quality Management," based on our corporate philosophy, and are ensuring its smooth implementation.

These principles form the essence of quality management that the Kirin Group values when applying them across the value chain, ranging from sourcing raw materials through to product development, and manufacturing to distribution and marketing. The Group's quality policy is reflected in the quality management systems of all Group companies to provide safe and reliable products and services to our customers.

### Promoting Quality Assurance

To continually improve our quality assurance functions, we have established a team within Kirin Holdings who are in charge of appropriately allocating resources to improve quality assurance within the entire Group.

Managers of quality assurance divisions of major Group companies gather for Group quality assurance committee meetings to exchange opinions, collect information on food safety in Japan and abroad, and lead activities to identify and reduce potential risk factors associated with quality assurance. Each Group company has in place a mechanism to record and store historical data on each phase of operations, ranging from sourcing raw materials to shipping finished goods, and results of inspections as well as to follow up on certain raw materials and products.



## For the Greater Safety and Security of Customers

Within the Kirin Group, we value communication with customers to provide them with safe, reliable products and services that offer greater reliability and satisfaction.

In 2013, Kirin Brewery, Kirin Beverage, and Mercian established a unified system to promote customer service. Comments received

and needs addressed by our customers are shared among all companies and related departments in a timely manner to further enhance our products and services.

# Human rights and labor practices



## Our Goal

Our human resources are the most valuable management resources that support the growth of the Kirin Group. In the belief that employees and the Company are equal partners brought together by common business goals, the Kirin Group pledges respect for humanity as its basic human resources principle.

We work under the “Kirin Group Vision 2021” (KV2021) to create an organizational culture in which all employees of Group companies, including those overseas, work together with respect for each other and achieve professional growth in the workplace. As for human rights, the Kirin Group is dedicated to being a global business that respects the human rights of all stakeholders.



## Respect for Human Rights

### Activities to Promote Human Rights

We ensure that human rights are upheld not just for Kirin Group employees, but at all stages across the value chain.

In 2005, the Kirin Group announced its participation in the United Nations Global Compact. The Group complies with and thoroughly applies the principles stated in the “Kirin Group Compliance Guidelines” and the “Kirin Group Supplier CSR Guidelines.”

To promote human rights, we train all employees on human rights and compliance every year. We also offer executive training sessions on human rights to presidents and general managers of Group companies each year. We use a risk management system to identify human rights risks in our overseas Group companies and to monitor how those risks are handled.

## Development of Human Resources

### Developing Human Resources Is the Basis of Our Business

In the belief that enhancing the skills of human resources, who are sources of value creation, is important for strengthening the capabilities of the Group, we focus on developing human resources based on our corporate philosophy of respecting humanity.

Instead of having each Group company separately pursue personnel development, we shifted to a unified approach under “One Kirin” Values to develop human resources as a Group. By doing so, we will further enhance the capabilities of the Group as a whole and achieve growth in our core domestic integrated beverage

business, as well as in other business areas.

#### Basic Policy on Human Resource Development

1. Promote the acquisition of basic business skills to raise the level of the Group as a whole.
2. Discover and develop talented people capable of effectively managing companies within the Group.
3. Strengthen ties between leaders and members to enhance the Group’s organizational strengths.
4. Actively establish opportunities and an environment to learn and achieve growth.

## Embracing Diversity and Inclusion

### Creating a Corporate Culture to Promote Diversity

Within the Kirin Group, we promote diversity as part of our management strategy. In 2013, the Group established the Diversity Promotion Office to create a corporate culture that actively promotes diversity covering gender, disability, age, and nationality. This is part of our approach to encouraging employees from diverse backgrounds to work together enthusiastically to create new value.

The Kirin Women’s Network (KWN) established in 2007 continues to drive efforts to empower female workers. As a result of setting

quotas and systematically hiring, developing, and posting female employees, the number of female leaders has increased and the Group welcomed its first\* female executive officer of its domestic business in the spring of 2014. We also formulated “KWN2021,” a long-term plan to promote female workers, based on which we set a target number of female leaders and take steps to create an organizational culture where female employees can grow as professionals and demonstrate their competence.

\* Excluding outside directors



# Fair operating practices



## Our Goal

As we work toward achieving “Kirin Group Vision 2021” (KV2021) based on our CSV approach, we believe that compliance, risk management, and development of a fair and equitable relationship with each of our business partners underlie all CSV activities. We promote compliance as part of our risk management process by taking the actions outlined in the “Kirin Group Compliance Guidelines” shared within the entire Group.

With a commitment to fair and open transactions with all business partners supporting the Group’s business activities, we develop long-term relationships of trust with our business partners and work toward achieving sustainable communities.



## Risk Management and Compliance

### Risk Management

The Kirin Group, including its overseas consolidated subsidiaries, focuses its risk management on preventing risks from emerging and affecting its business. Under the present system, we identify and manage significant risks that could affect the entire Group, and each Group company determines its own significant risks, reflecting those risks in its business plan to manage them.

In crisis management, we have enhanced business continuity planning (BCP). Particularly following the Great East Japan Earthquake that struck in March 2011, we have worked to reinforce our preparedness for disasters by implementing measures to reduce procurement risks and other steps.

### Compliance

The “Kirin Group Compliance Guidelines” discuss legal compliance and spell out the dos and don’ts of ethical behavior. We regularly update our “Compliance Guidelines” to keep them relevant to changing social requirements. We make Group-wide efforts to promote thorough compliance. In addition to distributing to employees a handy manual that incorporates key elements of the “Compliance Guidelines,” we conduct compliance training regularly and also have in place a hotline that employees can use to seek advice on compliance.

## CSR Procurement Efforts

The active involvement of the entire value chain in promoting CSV is essential for us in our efforts to realize a sustainable society. We develop a fair and equitable relationship with each of our business partners by promoting a mechanism that deepens two-way communication, as well as share efforts to carry out social responsibilities as a way to better understand each other.

Regarding CSR procurement, we published the “Kirin Group Supplier CSR Guidelines” and continue to promote CSR activities. Each time we start business transactions with a new supplier, we ask the supplier to submit a “Supplier CSR Confirmation,” and to comply with the code of conduct specified in our guidelines. For existing suppliers, we incorporate CSR issues into the supplier assessment we conduct annually for all our suppliers to verify their CSR activities and provide our feedback.

Furthermore, to ensure fair business practices, we conduct a supplier questionnaire survey to seek feedback from suppliers to the Kirin Group, and we ensure comments received in our procurement activities are reflected.

Through these activities and operating a PDCA cycle by continuously cooperating with suppliers, we hope to further promote CSR procurement efforts.

### Basic Procurement Policy of Kirin Group

#### Five Policies

- ① Steady focus on quality
- ② Fair and open business transactions
- ③ Compliance
- ④ Environmental stewardship
- ⑤ Relationships of mutual trust and influence with suppliers

#### Supplier CSR Guidelines

#### Key Compliance Items

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



# United Nations Global Compact

The United Nations Global Compact (GC) is a voluntary, global initiative for companies committed to exercising creative leadership for maintaining responsible business practices and sustainability. The GC asks participating businesses to accept, support, and practice 10 universally accepted principles outlined in the areas of human rights, labor, environment, and anti-corruption.

The Kirin Group announced its participation in the GC 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 principles.

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

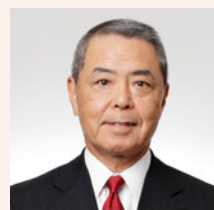


Network Japan  
WE SUPPORT

The Kirin Group signed the GC and carries out its social responsibility through corporate activities worldwide. Of the Group's six key themes in KV2021, three—the environment, human rights and labor practices, and fair operating practices—are based on the GC's 10 principles outlined in the areas of human rights, labor, environment, and anti-corruption. These three themes plus the theme of offering safe and reliable products, which is must-have for a company in the food business and has profound social implications, constitute the promises of the Kirin Group in carrying through its social responsibilities. All Group companies, wherever they are in the world, must share and pursue these four key themes, while each is encouraged to exercise autonomy in pursuing its business goals in a manner appropriate to local agendas.

President and CEO  
Kirin Holdings Company, Limited

Senji Miyake



## Major Awards and Achievements

### R&D

Year	Award
2013	<p><b>Hot Topics Award at the Annual Meeting of JSBBA 2013</b> Identifying the effectiveness of drinking beverages with beta-Eudesmol, which is contained in hops, to regulate the autonomic nervous system</p> <p><b>Young Researcher's Award at the 48th Société Franco-Japonaise des Sciences Veterinaires</b> Topic: Oxidative neurotoxicity caused by microglial NADPH oxidase in encephalomyocarditis virus infection Academic Society: The 48th Société Franco-Japonaise des Sciences Veterinaires Presenters: Yasuhisa Ano, Akikazu Sakudo, Hiroyuki Nakayama, Takashi Onodera</p> <p><b>AsiaStar Award at the AsiaStar 2013 Contest and the WorldStar Award at the WorldStar 2013 Contest</b> GRAND KIRIN</p>
2014	<p><b>Hot Topics Award at the Annual Meeting of JSBBA 2014</b> Development of a fluorescent temperature sensor for measuring temperature within cells</p>

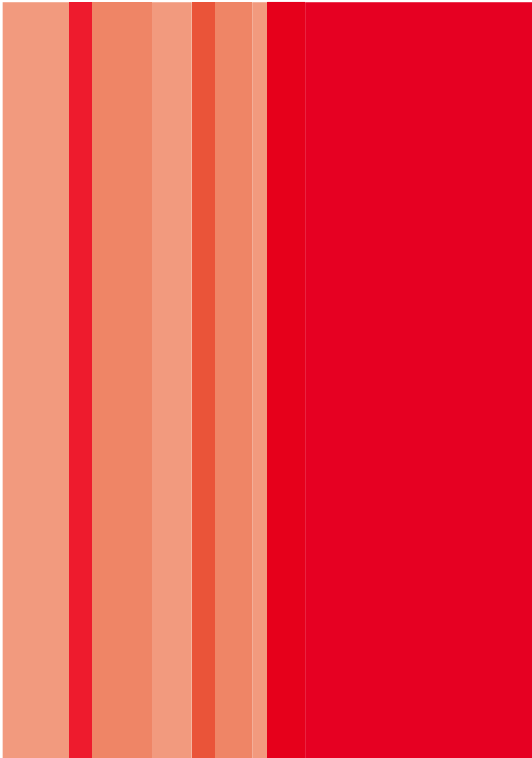
### Sustainability

Year	Award
2013	<p><b>Inclusion in the Dow Jones Sustainability Index 2013</b></p> <p><b>Inclusion in the FTSE4Good Index</b></p>

### Environment

Year	Award
2013	<p><b>Waldemar Junqueira Ferreira Filho Award from the Brazilian Association of the Industry of Mineral Waters (ABINAM)</b> Brasil Kirin</p> <p><b>Ryokujyuhosho (Green Ribbon Award) for sustainable greening and beautification activities in the region</b> Kirin Brewery's Sendai Plant</p> <p><b>2013 Energy Conservation Grand Prize and the Director-General Prize of the Agency for Natural Resources and Energy (Energy Conservation Center)</b> Kirin</p> <p><b>2013 Environmental Achievement Award from Yokohama City as a 3-star facility for excellence in 3R activities</b> Kirin Brewery's Yokohama Plant</p> <p><b>Minister of the Environment 2013 Commendation for Global Warming Prevention; Environmental Education Activity Category (Ministry of the Environment)</b> Kirin Brewery's Yokohama Plant</p> <p><b>Grand Prize in the 17th Environmental Communications Award; Minister of the Environment Grand Prize for Preventive Measures Against Global Warming (Ministry of the Environment; Global Environmental Forum)</b> Kirin Group Environmental Report 2013</p>

# KIRIN



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