

Committed to CSV management for sustainable growth

Together with our stakeholders, we create value through our business in three areas: health and well-being, community engagement, and the environment.

Isozaki The Kirin Group has three core businesses: alcoholic beverages; non-alcoholic beverages; and pharmaceuticals and bio-chemicals. In the areas of alcoholic beverages and non-alcoholic beverages, our business is quite stable. Looking ahead, however, we cannot take sustainable growth for granted.

Arima With Japan's high longevity and low fertility rate, the domestic beverages market is growing increasingly mature. Issues caused by the harmful use of alcohol are also a critical constraint to growth.

Isozaki In fact, Japan's beer market peaked in 1994. Market growth declined over the 20-some years since then. Economic growth is slowing overseas, as well, not only in North America, Europe and Oceania, but even in China. Pharmaceuticals present their own challenges. In the Japanese market, for example, we are facing downward pressure on official drug prices, as the government seeks to contain rising healthcare costs.

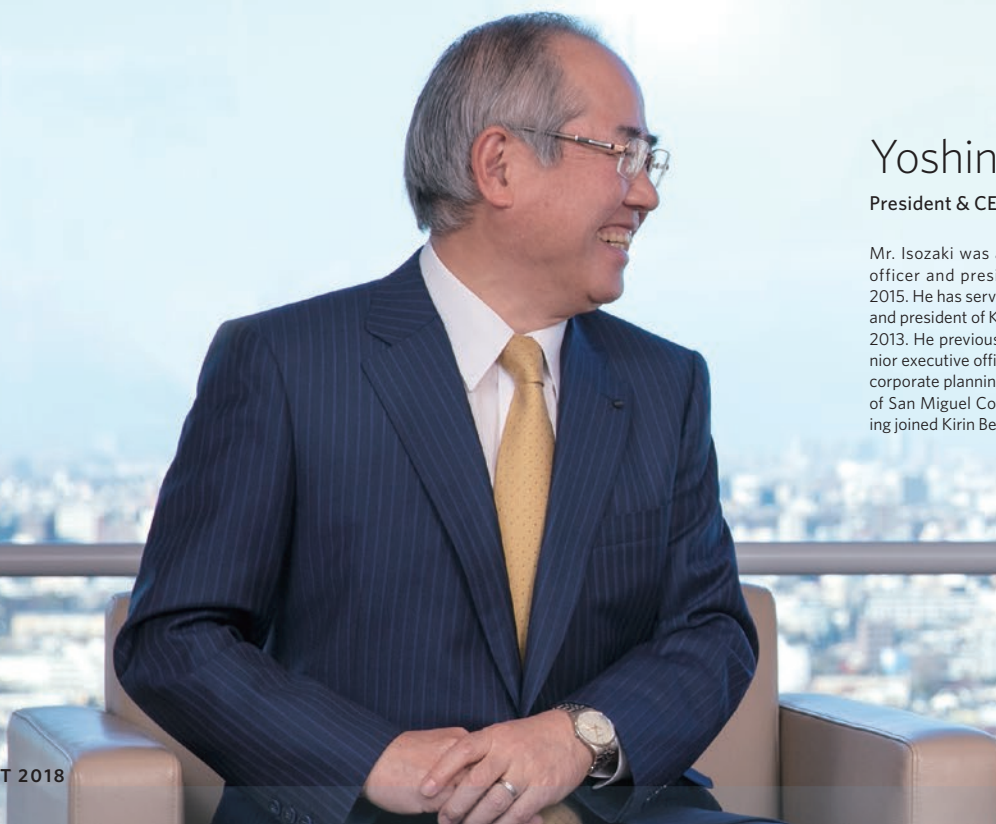
Arima The chances of revisiting yesterday's high growth rates are rather slim for any of our business sectors.

Isozaki Given these circumstances, how then do we propose to attain long-term growth? The answer lies in creating shared value (CSV), which we positioned as our core management principle in 2012. With this approach, instead of reacting passively to a changing market, we view it as a business opportunity.

Arima Increasingly, investors want to know what steps a firm is taking to meet globally recognized environmental, social and governance (ESG) benchmarks. When considering a firm's investment potential, they carefully check not only ROE and other growth metrics, but also how the firm is addressing social issues.

Isozaki In my mind, a basic tenet of ESG is that a firm's sustainable potential is nil if its profits depend on tradeoffs against society, the environment, and stakeholders. Tradeoffs against employees and other workers along the value chain can erode brand equity, product quality, CRM and more. Consumers too are assigning ever more importance to a brand's social efforts, rather than making purchasing decisions based only on quality, price, styling, and the like.

Arima Since becoming one of the first in Japan to adopt the CSV concept, Kirin has earned accolades for its Group-wide CSV initiatives. Recognizing our responsibility as an alcoholic beverages manufacturer, we are committed to action in



Yoshinori Isozaki

President & CEO

Mr. Isozaki was appointed chief executive officer and president of Kirin Holdings in 2015. He has served as chief executive officer and president of Kirin Company Limited since 2013. He previously held the positions of senior executive officer and general manager of corporate planning at Kirin Holdings, director of San Miguel Corporation, and others, having joined Kirin Beer in 1977.

the three major areas of health and well-being, community engagement, and the environment.

Isozaki Our Group has a unique portfolio comprising alcoholic beverages and non-alcoholic beverages, together with pharmaceuticals and bio-chemicals. In building this portfolio, we have gained technological and marketing acumen that we leverage using our management resources to deliver products and services true to the Kirin brand. Focusing on positive outcomes for nature and society throughout the economic value chain, we are dedicated to CSV, which holds the key to sustainable growth of the Kirin Group.

Creating shared value for another 100 years

Isozaki After adopting CSV in 2012, we have increasingly incorporated the concept in our business. In February 2017 we made significant progress with the announcement of our CSV Commitment, which sets down how we put CSV principles into practice to achieve measurable results at each key point on the value chain. In 2016, in the area of health and well-being, we formed the Business Creation Department, which played a key role in development of *Lactococcus lactis* strain Plasma. We are also working on innovative products and services that support self-care in healthy people and help manage pre-disease states. As an example of community engagement, we use Japanese "Ibuki" hops from Tono in Iwate Prefecture in craft beer production. In this and other undertakings, the network we built for our successful 47 Todofuken no Ichiban Shibori Beer project has continued to serve us well, as we build win-win relationships with communities through our activities.

Arima When I visited Iwate Prefecture recently to inspect the hops crop, I noticed the enthusiasm in the growers' faces. It seems that ever since Kirin lent its support to reverse declining production of Tono hops, more young people have been coming to learn how to cultivate the crop. This kind of activity is essential to revitalize rural communities.

Isozaki Outside Japan, the Kirin Group serves local communities in many ways. In Sri Lanka, Kirin funds training for tea growers to obtain Rainforest Alliance certification for sustainable agriculture. Kirin also donates textbooks to primary schools in tea-growing locales. Such actions help us achieve fair trade and sustainable sourcing, while furthering environmental conservation, sustainability, and local development. To clarify our corporate stance and guide us in addressing such issues, we decided on 16 CSV commitments that reference the UN's Sustainable Development Goals (SDGs).

Arima Clearly, we are moving in the right direction; therefore, we will be redoubling our CSV efforts. To pioneer new ventures we must break down the walls of our existing business domains and methodologies. Technological innovation alone is not enough. The processes and systems that we take for granted in business and society are also ripe for creative disruption.

Isozaki Indeed, as we break down the walls and explore the territory beyond, it is our duty to create change that helps solve social issues to the best of our ability. Yes, it is a huge challenge, but the alternative is unthinkable. The Kirin Group cannot survive and thrive without sustainable development. Following the words of our founders, Kirin has broken down many walls over the years in the spirit of our founders' wish for people to enjoy delicious beer and live in an affluent society. Inspired by these words, we make it our mission to keep creating new value over the next 100 years.

Toshio Arima

Outside Director

Mr. Arima has been serving as an outside director of Kirin Holdings since 2011 and, in 2016, he took on the additional role of chairman of the Board. Previous positions include director of FUJIFILM Holdings Corporation and president and representative director of Fuji Xerox Co., Ltd., which he joined in 1967. He is also a current member of the United Nations Global Compact Board.

