

おいしさを笑顔に

KIRIN



KIRIN GROUP SUSTAINABILITY REPORT 2012

For inquiries, contact : **CSR Management Department Kirin Holdings Company, Limited**

2-10-1 Shinkawa, Chuo-ku Tokyo 104-8288, Japan www.kirinholdings.co.jp/english/

■ Published August 2012 Next report to be published May 2013

KIRIN GROUP SUSTAINABILITY REPORT 2012

About Kirin Group Sustainability Report 2012

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

Editorial Policy

The Kirin Group is structured around Kirin Holdings Company, Limited, a holding company that manages operating companies in the Group. Kirin Holdings plays a central role in establishing broad CSR policy and guidelines for the entire Group, and each Group company implements CSR initiatives in a manner that meets its business needs and community requirements. This report is published by Kirin Holdings on behalf of the Kirin Group, and it discusses the Group's philosophy toward CSR, what its high-priority CSR initiatives strive to accomplish, and how Group companies implement these initiatives. The report comprised six parts: Customers; Global Environment; Communities; Employees; Business Partners; and Shareholders and Investors. Each part includes many examples and cases that illustrate and reflect the Group's CSR policy. Please note that several Group companies publish their own CSR reports (see Page 71) that provide more detailed information about their activities.

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

Reporting Kirin Group's CSR Activities



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

Reference Guidelines:

- G3.1 Sustainability Reporting Guidelines, published by the Global Reporting Initiative (GRI) in 2011
- Environmental Reporting Guidelines (Fiscal Year 2007 Version), published by the Ministry of the Environment of Japan

*A list of indicators based on GRI G3.1 Guidelines is available on Kirin Holdings' web site.

Forward-Looking Statements:

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

Reporting Period

January 1, 2011 to December 31, 2011. Please note that environmental performance data for the Kyowa Hakko Kirin Group cover the period April 1, 2010 through March 31, 2011, with the exception of energy-use data that cover the period January 1, 2011 through December 31, 2011.

Scope of Reporting and Data Compilation

Where applicable, this report covers activities and accomplishments by Kirin Holdings Co., Ltd. and its 263 consolidated subsidiaries in Japan and abroad (as of December 2011), 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.; Diageo Kirin Co., Ltd.; Heineken Kirin K.K.; Mercian Corp.; Mercian Feed Corporation.; Mercocom Corp.; Nippon Liquor Ltd.; Daiichi Alcohol Co., Ltd.; Kirin Beverage Co., Ltd.; Kirin Chilled Beverage Co., Ltd.; Shinshu Beverage Co., Ltd.; Kyowa Hakko Kirin Co., Ltd.; Kyowa Medex Co., Ltd.; Kyowa Hakko Bio Co., Ltd.; Daiichi Fine Chemical Co., Ltd.; Kirin Kyowa Foods Co., Ltd.; Koiwai Dairy Products Co., Ltd.; Yokohama Arena Co., Ltd.; Yokohama Akarenga Inc.; Kirin Echo Co., Ltd.; Kirin Holdings Co., Ltd.; Kirin Group Office Company, Limited.; 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 (China) Investment Co., Ltd.; Kirin Brewery (Zhuhai) Co., Ltd.; Lion Corporation; Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd.; BIOKYOWA INC.; Shanghai Kyowa Amino Acid Co., Ltd. (Company names current as of December 31, 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

251

(Number of employees of Kirin Holdings' consolidated subsidiaries: 40,348)

Head Office

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

Sales

2,071,774million yen

(Consolidated sales from January through December 31, 2011)

Main Businesses

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

(As of December 2011)

Table of Contents

2	About Kirin Group Sustainability Report 2012
3	Company Profile
4	Top Management Commitment
6	Special Report: Better Prepared for Natural Disasters
8	Feature Story: Kirin Group Extends Assistance in Reconstruction Efforts for Communities Affected by the Great East Japan Earthquake —Kirin KIZUNA Relief-Support Project
12	About Kirin Group
16	Our Philosophy Toward CSR
22	Customers: Delivering on the Brand Promise
24	Keeping Up with the Growing Health Needs
26	Universal Design Pharmaceutical and Biochemical Business
28	Food Safety
30	Global Environment: Promoting Environmental Sustainability
32	Promoting Environmental Stewardship across the Entire Value Chain
34	Helping Make a Zero-Waste Society a Reality
36	Conserving Biodiversity
38	Mitigating Global Warming
40	Conserving Water Resources
41	Environmental Risk Management and Material Balance
42	Communities: Coevolving with Communities
44	Socially Responsible Alcohol Beverage Company
48	Addressing Food-Related Issues
49	Exploring the Future Lifestyle of Food
50	Investing in the Development of Children
51	Supporting Sports, and the Arts and Culture Investing in Communities
52	Employees: Valuing Our People
54	Embracing Diversity and Inclusion
56	Developing Employees' Competencies
57	Respecting Human Rights
58	Business Partners: Developing Collaborative Relationships
60	Case Studies of Collaborative Projects
62	Partnership in Manufacturing, Distribution, Sales, and Medical Research
64	Shareholders and Investors: Timely and Fair Disclosure of Information
66	Accountable Management
68	Risk Management
69	Compliance
70	Third-Party Opinion
71	Kirin Group's Sustainability Information



Senji Miyake

President and CEO
Kirin Holdings Company, Limited

Top Management Commitment

Bonding and Coevolving with All Our Stakeholders

The Kirin Group focuses on people, nature, and craftsmanship to redefine the joy of food and health. Under the theme of bonding and coevolving with all our stakeholders, we devote group-wide resources to address challenges society faces today.

Supporting Reconstruction from the Great East Japan Earthquake

The year 2011 saw a series of devastating natural disasters around the globe—earthquakes in Japan and New Zealand and floods in Australia and Thailand. The Kirin Group reaffirmed its commitment to fulfilling its social responsibilities by extending assistance and relief to people hit hard by these disasters. We hope communities in the affected areas are on the fast road to recovery.

After the Great East Japan Earthquake struck in March 2011, the Kirin Group launched the group-wide Kirin KIZUNA (bonding) Project¹ to support reconstruction efforts in the Tohoku region, which was the most seriously damaged by the earthquake and tsunami. The KIZUNA Project comprises three pillars of activities: (1) helping restore the local food culture and food industry; (2) bringing smiles to children; and (3) helping people enhance their mental and physical wellness. These activities are intended to help the region's industry return to what it used to be, which will encourage people to start thinking about the future again, invigorate the entire communities, and eventually lead to sustained growth in the region.

In the second year of the project, we are continuing to stand by affected people and communities in their times of need. We are also playing our role in helping keep the momentum going for the nationwide campaign to assist the Tohoku region. On a side note, I am pleased to report that Kirin Brewery's Sendai Plant and other Kirin Group facilities that sustained damage from the earthquake and tsunami are back in normal operations. On behalf of all Kirin Group companies, I would like to take this opportunity to thank you for the moral support and encouragement you gave us during the hard times. They meant much to us.

Committed to Serving Customers and Society

True to its brand slogan "Good taste makes you smile," the Kirin Group is committed to delivering the new joy of food

and health to serve customers and society. As a corporate group whose core business is to manufacture and market alcohol beverages, we tackle head-on alcohol-related problems (ARPs) in society. To address ARPs through product innovations, we have been undertaking two efforts. First, Mercian has been marketing the non-alcohol, wine-tasting beverage Mercian Free Sparkling—co-developed with Kirin Brewery—to resounding success since 2011. Second, Kirin Free—a non-alcohol, beer-tasting beverage—has become so popular among Japanese customers that it is now served in more than 100,000 bars and restaurants around the country. We are also making Kirin Free available in wider markets in the United States. We will globally step up our crusade against drunk driving and expand our public campaign for responsible drinking.

For health-conscious customers, we are marketing health and functional beverage and food products under the Kirin Plus-i brand to create value by offering not only great taste and joy but also health-related benefits.

The Kirin Group maintains a comprehensive quality-management system that extends from the sourcing of raw materials through manufacturing to distribution and sales so as to provide only safe and reliable products to customers. In the wake of the incident at the Fukushima Daiichi Nuclear Power Plant that followed the Great East Japan Earthquake, we established stringent safeguards against radioactive contamination² of water, raw materials, and products, and have since been voluntarily and regularly testing them to ensure safety. By cooperating with the Japanese regulatory authorities and keeping track of new developments, we will maintain a tight rein on product safety and quality so that customers buy our products with complete confidence.

In the area of environmental stewardship, Kirin Holdings ranked top of Japan's 500 largest companies for the quality and completeness of the information we disclosed about our climate-change management, according to a report published by the Carbon Disclosure Project³ in 2011. We

are right on track toward reducing environmental loads throughout our value chain—continuing to curb carbon emissions and conducting the biodiversity-friendly sourcing of raw materials.

Global Corporate Citizenship

Our employees are, by far, the most important driving force behind the Kirin Group's expanding global operations. In recognition of this, we will step up our efforts to foster an organizational culture that encourages our people to have open and frank exchanges with each other. We will create an environment in which all employees develop a sense of togetherness and belonging, live up to the values and basic action stance embodied in the KIRIN WAY, and are motivated to achieve professional growth. We will also continue to embrace diversity and inclusion in the workplace, including offering wider career opportunities to female employees. All these approaches will enable us to lay the groundwork for recruiting and nurturing global managers capable of understanding and managing business across borders and cultures.

As part of our role as a responsible global corporate citizen, we have signed the United Nations Global Compact and have incorporated its principles—respecting human rights, eliminating unfair labor practices, promoting environmental responsibility, and working against corruption—into the Kirin Group Compliance Guidelines, a binding framework we adhere to in our global operations.

The Kirin Group focuses on people, nature, and craftsmanship to redefine the joy of food and health. Driven by this philosophy, we connect with all our stakeholders and strive to coevolve with communities in which we operate—firmly committed to working toward making a sustainable society a reality.

We hope our group-wide endeavor will meet your expectations.

1. See Feature Story on Page 8

2. See Pages 7 and 29

3. See Page 33

Better Prepared for Natural Disasters

The Kirin Group is reviewing and upgrading its preparedness for natural disasters to enhance its ability to handle disaster recovery and maintain business continuity. In addition, we remain committed to playing our part in addressing social challenges in the event of a disaster.

Aftermath of the Great East Japan Earthquake

Kirin Group companies sustained a wide range of facility damage from the Great East Japan Earthquake, which struck on March 11, 2011. Furthermore, a seriously disrupted supply of materials and subsequent power shortages hurt the Group's ability to continue operations in some of its plants. In the wake of the earthquake, the Kirin Group established a crisis-response headquarters that coordinated group-wide efforts to recover from the earthquake and bring its operations back to normal. In addition, the Group immediately donated 400 million yen (including the 100 million yen donated by Kyowa Hakko Kirin) to relief funds as

the first of many steps to support reconstruction efforts for affected areas. In the aftermath of the earthquake, we have reviewed the Group's risk management policy and procedures to bring them up to date. Designated Group companies and departments are reviewing an initial-response plan against natural disasters and are implementing solutions to enhance the Group's business continuity. All these revisions and updates are incorporated into the Kirin Group Risk Management Policy for 2012.

Recovery Operations at Kirin Brewery's Sendai Plant

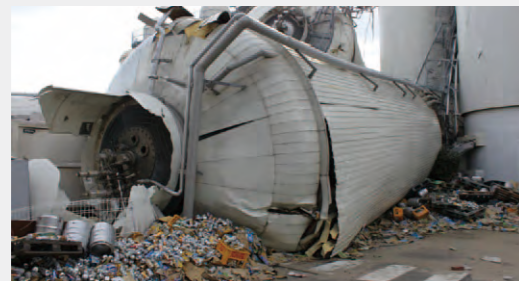
The Sendai Plant sustained serious damage from the earthquake and tsunami on March 11, 2011: four bright beer tanks (pictured) collapsed; the packaging facility and warehouse were flooded; and thousands of products and pallets were washed away. While electricity remained cut off, preparations for cleanups and recovery operations started on March 21. Section leaders reported to work for the first time after the earthquake on April 10, and all employees were back in the plant on May 11. When Plant Manager Noriya Yokota told employees about a plan for recovery operations and the roles they would play, everyone had a determined look on her or his face to work together to bring the plant back to what it used to be. Plant employees and those of affiliated companies worked side by side for nearly 100 days, picking up damaged products in and around the plant premises and cleaning the shipping facility. Electricity was finally restored in July, and the wastewater-treatment facility in the plant was back in



operation in August. On September 26, preparations were made for brewing, for the first time since plant operations had resumed, of the special edition of Kirin Ichiban (pictured) using hops freshly harvested in Tono, one of the communities in the Tohoku region struck by the earthquake.

The plant resumed the shipping of canned beer and draft beer in kegs on November 2, and resumed the production of bottled beer on February 15, 2012, which was the day the plant fully returned to normal operations.

Looking back on the long and hard recovery operations, Yokota said, "Our employees' undivided dedication and commitment helped us overcome the enormous challenges during the hard times." Every employee is now back in the plant, busy keeping the production lines running.



Conserving Electricity

The Kirin Group spares no efforts to conserve electricity in its operations to deal with the inconsistent supply of electricity in the wake of the incident at the Fukushima Daiichi Nuclear Power Plant that followed the Great East Japan Earthquake. Kirin Brewery used, to the full, the power-generation facilities that seven of its nine plants had on their premises as an alternative source of electricity, reducing dependence on power companies. Its Yokohama Plant even supplied to Tokyo Electric Power Company up to 10,000 kilowatts of electricity generated by its power generator running at full capacity. Mercian's Fujisawa Plant also ran its own power generator to keep its production lines running and to power the Yokohama Akarenga commercial complex at the peak of electricity use.

Kirin Beverage stepped up its already aggressive efforts to reduce power use for its thousands of vending machines. At the request of the Japan Soft Drink Association, the company cut power use by the machines by more than 25% from 9:00 AM to 8:00 PM in the areas served by Tokyo Electric Power Company and by more than 15% in the areas served by Tohoku Electric Power Company from July to September 2011 compared with the same period the previous year. During winter, Kirin Beverage conserved electricity by turning off nonessential lights in its vending machines.



Upgraded Safeguards to Prevent Radioactive Contamination

Immediately after the incident at the Fukushima Daiichi Nuclear Power Plant, the Kirin Group established stringent safeguards against radioactive contamination of its products and materials it uses for them to ensure safety. By maintaining contact with the regulatory authorities on food safety and by keeping a close watch on developments at the damaged nuclear plant and elsewhere, we will

continue to enhance our quality assurance so that customers feel confident about the safety of our products they buy. See Page 29 for details of the Group's safeguards against radioactive contamination.



Testing food materials for radioactive contamination

Disaster Relief Efforts Overseas

The Asia-Oceania region, in which the Kirin Group operates, was hit hard by a series of major natural disasters in 2011. Here are three examples of disaster relief efforts the Group made overseas during the year.

Queensland Flood in Australia

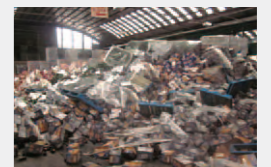
In response to the floods that devastated Queensland, Australia, in January 2011, Lion donated more than 400,000 Australian dollars in cash and products to affected people and those who volunteered to help them. Lion employees also donated 86,500 Australian dollars to the Premier's Disaster Relief Appeal.



See Lion's Sustainability Report 2011 for details about its disaster relief efforts.

Christchurch Earthquake in New Zealand

The earthquake that struck in February 2011 damaged Lion's Canterbury brewery and offices beyond repair. Lion New Zealand committed funding and resources to the city and coordinated these through official channels in Christchurch. Lion estimates their contribution to date is in excess of 200,000 New Zealand dollars through a combination of cash, product donations, fresh water, and other supplies. Many of Lion's Christchurch-based employees also volunteered their time and resources to help people in need.



Flood in Thailand Kirin Holdings, on behalf of the entire Kirin Group, donated five million yen to the Thai Red Cross in the wake of the devastating flood that swept the country in autumn of 2011.



笑顔で結ぶ。人を、日本を。

Kirin Group Extends Assistance in Reconstruction Efforts for Communities Affected by the Great East Japan Earthquake

Kirin KIZUNA Relief-Support Project

The Kirin Group is committed to contributing six billion yen over three years to reconstruction efforts in the Tohoku region, which was struck hard by the Great East Japan Earthquake and tsunami, and is carrying out the Kirin KIZUNA (bonding) Relief-Support Project, in which all Group companies participate.



Three Pillars of Activities Borne Out of Our Attachment to the Tohoku Region

The Kirin Group takes delight in turning the bounty of nature into products and delivering them to customers so that they live happy and healthy lives.

We have been closely associated with and attached to the Tohoku region, where Kirin Brewery—one of the Group's core companies—has been producing beer at its Sendai Plant for 88 years, and Koiwai Dairy Products has been operating its key Koiwai Plant for 120 years. Driven by a strong desire to repay the people in the region for their years of support to us, Kirin Group companies are committed to providing assistance in reconstruction efforts to encourage affected people to foster stronger bonds with their communities and families.

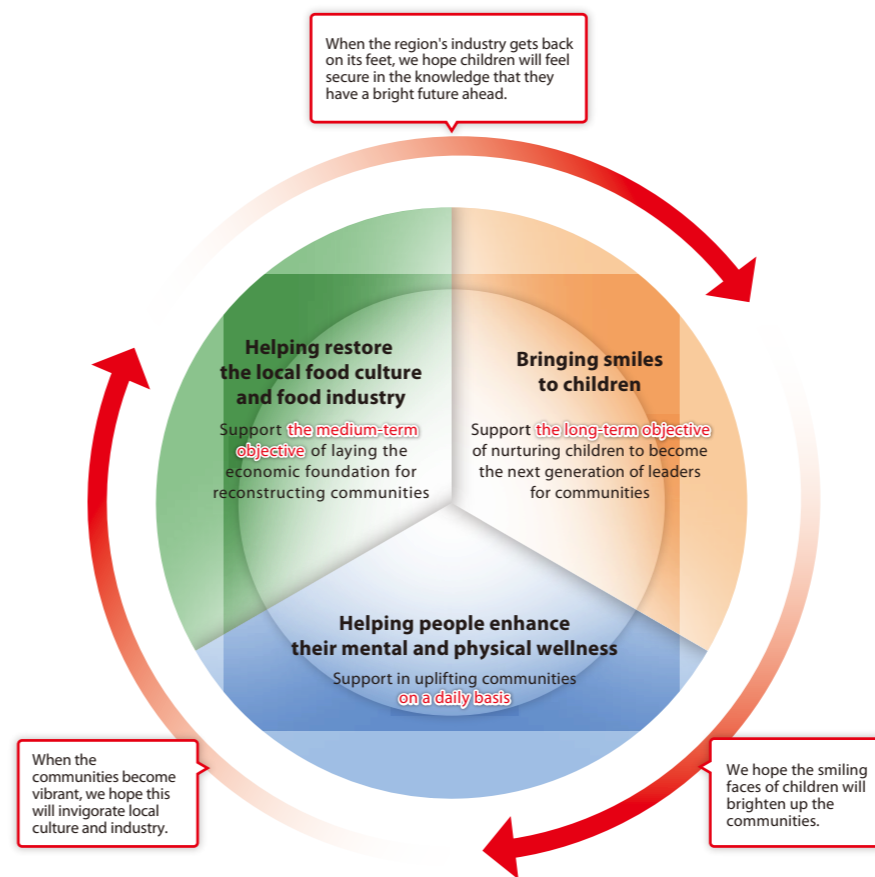
The Kirin KIZUNA Project comprises three pillars of activities: (1) helping restore the local food culture and food industry that transforms the blessings of nature into food; (2) bringing smiles to children who will grow to become the driving force behind the local food industry; and (3) helping people enhance their mental and physical wellness in everyday life. We use our assets and resources to support these activities intended to be a catalyst for the region's reconstruction and subsequent growth—helping

the region's industry get back to normal and create jobs, which will stimulate the regional economy and make children feel that they have a bright future ahead. This will in turn brighten up the entire communities and help them sustain growth.



Providing Continued and Fair Support

To spearhead the Group's relief-support efforts, we have established cross-functional project teams comprising members of various Kirin Group companies and divisions. When the project teams develop action plans, they sit down with external project partners to learn what affected communities need the most. When implementing the plans, the teams seek insights and advice from experts outside the Group. This helps us carry out the KIZUNA Project in a fair and reasonable manner. In addition, we regularly review with project partners how effectively the project funds are used to date and update action plans where necessary.



How Funds Are Used for the Kirin KIZUNA Relief-Support Project

The Kirin KIZUNA Relief-Support Project raised 1,882,297,310 yen in fiscal 2011, out of which 1,321,190,796 yen was spent on the three pillars of project activities. The balance will be used to fund activities scheduled for fiscal 2012 and beyond. Funds raised in 2011 included part of the proceeds from the sales of Kirin products, a donation of 12,539,902 yen by Kirin Group employees and their families around the world through the Kirin KIZUNA Fundraising Drive, and the same amount matched by the Company.

Amount of Money Spent (yen)

Helping restore the local food culture and food industry	
● Helping restore local agriculture	420,966,051
● Helping restore local aquaculture	403,000,000
● Donation to a project initiated by Tohoku University to help restore the Tohoku region's agriculture and fishery	20,000,000
● Donation to the "Eat and Energize the East" project	1,500,000
Bringing smiles to children	
● Kirin-SCJ KIZUNA Scholarship Program for high school students studying agriculture	145,890,509
● Cheering up children through table tennis	6,207,423
● Support to science education	10,000,000
● Cheering up children with music: concerts given by Les Freres and Kenichiro Kobayashi	9,868,950
Helping people enhance their mental and physical wellness	
● Uplifting communities through soccer: JFA-Kirin Smile Field soccer class	288,862,560
● Collaborative support programs with local governments	14,895,303

Activities in the Kirin KIZUNA Relief-Support Project

The project runs for three years.

1 Helping Restore the Local Food Culture and Food Industry



Donating farming equipment to the Shichigahama Farmers Association



Restoring local agriculture

Many farmers in Iwate, Miyagi, and Fukushima Prefectures lost their farming equipment in the Earthquake and tsunami. We work with the Japan Agricultural Cooperatives to provide

them with farming equipment supplied by farmers in other parts of the country. We hope this will help foster a bond between farmers in the affected areas and those in other areas, and that it helps keep the legacy of traditional agriculture going uninterrupted in the Tohoku region.

Restoring local fishery

We assist in restoring aquaculture in the three prefectures: wakame seaweed in Iwate, oysters in Miyagi, and green laver

in Fukushima. Our support is focused mainly on restoring damaged aquaculture equipment, a matter which is a frequent request of people in the region's fishery industry.

2 Bringing Smiles to Children



A table tennis class



Les Freres giving a piano concert to children



Orchestra conducted by Kenichiro Kobayashi

Scholarships for high school students studying agriculture

We work with Save the Children Japan (SCJ), an NGO advocating children's rights, to run the Kirin-SCJ KIZUNA Scholarship Program. We offer a non-repayable scholarship of 30,000 yen a month for up to three years to up to 600 high school

students a year who are studying agriculture and are in need of financial support in Iwate, Miyagi, and Fukushima Prefectures. We hope the scholarships will help them continue their studies in preparation for becoming ready to drive restoration efforts for agriculture and related industries within their communities. In 2011, 598 students from 12 high schools received scholarships.

Cheering up children through table tennis

Competitive table tennis players from Kyowa Hakko Kirin as well as a former employee of the company and professional table tennis player hold table tennis classes for elementary, junior high, and high school students in Iwate,

Miyagi, and Fukushima Prefectures. In 2011, they gave five sessions of the Kyowa Hakko Kirin Table Tennis Class to 1,500 students. In technical sessions, participating students, eager to improve their skills, asked a lot of questions. We left the table tennis tables and paddles behind after the classes so that people in local communities could continue to enjoy playing the sport.

Cheering up children with music

We hope that children come to enjoy music and nurture their dreams. We worked with the professional piano duo Les Freres to give concerts in day-care centers, kindergartens, elementary

schools, and high schools in the affected areas and to donate music instruments to them. We also sponsored their relief-support concert in Sendai. In addition, we sponsored a two-day concert by an orchestra conducted by the world-renowned Kenichiro Kobayashi in Kitakami, to which we invited people with intellectual disabilities.

3 Helping People Enhance their Mental and Physical Wellness



Children participating in a JFA-Kirin Smile Field soccer class

Uplifting communities through soccer

JFA-Kirin Smile Field

We work with the Japan Football Association in presenting the JFA-Kirin Smile Field soccer class, a three-year program for elementary students in Iwate, Miyagi, and Fukushima Prefectures. Former members of Japan's national team

coach children in schoolyards, and we donate goals and balls to the schools after the classes so that children can continue to enjoy playing soccer. By the end of March 2012, 12,091 children participated in these soccer classes, some of whom sent us letters to say they had come to like playing soccer because of the classes.

Japan National Team soccer games

Working with JFA and soccer associations and the governments of prefectures where Japan National Team soccer games were held, we invited 1,520 elementary,

junior high, and high school students and their parents from among those who had been evacuated from their homes after the Earthquake to Japan National Team soccer games in Kirin Cup Soccer 2011 and the third Asian qualifying round for 2014 FIFA World Cup Brazil.

Volunteer Relief Work

Kirin Group employees volunteer to take part in relief work in affected communities.



Volunteer work in the first round of the project in Miyagino District

In 2011, 176 employees provided volunteer services in two cities in Miyagi Prefecture. Seven teams of 56 employees worked in the Miyagino and Wakabayashi districts in Sendai in the first round of the project, and 15 teams of 120 employees in Ishinomaki in the second round. At the request of local communities, they shovelled mud off driveways and sidewalks and provided assistance to fishers. Kirin employees will continue to participate in volunteer work in response to local needs and the progress of reconstruction.



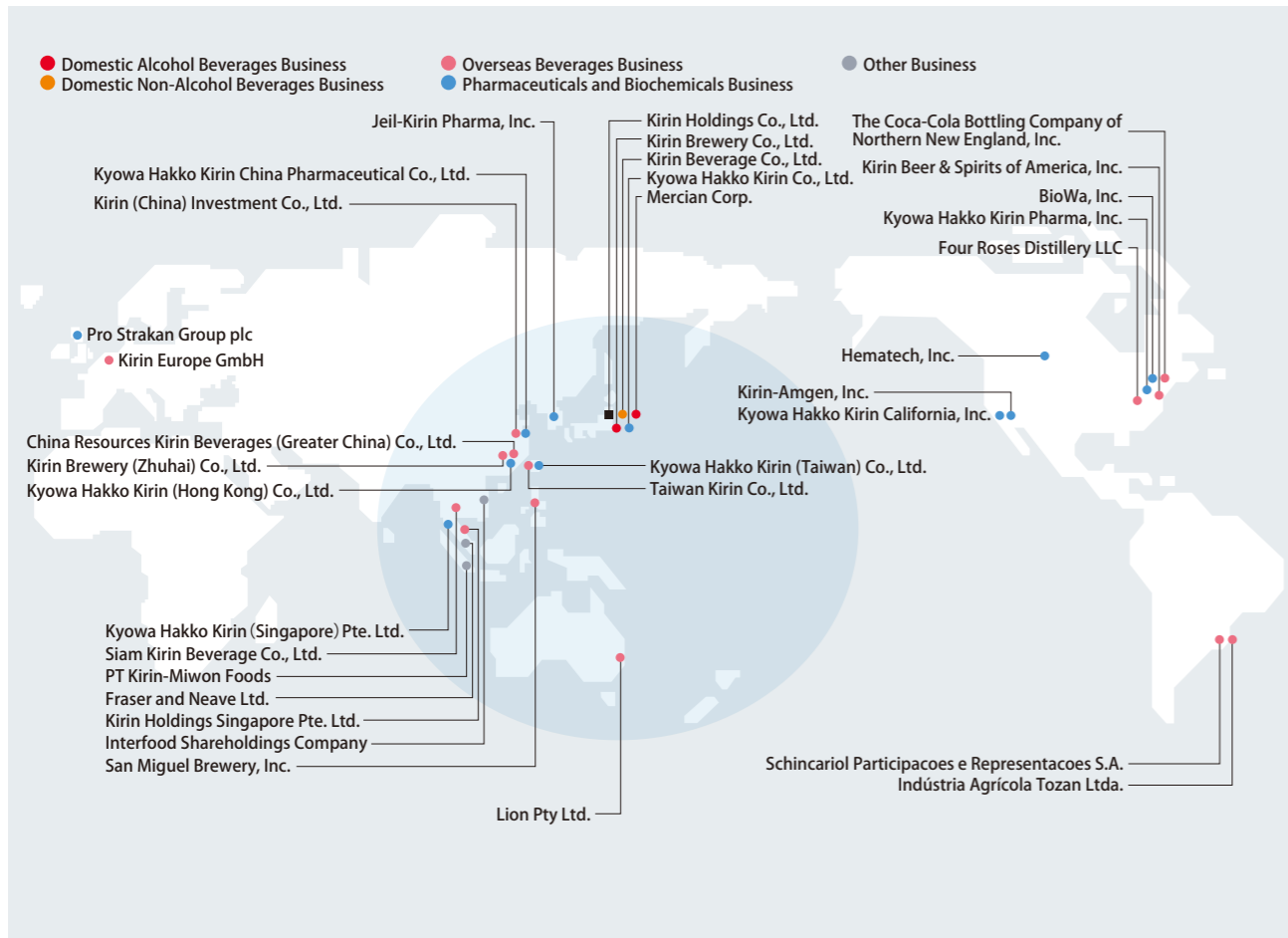
Volunteer work in the second round of the project in Ishinomaki

About Kirin Group

Kirin Group's Global Operations

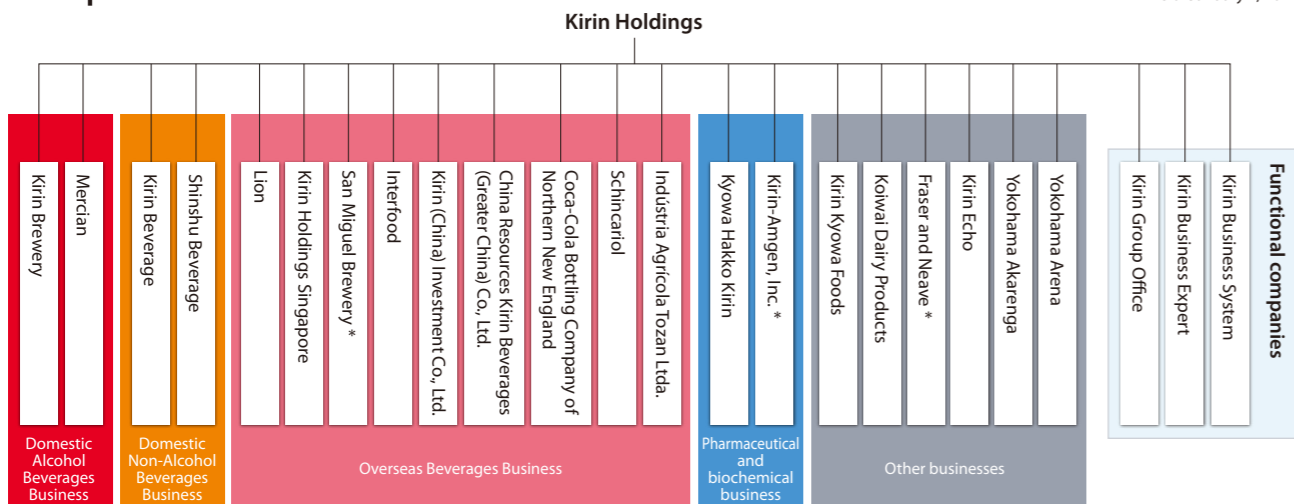
The Kirin Group is engaged in the manufacture and sales of alcohol beverages, non-alcohol beverages, foods, and pharmaceuticals in Japan, the Asia-Oceania region, and other parts of the world. As of December 31, 2011, the Group had more than 40,000 employees, and comprised 263 consolidated subsidiaries, one

unconsolidated subsidiary, and 18 affiliates accounted for by the equity method. We are striving to become a leading company in Asia and Oceania under the Kirin Group Vision 2015 (KV2015) long-term business plan.



Group Structure

As of January 1, 2012



*Affiliate accounted for by the equity method

Business Segments

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

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

Domestic Alcohol Beverages Business

We deliver great taste that makes people smile.



Domestic Non-Alcohol Beverages Business

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



Overseas Beverages Business

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



Pharmaceuticals and Biochemicals Business

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



Other Businesses

We assist people to maintain healthy and happy dietary lifestyles.



About Kirin Group

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)

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

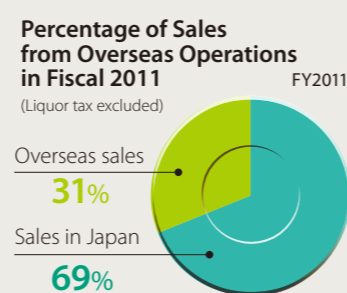
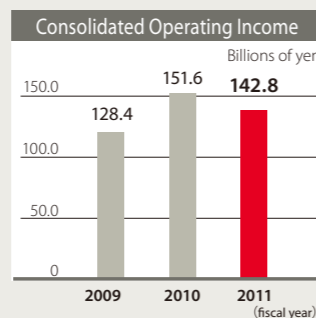
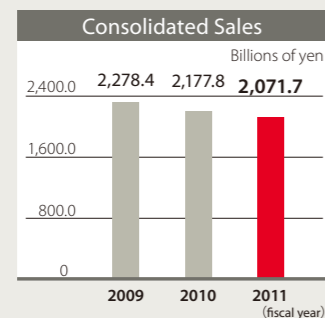


What We Strive to Accomplish by 2015

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

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

Financial Highlights



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)



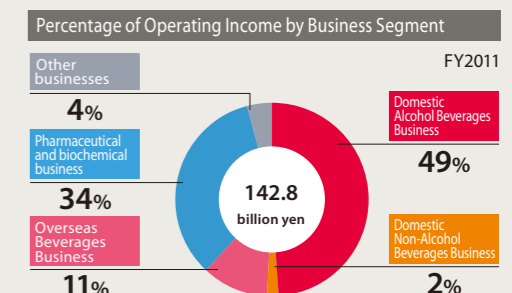
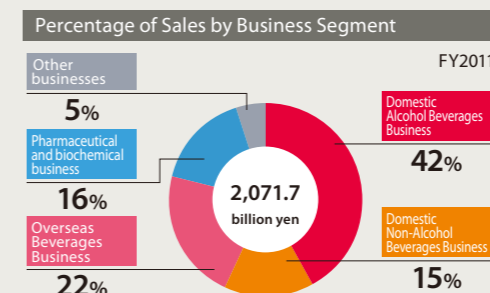
Under the 2007-2009 MTBP, which was the first stage of KV2015, we laid solid groundwork for achieving quantum-leap growth in revenue by: bringing the alcohol beverages business in Japan back to growth; implementing a strategy for becoming an integrated beverage group in Japan and abroad; and allocating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

		2011 Results	2012 Plan	Change	2010-2012 MTBP
Sales (billions of yen)	Liquor tax excluded	1,748.3	1,905.0	+9.0%	2130.0
	Operating income (billions of yen)	189.8	213.2	+12.3%	231.0
Operating Income ratio	Before amortization of goodwill	10.9%	11.2%	+0.3 percentage points	10.8
	After amortization of goodwill	8.2%	8.5%	+0.3 percentage points	8.8
Cash ROE	Before amortization of goodwill	6.9%	11.6%	+4.7 percentage points	10 or more

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

Segment Information (Liquor tax included)



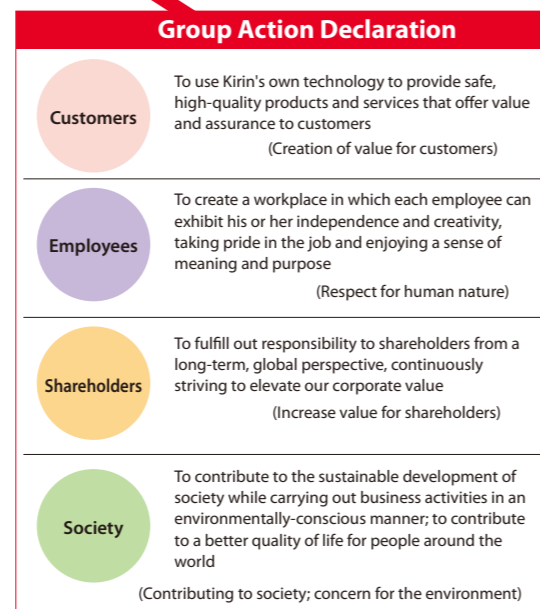
Our Philosophy Toward CSR

Kirin Group's Corporate Philosophy and CSR

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

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

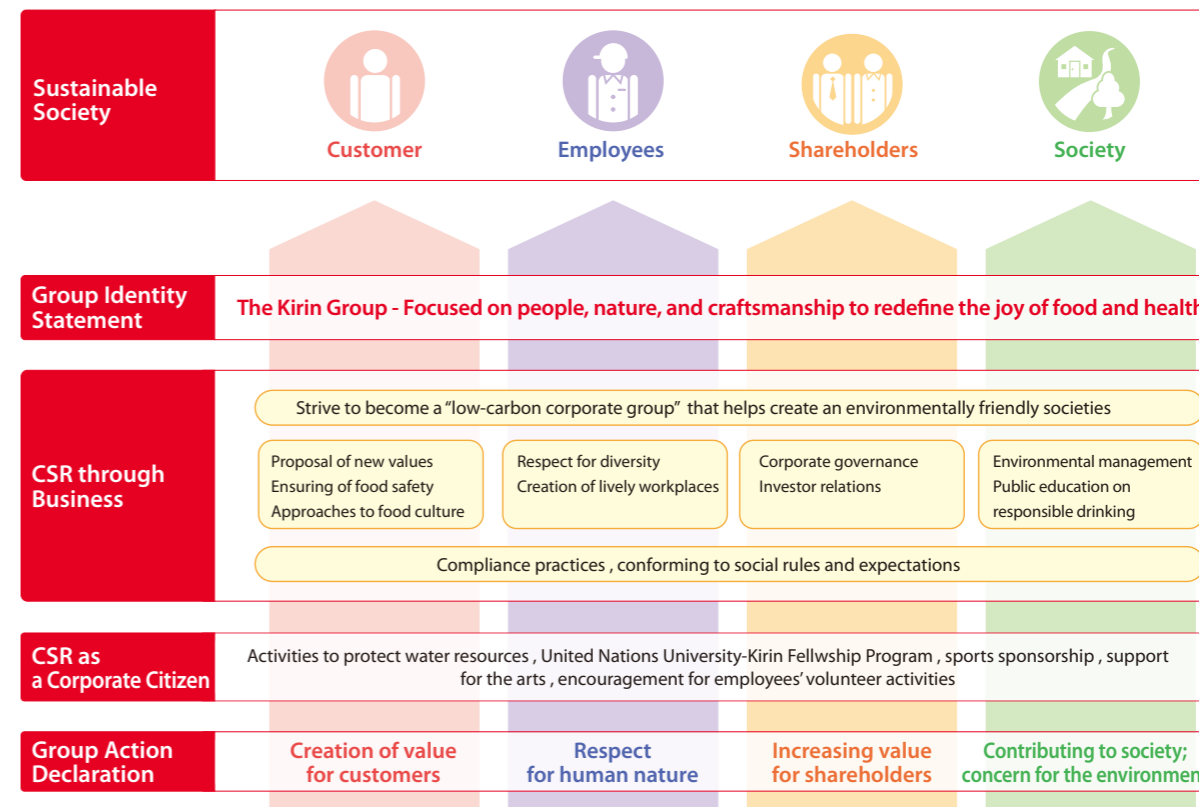
The Kirin Group's CSR activities are guided by these philosophies and policies. As a corporate group focused on food and health, we must operate and grow our business in harmonious coexistence with the global environment and society. To help achieve a sustainable society, we have given CSR a high priority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



Kirin Group's CSR Framework

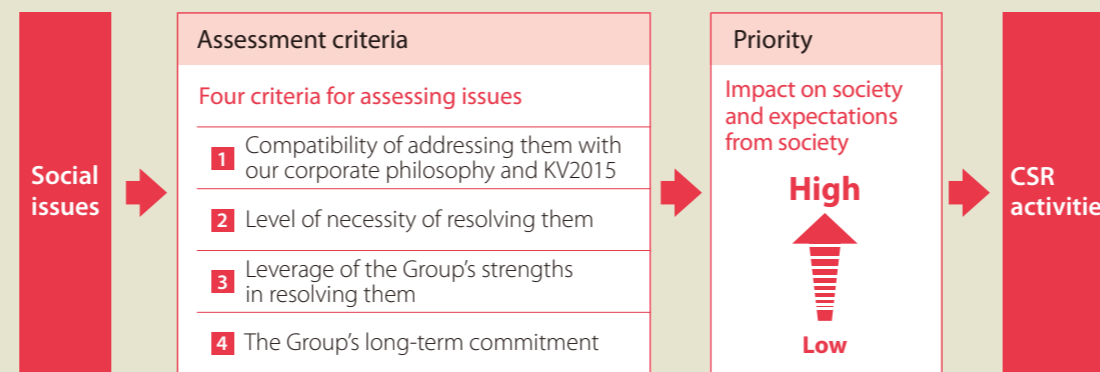
The Kirin Group engages in two broad categories of CSR activities to help make a sustainable society a reality: activities we conduct as part of our business operations, and those we carry out as a corporate citizen. CSR activities integrated into our day-to-day business operations represent the majority of our CSR efforts. All Group companies undertake them in the medium and long terms,

leveraging their core competencies. CSR activities we carry out as a corporate citizen include social and community outreach programs born out of dialogues with stakeholders associated with the Group's business, and the Kirin Group has been committed to these programs for many years.



How We Select High-Priority CSR Initiatives

The Kirin Group selects its high-priority CSR initiatives in the following manner. First, we assess a wide range of social issues based on four criteria to narrow them down to those we should address in our business operations. The four criteria are: (1) whether addressing them is in line with the thrust of our corporate philosophy and KV2015; (2) how much necessity and urgency exist for resolving them; (3) whether the Group can leverage its core competencies to resolve them; and (4) whether the Group as a whole is poised to make a long-range commitment to addressing them. Second, we prioritize selected social issues based on the extent of their impact on society and the degree of expectation from society—and finally, we pick out high-priority CSR initiatives on which to focus. See Pages 18 and 19 for lists of initiatives selected for 2011 and 2012. Social issues do not remain static as the years go by. They change shape and scope at an accelerated pace—propelled by globalization. We will review high-priority CSR initiatives from time to time so as to keep our CSR efforts relevant to anticipated changes in society.



The Makeup of This Report

Broken Down into Six Stakeholder Groups

The Kirin Group Action Declaration defines the Group's stakeholder groups as customers, employees, shareholders, and society. In this report, we have redefined the Group's stakeholder groups as customers, the global environment, communities, employees, business partners*, and shareholders and investors, so as to report more effectively on what we have been striving to achieve to meet expectations and demands from society.

*Business partners include suppliers, distributors, and other external parties associated with the Kirin Group's value chain.

- Customers See Page 22
- Global environment See Page 30
- Communities See Page 42
- Employees See Page 52
- Business partners See Page 58
- Shareholders and investors See Page 64

What Kirin Group Strives to Accomplish with its CSR Initiatives

■ 2011

■ 2012

Stakeholders	Social Challenges	Kirin Group's High-Priority CSR Initiatives	Goals	Major Accomplishments	Kirin Group's CSR Initiatives	Corresponding Principles of Global Compact	Corresponding Core Subjects Addressed in ISO 26000*
Customers	Consumers are stepping up their demands for the safety and reliability of the products they buy as well as for accurate and comprehensive product information.	Ensuring food safety	Provide safe, high-quality products to customers	In the wake of the incident at the Fukushima Daiichi Nuclear Power Plant that followed the Great East Japan Earthquake, we established stringent safeguards against radioactive contamination of raw materials and products to ensure their utmost safety.	Continue to upgrade safeguards against radioactive contamination of raw materials and products, and to place the highest priority on ensuring product safety. Take customer feedback seriously and proactively provide accurate and comprehensive product information from customers' perspectives	—	Consumer issues
Global Environment	A multitude of environmental issues—global warming, growing risks to biodiversity, natural resources running dry, and water scarcity—are threatening the sustainability of society and having a profound impact on our value chain.	Achieving a low-carbonsociety	Reduce value-chain environmental loads by conserving energy and resources and by offering eco-friendly products to customers	We reduced CO ₂ emissions from our manufacturing, distribution, and office operations. We quantified how much CO ₂ we had emitted in the value chain back in 1990.	Coordinate and direct the entire Group's efforts to reduce value-chain environmental loads by continuing to reduce CO ₂ emissions and to conduct biodiversity-friendly sourcing of raw materials	Principles 7 to 9	Environment
		Conserving biodiversity	Take biodiversity into greater consideration in business operations to help society achieve a harmonious coexistence with nature	We continued to make the biodiversity-friendly use of resources.			Fair operating practices
Communities	Consumers have a growing awareness of food-related issues in society, such as children eating alone at home, obesity, and starvation. Once-strong people-to-people bonds are wearing thin within families, communities, and organizations. Irresponsible drinking poses health risks and leads to drunk driving and other social problems.	Promoting health and nutritious diet	Help people enhance their mental and physical wellness	We offered customers products and experiences intended to promote community wellness. To meet customers' growing health needs, we introduced functional yogurt and RTD tea with health benefits.	Provide customers with opportunities for sociability; provide educational support to children; invest in the development of children; support the promotion of sports, the arts, and culture; and help resolve food-related issues and alcohol-related problems, all with the goal of strengthening bonds with communities and assisting with their sound and sustainable development	—	Community involvement and development Consumer issues
		Promoting food cultures	Help customers enjoy fulfilling dietary lifestyles	We conducted multifaceted research on what people eat and how they eat it and published the findings in Kirin Institute of Food and Lifestyle Reports. In a Kirin Group employees forum on the future of food and health, we presented the findings from a study on projected consumer trends for 2025.			
		Nurturing the young generation	Play the role of a good corporate citizen by investing in the development of children and communities in which we operate	We carried out social outreach programs in the fields of food education, soccer, science education, the arts, and culture.			
		Promoting responsible drinking	Promote responsible drinking to prevent alcohol abuse and its toll on society	We established the ARP Office in Kirin Brewery in February 2011 to step up our efforts to address the social issues and health risks associated with drinking, as part of our ongoing crusade against the harmful use of alcohol.			
Employees	Respecting employees' human rights and maintaining fair labor practices have considerable social and economic relevance to corporations. Corporations need to—more than ever—tap employees' full potential while retaining their commitment to the organizations for which they work.	Valuing employees and embracing diversity and inclusion	Guided by respect for employees' human rights, create a corporate culture that values employees' hard work and individuality and in which employees from diverse backgrounds can flourish in their job	We updated human rights provisions in the Kirin Group Compliance Guidelines so as to bring them closer in line with the principles on human rights set forth in the United Nations Global Compact, and communicated the new provisions to all Kirin Group employees around the globe. We continued to offer wider career opportunities to female workers. We also drew up the Kirin Group Charter for Hiring of People with Disabilities to broaden employment opportunities for people with disabilities.	Guided by respect for employees' human rights, foster a sense of togetherness and belonging among employees and value them with the goal of creating a corporate culture in which employees feel motivated to exercise initiative and creativity, and feel proud and enthusiastic about their job	Principles 1 through 6	Human rights
		Enhancing occupational safety and health	Keep workplaces safe and clean so that employees feel comfortable working in them	We implemented measures to keep employees working for Group companies in Japan from having mental health issues and to assist employees with those issues.			Labor practices
		Supporting employees' work-life balance	Create a workplace environment in which employees can maintain a healthy work-life balance, feel motivated to exercise initiative and creativity, and feel proud and enthusiastic about their job	Based on the Kirin Group Charter of Work-Life Balance, we continued to help employees to maintain a healthy work-life balance.			
		Investing in employees' professional growth	Assist with employees' professional growth and enhance the Group's organizational strengths as a basis for the Group's sustained growth	We implemented upgraded programs for nurturing global managers capable of understanding and managing business across borders and cultures.			
Business Partners	Corporations are under increasing pressure to take action toward achieving a sustainable society throughout their entire value chains that involve not only themselves but also their business partners.	Conducting socially-responsible sourcing practices	Conduct socially-responsible, fair, and equitable sourcing practices to maintain collaborative relationships with suppliers	We drew up the Kirin Group Supplier CSR Guidelines to step up our efforts for socially responsible sourcing.	Continue to work with business partners to help make a sustainable society a reality	Principles 1 through 10	Human rights Fair operating practices
Shareholders and Investors	Corporations are under increasing pressure to achieve greater effectiveness in organizational governance as well as in decision-making for all stakeholders.	Keeping the company on track	Establish a sound internal control system, including a viable corporate governance structure, as the foundation to achieve quantum-leap growth called for by KV2015	We enhanced corporate governance throughout the Group. We upgraded preparedness against natural disasters in the aftermath of the Great East Japan Earthquake.	Continue to enhance the corporate governance structure and assume accountability so as to fulfill obligations with shareholders and to continually increase the corporate value from the long-term and global perspective	Principle 10	Organizational governance
		Keeping shareholders informed	Disclose information in a transparent, fair, and consistent manner and communicate directly with shareholders and investors.	We followed this policy in disclosing information. Our top management became more heavily involved in IR activities.			Fair operating practices

*Core subjects with relevance to Kirin Group's initiative are listed here.

CSR Management

PDCA Cycle for CSR Management

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

We use the KISMAP¹ management system to monitor the progress of CSR activities conducted as an integral part of our business operations. We continually improve and upgrade the compliance management system and quality management system—both fundamental to our business operations. The Group CSR Committee develops a medium- and long-term CSR policy and strategy.

A PDCA-based, three-layered management system keeps CSR activities conducted by Group companies on track. In the top layer, we have the Group CSR Committee, which sets a

CSR policy and strategy; and in the bottom layer are Group companies that implement them. In between, a lead unit has been set up for each CSR theme—such as environmental management and ensuring food safety—that leads and monitors CSR activities carried out by Group companies under each theme. In this three-layered system, the Group CSR Committee, lead units, and Group companies promote and monitor CSR activities using the PDCA cycle, individually and jointly.

The CSR Management Department of Kirin Holdings works with the company's Strategy Planning Department to keep track of how the high-priority CSR initiatives are implemented.

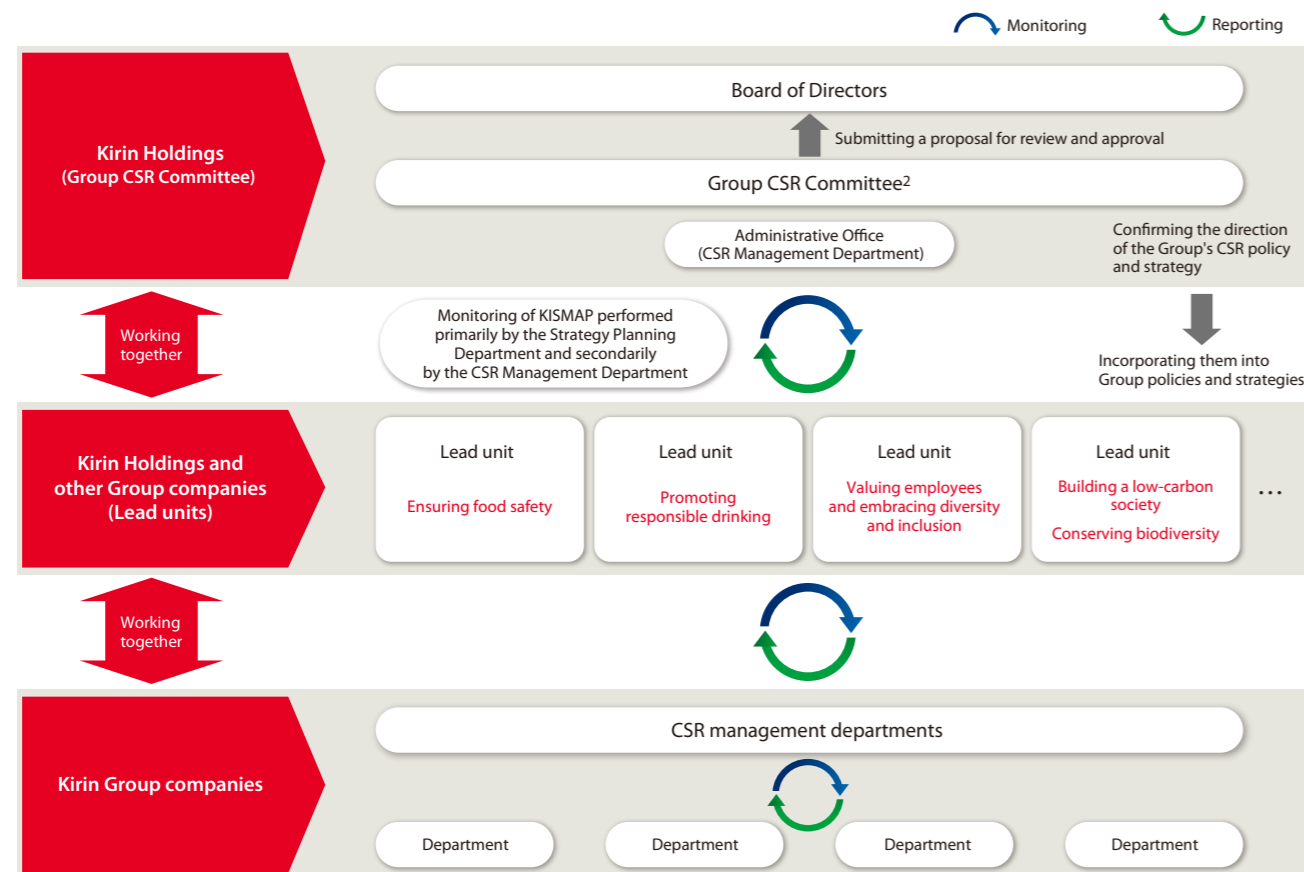
1. KISMAP: Kirin Innovative & Strategic Management Action Program, the Kirin Group's performance management system based on the balanced scorecard method.

Group CSR Committee Reorganized to Become More Responsive and Effective

We reorganized the Group CSR Committee in 2011 to make it a deliberative body to develop the Group's CSR policy, strategy, and initiatives based on information and issues shared among Group companies and departments. Prior to that, the biannual committee had comprised the president of Kirin Holdings, the Kirin Holdings director in charge of CSR strategy and other directors, and the presidents of main Group companies. The revamped committee, held quarterly, is chaired by the

Kirin Holdings director in charge of Group CSR strategy and consists of members considered best suited to fulfill the committee's new mandate. The committee submits matters of significant implications to the Kirin Holdings Board of Directors, which includes external directors and auditors, for review and approval, so that the committee's policy decisions are effectively followed up by Group companies and departments.

Three-Layered CSR Management System



2 Members of Group CSR Committee
 ● Chairman: Kirin Holdings director in charge of Group CSR strategy
 ● Committee members: Heads of CSR management departments of main Group companies and persons designated by the committee chairman

Concerted CSR Efforts across the Kirin Group

The Kirin Group has been expanding its business globally. To remain socially responsible wherever we operate, we strive to keep abreast of the mainstream of CSR policies and practices evolving in the global arena and to adopt them. We play our part, inside and outside the food and drink industry, in global initiatives and collaborative projects to achieve a sustainable society.

We participate in cross-industry initiatives such as the United Nations Global Compact. We work with other multinational alcohol companies to provide policy recommendations to the World Health Organization in its effort to formulate a strategy for addressing alcohol-related problems, which affect the entire alcohol industry. As a member of the board of the Consumer Goods Forum (TCGF), a global network of retailers and manufacturers of consumer goods, we assisted with the launch of Japan TCGF in 2011.

In CSR areas where Japanese companies are lagging behind their counterparts in other countries, we visit overseas companies that lead in those areas to exchange ideas and information. These exchanges make us better poised to upgrade our CSR activities to the global level.

Top executives of main Kirin Group companies from around the world meet annually to exchange insights and ideas about management strategies and global challenges.

In November 2010, the ISO 26000 international guidance standard on social responsibility was released. We are using this standard as a basis for reviewing and improving the Kirin Group's CSR initiatives.



Kirin Group Participates in the United Nations Global Compact

The United Nations Global Compact is a voluntary, global initiative for companies committed to exercising creative leadership in maintaining responsible business practices and sustainability. The Compact asks participating businesses to accept, support, and practice the 10 universally accepted principles outlined below in the areas of human rights, labor, environment, and anticorruption. The Kirin Group announced its participation in the Compact in September 2005, and has since been working to align its employee relationships and its business operations ranging from procurement and R&D to manufacturing and marketing with the 10 principles. The

table on Page 19 shows how the Kirin Group's high-priority CSR initiatives correspond to the UN Global Compact's 10 principles.

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

▶ See Page 19



The UN Global Compact's 10 Principles

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



Customers

Delivering on the Brand Promise

Our Goal

The Kirin Group delivers on its continually evolving yet enduring brand promise to customers in four key aspects: health, happiness, comfort, and uncompromised quality.

Health: We appreciate and care for the splendid gifts of nature, and we spare no effort in building on these benefits with what we know to be good for the body and mind. Drawing on the power of nature, we help customers develop fit energetic bodies and minds.

Happiness: We believe that happiness comes from different angles, different points of view, different values, and always with a sense of expectation. We deliver a happiness that is not merely of the moment but one that is driven by the anticipation of what is to come.

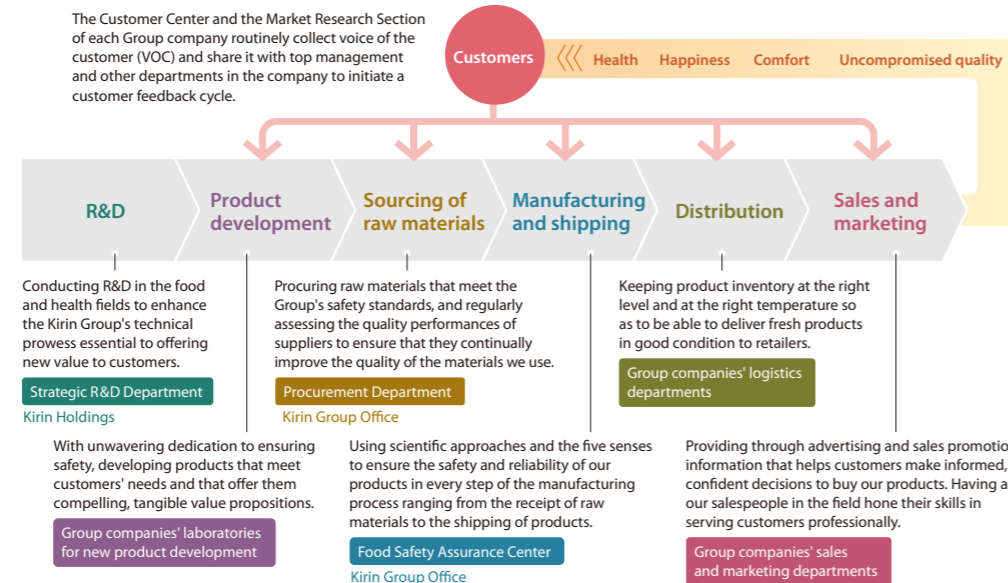
Comfort: Comfort as we see it comes from the sense of closeness, ease, warmth, and pleasure customers experience when the Kirin brand is part of their daily lives. It includes not only the serenity that comes from solitude, but also the warmth and closeness customers feel in the company of people to whom they feel truly connected.

Uncompromised quality: With our long history of tradition and achievements, we continually perfect and refine our products to deliver the uncompromised quality that customers have come to expect. Customers are not looking for fanciness, but for the ultimate craftsmanship that only the highest ideals, attention to detail, and technical prowess can realize.

Our Approaches

The Kirin Group takes comments and requests from customers seriously. We incorporate customer feedback into the entire process that ranges from product development and sourcing of raw materials through manufacturing, shipping, and distribution of products to marketing and sales, all in an effort to deliver

products and services that meet customers' expectations. This customer feedback cycle engages the entire Kirin Group, enabling us to continually improve in the four key aspects of our brand promise to customers—health, happiness, comfort, and uncompromised quality.



Dialogue with Customers

Customer Centers Play a Pivotal Role in Eliciting Product Improvement

Communicating with customers is an integral part of developing and delivering safe, high-quality products and services that they can trust and enjoy. In 2011, Kirin Brewery received 37,000 inquiries, requests, and comments about its products and services from customers by phone and email. Kirin Beverage received 42,000; Mercian 4,400; and Koiwai Dairy Products 5,500. We realize that when customers contact us they do so out of expectations of our products and services. Kirin Brewery holds a Customer Feedback Meeting every month, in which Customer Center staffers and those from the Marketing, Sales, Production Control, Technical Development, and CSR Departments share VOC and brainstorm actions to be taken for improvement. In 2011, the center proposed at these meetings 88 ideas for improvement—30 of

which were brought to fruition. Customer Center managers of all Group companies meet once a month to share VOC, and hold joint training sessions for their staffers to improve their skills in handling customer calls.



Kirin Brewery's Customer Center

Acting on VOC for Product Improvement

The Kirin Group takes customer feedback seriously and uses it to improve products and services. Below are two of examples of how we acted on requests that the Customer Center received from customers.

Customer feedback	Customer feedback
"I find it hard to tell an aluminum can from a steel can when separating used beverage cans for recycling. Can you mark them more clearly?"	"The plastic seal around the cap of Kirin Whisky Fuji Sanroku Tarujuku 50° is so tight that I have a hard time removing it, although it has perforations. Can you make the seal easier to break?"
What we did about it	What we did about it
<p>Kirin Brewery markets beer in steel cans and aluminum cans in some parts of Japan. We have changed the design of the identification mark printed on steel cans to make it more distinctive without detracting from the overall presentation. (A redesigned mark applied to Kirin Ichiban, Kirin Tanrei Nama, and Kirin Nodogoshi Nama)</p>	<p>Customer feedback prompted us to add perforations to the plastic seal in 2010 to make it easier to remove. However, as customers continued to tell us it was still hard to break, the following year we added a tab at the top of the seal so that customers can pull it down to remove the seal more easily.</p>

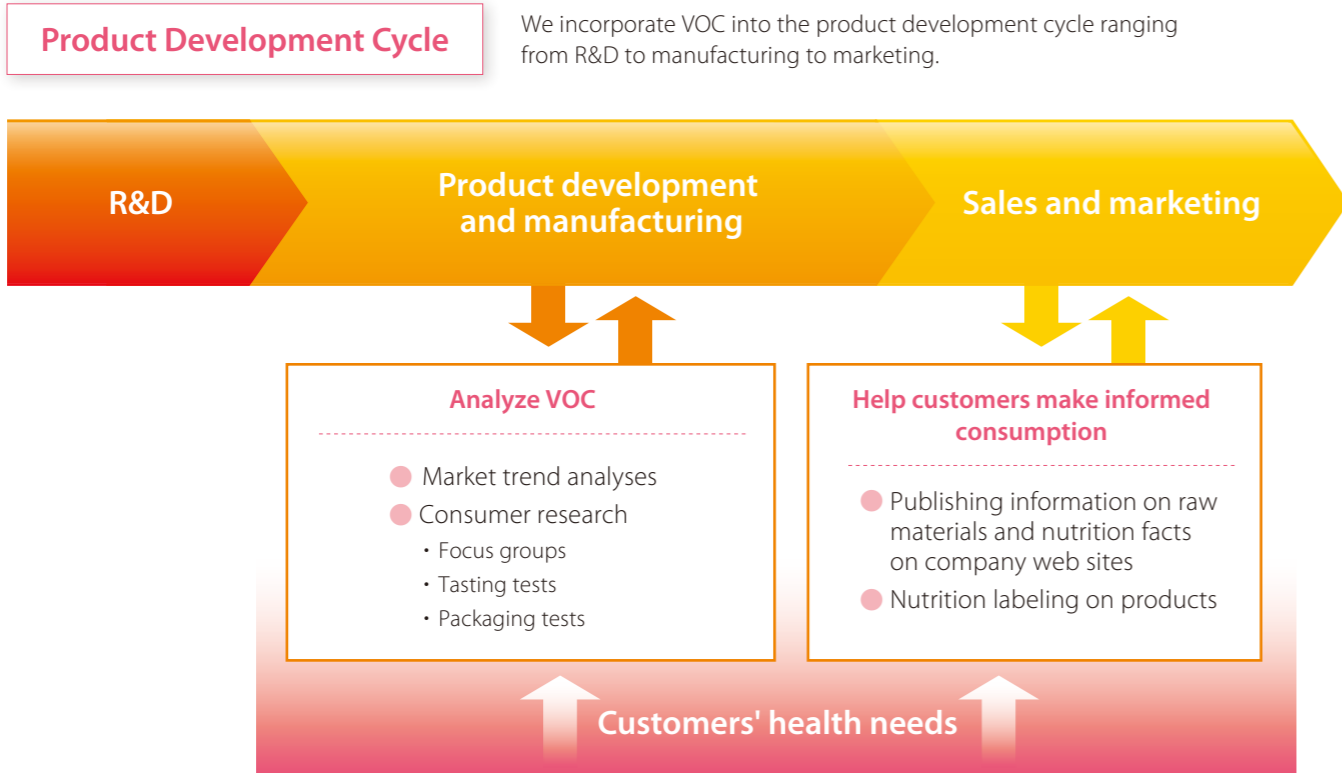
Direct interaction with customers through factory tours

Kirin Brewery's nine beer plants and Kirin Distillery's Fuji-Gotemba Distillery in Japan are open to public tours, giving visitors a hands-on opportunity to learn with their own five senses about how beer and whisky are made. We value comments and feedback made by visitors during factory tours.



Keeping up with the Growing Health Needs

Kirin Group companies, whether in the beverage or food business, listen to customers and align their processes of developing, manufacturing, and marketing products to add new value to them. We have been translating customers' growing health needs into a variety of products, and will continue to leverage our technical expertise to offer health-conscious customers a wider variety of alternatives to choose from.



Ascertaining Customers' Health Needs

As a growing number of Japanese are suffering with lifestyle-induced diseases, the medical community is shifting its focus from therapeutic care to preventive care, which includes encouraging a well-balanced diet to stay healthy. People will likely become more health-conscious and have more diverse values and needs for healthy living. The Kirin Group—believing that people need to be physically, mentally, and socially healthy to be truly wholesome—offers products and services that extend beyond the health and functional food business to help customers have a happy life. In 2008, the Kirin Group launched the cross-company Kirin Health Project. Participating Group companies brought their technical prowess to the project and created intercompany synergy to jump-start the health food and beverage business intended to help customers eat healthy and live healthy. Leveraging our wealth

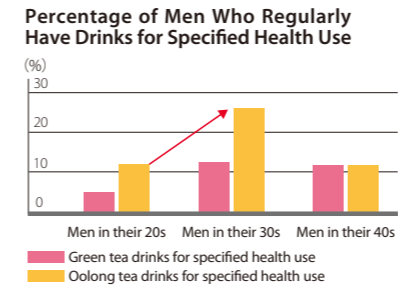
of research achievements and technologies, we have developed under the Kirin Plus-i brand products that enable customers to have hard-to-take food items and those with health benefits as part of their daily diet. Kirin Group companies and the Kirin Health Projects will continue to launch new products born out of customers' need to eat healthy and live healthy.



Examples of Kirin Group Products Developed to Meet Health Needs

Mets Cola, Designated as Food for Specified Health Use

Kirin Beverage, taking a cue from a market research finding that males in their 30s and older were becoming increasingly health conscious, started to develop a sugar-free cola containing indigestible dextrin that reduces the absorption of fat during meals and that diminishes the increase of neutral fat



in the blood after meals. After a series of tasting tests, the company achieved the right balance between sweetness and zestfulness to give this new beverage the thirst-quenching characteristics unique to cola drinks. Mets Cola's packaging design was chosen to give it an easily recognizable look of a cola drink with a specified health benefit; the design's acceptance was verified by quantitative consumer surveys conducted prior to product launch.



Energizing Yogurt for Hard-Working Adults

Koiwai Dairy Products has, as part of the Kirin Health Project, developed an energizing yogurt for hard-working adults in their 40s and older. This yogurt contains 400 milligrams of ornithine*—a self-renewal amino acid found in abundance in freshwater clams—and KW lactic acid bacteria that remain active in the intestine when consumed, combined to work as an energy booster for

today's active adults. The company has come up with a technology (patent pending) to make an ornithine-derived flavor less bitter and prominent in the yogurt so that customers can have it every day.



*Ornithine is a self-renewal amino acid that is reproduced during the ornithine cycle after being consumed in a human body. A faint trace of ornithine is found in some food items as well as in the human body, and is contained in an abundance in freshwater clams. However, ornithine is not easily absorbed from food. Kyowa Hakko Kirin has been researching and mass-producing it since 2003.

Drink and Food Products that Offer Health Benefits

Kirin Group companies around the world offer food and drink products that meet the growing needs of health-conscious customers.

Alcohol beverages

Kirin Brewery markets low-calorie, low-carb low-malt beer. In 2011, the company introduced a carb-free low-malt beer, Kirin Koi-Aji Zero Carb, which offers a rich, full-bodied flavor. Mercian markets Bon Rouge wines, which contain a higher level of polyphenol than other wines in the company's lineup.



Non-alcohol beverages

Kirin Beverage has been marketing fat-free, carb-free, low-calorie Gogo-no-Kocha (afternoon tea) black tea drink since 2011. The company has introduced two RTD teas with health benefits under the Kirin Plus-i brand: one with a body-warming flavor and the other with a cooling, soothing flavor.



Food products

Koiwai Dairy Products markets yogurt made 100% from raw milk, which is designated as a food for specified health use and stabilizes the stomach condition, and also offers low-fat yogurt enriched with calcium. Kirin Kyowa Foods markets a new improved freeze-dried rice porridge under the Kirin Plus-i brand, developed by leveraging the research achievements of the Kirin Health Projects.



Overseas

To contribute to consumers' healthy lifestyles, Lion has launched Frusion, a non-alcohol beverage for adults, and Farmers Union Iced Coffee "One," with 1% fat and no added sugar. Lion also offers VitaGo, a soy milk drink with high protein and fiber, 10 essential vitamins and minerals, and low GI; and Berri Juice 250 ml kids poptop, which has no added sugar or preservative.



Universal Design Pharmaceutical and Biochemical Business

User-Friendly Packaging for Every Customer

Universal Design

Containers and packages protect products and ensure they are delivered to customers in pristine condition. The packaging we use for our products meets high standards for quality and safety and is eco-friendly. In addition, we incorporate user-friendly universal design* features into our packages so that customers of all ages and genders enjoy our products with ease and comfort.

Kirin Brewery's Packaging Development Center develops containers and packages that meet strict quality, safety, and environmental requirements

under diverse real-world conditions. The center takes a customer-focused approach to developing user-friendly packaging, whether it is glass bottles, cans, PET bottles, or cartons.

For instance, engineers in the center created a new advanced pecology bottle for Kirin Alkali Ion Water. In addition to being light, the new bottle sports many universal design features: Its shape makes it easy for a person with small hands to hold; it is easy to squash after use; and its cap is easy to grasp, twist, and open. Engineers also worked on a shipping carton for canned beers; they beveled the carton's four vertical edges to give it an octagon-shaped structure, which resulted in greater ease of handling and a reduction in cardboard usage. These are two of examples of user-friendly and eco-friendly packaging design.

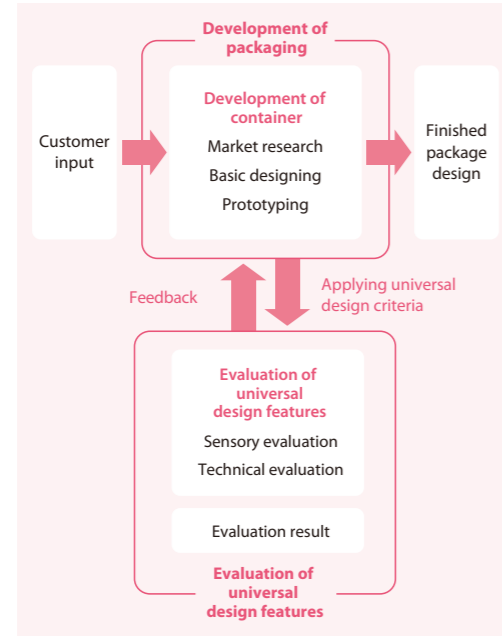


Kirin Alkali Ion Water in a new pecology bottle



Kirin Brewery Packaging Development Center

System to Evaluate Universal Design Features of a Package



Pharmaceutical and Biochemical Business

Kyowa Hakko Kirin develops groundbreaking new drugs, such as therapeutic antibodies, with a sense of mission to deliver them as fast as possible to as many people in the world suffering with diseases as possible. The company focuses its forward-looking R&D on oncology as well as nephrology and immunological diseases to take advantage of its expertise in antibody technology, and works



to establish proprietary drug-discovery technologies and industry-leading manufacturing technologies for

biotechnology-based drugs.

Kyowa Medex, a company in the Kyowa Hakko Kirin Group, develops, manufactures, and markets biochemical and immunological test reagents and medical instruments to contribute to people's health and prosperity. Kyowa Hakko Bio, a biochemical arm of the group, develops, manufactures, and markets value-added amino acids and other innovative medical and health food products in pharmaceutical, medical, and healthcare fields to contribute to the health and prosperity of people throughout the world. The Kyowa Hakko Kirin Group will continue to leverage core competencies of these three companies to achieve better results.

Fighting Intractable Diseases with Therapeutic Antibodies

Therapeutic antibodies engage the innate immune system to cure diseases, and identify and attack only malignant cells such as cancer cells. In March 2012, Kyowa Hakko Kirin received approval for its premarket approval application from the Ministry of Health, Labour and Welfare for its POTELIGEO® therapeutic antibody for adult T-cell leukemia-lymphoma,

and Kyowa Medex for its POTELIGEO® Test for vitro diagnostic reagent.

The Kyowa Hakko Kirin Group will continue to leverage its technical prowess to develop innovative new drugs as quickly as possible and market them to people struggling against diseases around the globe.

Providing Information Online about Diseases and Therapeutic Antibodies

Kyowa Hakko Kirin, with the assistance of experts, provides a general audience and patients with information about therapeutic antibodies, chronic kidney disease, allergies, and other diseases in an easy-to-digest fashion

on the microsites within its web site. (Only a microsite on therapeutic antibodies is available in English.)



Microsite on therapeutic antibodies

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

Medical Information Office

Kyowa Hakko Kirin has the Medical Information Office that answers inquiries about its medicines from medical professionals as well as patients and their families.

The provision of accurate information is essential for medicines to work effectively and safely. Kyowa Hakko Kirin keeps patients informed so that they use drugs as intended. Operators at the Medical Information Office keep themselves up to date on the company's products and train themselves in call handling, so as to be able to give accurate answers to medical experts and patients. The information office received more than 38,000 inquiries in fiscal 2011, many of which provided valuable information that led to product improvements and additional indications for existing drugs—part of efforts for drug refinement* and greater customer satisfaction.

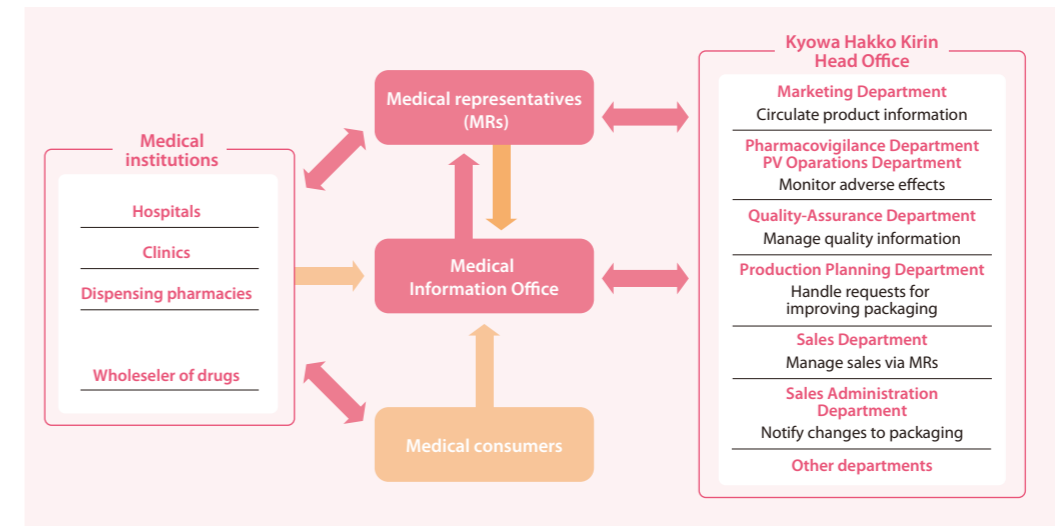
Kyowa Hakko Kirin ensures that information collected by the information office is shared throughout the company so that it is used to keep medical institutions and patients informed and to enhance product-safety management and quality management.



Operator at Medical Information Office

*Drug refinement: Medical experts, patients, pharmaceutical companies, researchers working together to improve the effectiveness and safety of a drug

How Medical Information Office Works



Food Safety

Kirin Group's Quality Policy

Consumers around the world are increasingly concerned about what they eat. The Kirin Group ensures the quality of products by performing some of the most stringent quality-assurance practices in the food and beverage industry. All Group companies follow a standardized quality-assurance manual, which begins with the Kirin Group Basic Policy

on Quality—a commitment to ensuring product safety and customer satisfaction. This commitment reflects the Group's core value that stands for being customer focused and quality focused—a value that Kirin Brewery has been embracing throughout its history. The manual also includes the Action Principles and the Quality Standards.

Kirin Group Basic Policy on Quality We make it our highest priority to ensure product safety and customer satisfaction.

- 1. Increase Customer Satisfaction (A customer-focused approach)** We make it our highest priority to listen to our customers, value their feedback and respond to it from their viewpoint. We realize that a dialogue with our customers give us a good opportunity to make incremental improvements to quality and customer satisfaction, which results in better products and services down to fine details.
- 2. Provide Safe and Reliable Products (A steady focus on quality)** We offer safe and reliable products and services to our customers in all aspects of our business activities ranging from the sourcing of raw materials through product development, manufacturing and inspection to distribution and marketing so as to retain their trust in us.

Quality-Assurance System Each Group company performs intensive end-to-end quality assurances that extend from product development up until the time customers consume our products.



Quality-Management System

To maintain continuous compliance with the Kirin Group's quality policy, Group companies have established a quality-management system based on ISO 9001 and other international standards, and continually improve quality as measured against the Kirin Group Quality Standards by performing as-is analyses, identifying issues,

and implementing the PDCA cycle. In addition, we have established within Kirin Group Office the Quality Assurance and Environmental Management Department, which centrally manages and coordinates quality-assurance efforts and environmental initiatives carried out within the entire Group.

Unified Approach to Quality Assurance across the Group

With the Kirin Group's business expanding globally, all Group companies must follow unified operational policies wherever they conduct business. We are reviewing and updating our quality-assurance system to reflect the expanding

scope and scale of our business and to more effectively address growing concerns about food safety around the globe. We are preparing to implement a unified quality-management system across the Group.

Offering Customers Greater Peace of Mind

Offering customers peace of mind is as important to us as giving unwavering dedication to ensuring product safety. We will step up our efforts to keep customers informed of how we have been performing some of the most stringent quality-assurance practices in the food and beverage industry, so that customers feel more confident about the quality and safety of our products. As a

first step, we will be starting to discuss in greater detail on our web site our quality-assurance efforts in our domestic alcohol and non-alcohol beverages business. At the same time, we will solicit advice from academic experts, journalists, and consumer groups on how we can effectively present quality information to consumers.

Ensuring the Safety and Reliability of Our Products

Food Safety Assurance Center

The Food Safety Assurance Center of Kirin Group Office assists other Group companies with quality assurance. The center accumulates and manages the Group's wealth of knowledge and assets related to quality assurance and works closely with Group companies so as to raise the overall level of quality assurance across the Group. The center's wide-ranging responsibilities include: (1) testing Kirin Group products to ascertain that they meet the regulatory requirements and internal specifications; (2) keeping abreast of the latest information and developments related to food safety in Japan and abroad; (3) developing and implementing analysis and evaluation methods necessary to ensure product safety; and (4) conducting investigations and analyses in response to

customer inquiries. To fulfill these responsibilities, the center regularly upgrades its analyzing and testing equipment and systematically trains the technical staffers who operate the equipment.



Food Safety Assurance Center (Namamugi Facility)

In May 2011, the Food Safety Assurance Center's frontline unit—responsible for product-based probe—relocated to a new facility in Kirin Brewery's Yokohama Plant in Yokohama's Namamugi district. The center's backyard unit, responsible for basic research, remains in the center's home base in the Fukuura district. Both units work closely together to achieve better results.

Safeguards Against Radioactive Contamination

The Kirin Group has been testing raw materials imported from Europe for residual radioactivity since the Chernobyl incident in 1986, so as to ensure that only safe ingredients go into our products. Immediately after the incident at the Fukushima Daiichi Nuclear Power Plant in March 2011, we upgraded our already stringent safeguards against radioactive contamination of raw materials and products.

The Kirin Group has been testing raw materials imported from Europe for residual radioactivity since the Chernobyl incident in 1986, so as to ensure that only safe ingredients go into our products. Immediately after the incident at the Fukushima Daiichi Nuclear Power Plant in March 2011, we upgraded our already stringent safeguards against radioactive contamination of raw materials and products.

In addition to the radioactive-testing equipment we already had, we have acquired germanium semiconductor detectors capable of performing highly sensitive measurement of radioactivity. Since the incident at the Fukushima Nuclear Power Plant, we have been working with Group companies' plants and quality-assurance departments to voluntarily test raw materials and water they use as well as their products for radioactivity, and have upgraded our testing procedures to meet the new regulatory guidelines for safety.

The Food Safety Assurance Center is playing a central role in checking everything from contract farms to raw materials and water to final products to verify that none of them is radioactively contaminated, so that Group companies are 100% confident that what they manufacture and sell is safe.

Several Kirin Group employees certified as first-

class radiation-protection supervisors are assigned to the Food Safety Assurance Center—collecting up-to-date information, performing high-precision radioactive measurements, and sharing the results with all Kirin Group companies. This arrangement enables Group companies to deepen their understanding of radioactive risks and to communicate accurate and reliable information to their customers. By cooperating with the regulatory authorities on food safety and by keeping a close watch on new developments, we will continue to enhance our quality assurance and to maintain a quick-response posture so that customers feel confident about the safety of our products they buy.



Germanium semiconductor detectors



Sodium-iodide scintillation gamma counter

Global Environment

Promoting Environmental Sustainability

Our Goal

The Kirin Group uses the bounty and heritage of nature to create products that enrich people's lives. Ensuring a balanced coexistence with nature and the sustainable use of its blessings is one of the top priorities on our corporate agenda. This is all the more pressing as people around the world today face a multitude of environmental issues—natural resources running dry, growing risks to biodiversity, global warming, and water scarcity. All these issues adversely affect the Kirin Group's entire value chain, ranging from the sourcing of raw

materials to consumption by customers through to recycling, and we share our concerns with our business partners and customers and work with them to address these issues. The more our business grows geographically and in complexity, the more deeply we recognize the importance of working closely with our stakeholders toward ensuring environmental sustainability. To help achieve a prosperous society that lives in harmony with nature, we offer products and services with environmental value to our customers.

Our Approaches

The Kirin Group unveiled an action plan in 2009 that set aggressive targets for reducing CO₂ emissions across its value chain, and has since made progress in addressing issues surrounding global warming. We have also been working to conserve biodiversity as outlined in the Kirin Group's Declaration of Support for Biodiversity Conservation, announced in 2010. Following up on these group-wide initiatives, each of the larger companies in the Group has declared its commitment with society to meet environmental challenges in a manner relevant to the nature of its business. These companies have integrated environmental commitment into their management

objectives and have been working to deliver on it. To continually improve the Group's environmental management and enhance its environmental governance, Kirin Group Office—a shared-service entity within the Kirin Group—has a responsibility for quality assurance and environmental management for the entire Group. In addition, Group companies have been establishing an environmental management system that meets the requirements of the ISO 14001 international standards on environmental management, and an increasing number of them have obtained company-wide and by-site certifications under ISO 14001.

Kirin Group's Environmental Policy

Basic Policy	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.	
Action Guidelines	<ol style="list-style-type: none"> 1 Implementing the Basic Policy in every aspect of business along the entire value chain 2 Conducting ongoing assessments and audits to ensure follow-through on the policy's implementation <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"> ■ Legal compliance We hold the high moral ground to be compliant with environmental laws, agreements and voluntary standards. ■ Environmental management system We establish an environmental management system that is in line with the management strategy so as to make continual improvements to our environmental stewardship. ■ Environmental performance We save resource use and energy consumption, curb greenhouse gas emissions, prevent environmental pollution, and implement the three Rs—reduce, recycle and reuse—initiatives for waste materials.
	<ul style="list-style-type: none"> ■ Technology development We develop technologies that respect nature and benefit both the natural environment and customers. ■ Environmental training We continuously develop human resources who can make a difference in promoting environmental stewardship. ■ Communication 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. 	

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

Stakeholder Dialogue on Environmental Stewardship

The Kirin Group exchanges insights and ideas on addressing environmental issues with a broad range of stakeholders who have touchpoints with its value chain.

Dialogue with Experts

While tackling individual environmental issues such as reducing CO₂ emissions and conserving biodiversity, we have been constantly reminded that maintaining environmental sustainability along the Kirin Group's value chain has much to do with the continuity of society and of our business. We have also realized that we need to address environmental issues as a whole rather than individually in order for our efforts to be effective. These factors have led us to review what we have done in environmental stewardship and to

understand and assess the trends in environmental issues around the world. In addition, in December 2011, we sat down with experts in diverse fields to incorporate stakeholder perspectives into planning our next step. In these sessions, experts told us what role the Kirin Group should play in environmental stewardship. We will use their advice and our own assessments to reposition and realign our environmental initiatives to help make a sustainable society a reality and to increase the Group's corporate value.



A group that discussed value-added approaches to products (from left)

- Miyoko Takagi, Marketing Director, CARE International Japan
- Manabu Akaike, President, Universal Design Intelligence, Inc.
- Megumi Ushikubo, President of Infinity Inc.



A group that discussed the Kirin Group's environmental strategy (from left)

- Noriko Takemoto, Professor, Auditor, Natural Step Japan
- Motoshi Muraoka, Partner and Senior Executive Manager, Socio & Eco Strategic Consulting Sector, NTT Data Institute of Management Consulting, Inc.
- Mariko Kawaguchi, Managing Director, Head of ESG Research Department, Daiwa Institute of Research Ltd.
- Yoshinao Kouzuma, Professor, Faculty of Economics, Sophia University

Dialogue with Investors

The Kirin Group works with investors, accountants, and auditing firms to establish an effective carbon-disclosure system in society. We became a member of a workshop to review a reporting standard based on the Climate Change Reporting

Framework—developed by the Climate Disclosure Standards Board (CDSB)*—and participated in a panel discussion at the CDSB Symposium held in Tokyo on February 23, 2012.

Dialogue with Customers

From July 20 through August 31, 2011, Kirin Beverage and Tokyo Kirin Beverage Service held a consumer event at the Science Museum in Tokyo focused on vending machines. In the event space were a cut-away model of a vending machine and a heat-pump unit to demonstrate how the latest energy-saving design helped a vending machine run more efficiently. On nine weekend days during the event period, visitors had a chance to replenish a vending machine to understand how it worked. They filled out questionnaires about what they thought about Kirin's efforts to reduce power use by vending machines.



Kirin event at the Science Museum

*Climate Disclosure Standards Board: A global initiative established at the 2007 World Economic Forum to develop globally standardized guidelines for reporting on climate change in corporate financial statements.

Promoting Environmental Stewardship across the Entire Value Chain

The Kirin Group—with its corporate philosophy focused on people, nature, and craftsmanship—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.

Disposal and Recycling

- Bottle-to-bottle recycling (Kirin Beverage)
- PET bottles for wine (Mercian)
- Corner-cut cardboard cases (Kirin Brewery and Kirin Beverage)
- Lighter cans (Kirin Brewery)



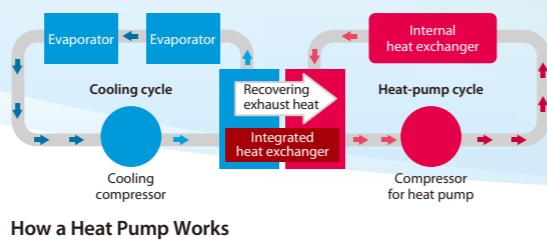
Consumption

- Porte Preferment ripened at low temperature (Kirin Kyowa Foods)



Sales

- Reducing power use on vending machines
- Reducing and simplifying shipping cartons



How a Heat Pump Works

Percentage of vending machines running on heat pumps among all newly installed units: **100%**

Heating efficiency of a vending machine running on a heat pump as compared with a conventional type: **130% greater**

Greener Packaging

We convert used containers into useful materials to help make a zero-waste society a reality.

Making Sustainable Use of Biological Resources

We partner with food-producing communities and people who work in them to make the procurement and use of food resources sustainable.

Mitigating Global Warming

We work with our stakeholders to reduce our value-chain CO2 emissions.

Conserving Water Resources

We take a global perspective on water resources and conserve them in a manner most appropriate to each country or region.



Sourcing of Raw Materials

- Supporting sustainable agriculture
- Forestation at water sources
- Sri Lanka Friendship Project

Number of trees planted (Kirin Brewery):

30,000

Number of participants in forestation:

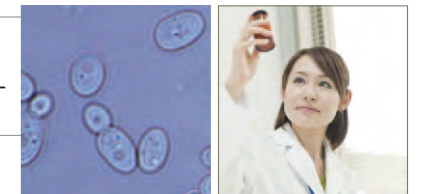
30,000

Number of schools in Sri Lanka to receive books under the Friendship Project (Kirin Beverage):

100 over the next five years

R&D

- Immunostimulating effect of barley residues on dairy cows
- Molecular breeding of yeast capable of efficiently producing L-lactic acid from which biomass-derived plastics can be made



Manufacturing

- Photovoltaic power generation
- Reducing water use
- Protecting endangered species in a biotope
- Using biogas to generate electricity

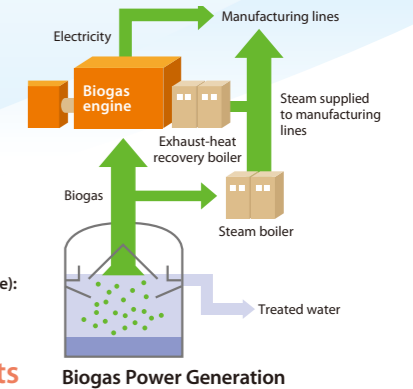


CO2 emissions in manufacturing (Kirin Brewery):

Down 70% below the 1990 level

Maximum power generated by photovoltaic system (Shinshu Beverage):

1,478 kilowatts



Distribution

- Modal shift to rail
- Sharing delivery trucks with other beverage companies
- Importing wine in bulk in specially designed bags



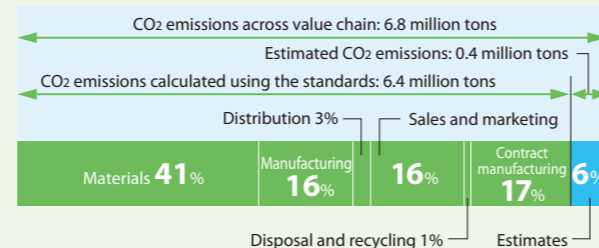
CO2 emissions in ocean transportation (Mercian):

Down 60%

Quantifying Value-Chain Environmental Loads

The Kirin Group calculates and estimates its total value-chain CO2 emissions using the Scope 3 Standards in the GHG Protocol international standards for corporate GHG accounting and reporting defined by the World Resources Institute and the World Business Council for Sustainable Development. We estimate that our value-chain CO2 emissions were 8.6 million tons in 1990 and 6.8 million tons in 2009—a reduction of 21% in 20 years. Of the 6.8 million tons of CO2 emissions in 2009, only 20% was found to have come from our direct business activities—manufacturing, distribution, and office operations. This means that we need to do something about CO2 emissions associated with the rest of the value-chain activities to reduce our overall CO2 emissions. In 2011, Lion completed an inaugural water footprint for the entire Lion Group including its supply chain and agricultural usage in its wine business. The results will allow the company to analyze outcomes and examine priorities to reduce its water usage.)

Kirin Group's Value-Chain CO2 Emissions in 2009



Participating in Carbon Disclosure Project

The Carbon Disclosure Project (CDP) encourages dialogues among investors, business leaders, and government officials to seek solutions to climate change, and requests large companies around the world to disclose information about their initiatives to address climate change and about their CO2 emissions. In 2011, the CDP ranked Kirin Holdings top among Japan's 500 largest companies, as defined by market value, for the quality and completeness of the information the company disclosed with regard to climate change initiatives. Kirin Holdings Managing Director Hajime Nakajima accepted the honor of being ranked top in the Carbon Disclosure Score at the CDP 2011 Japan Conference held in Tokyo on November 7, 2011. In his acceptance speech, he attributed the company's placement at the top to its proactive efforts to make public the performance of its environmental management and stewardship. He also reiterated the Kirin Group's commitment to working closely with its stakeholders to achieve business growth while contributing to the sustainable development of society. The Kirin Group has also been participating in the CDP Water Disclosure, a program to disclose the usage of water resources, since 2010.



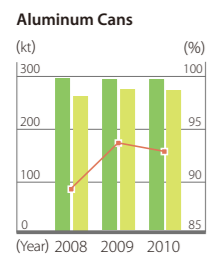
CDP 2011 Japan Conference

Helping Make a Zero-Waste Society a Reality

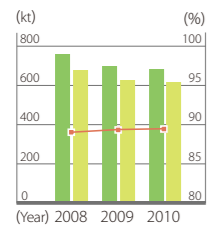
Lion's Beer, Spirit & Wine business in New Zealand continued to progress their product stewardship schemes and accreditation of these within the central government's waste minimization policy. Lion is also continuing to improve recycling opportunities and rates in the New Zealand market. Lion's efforts with the country's glass packaging forum have been recognized by the Ministry of the Environment, resulting in the government's recycling program "LoveNZ."

Achieving greater recycling rates
Japanese beverage companies and packaging companies have been working to improve collection and recycling rates for containers under the Containers and Packaging Recycling Act of Japan, and have achieved one of the highest recycling rates in the world.

Industry Collection and Recycling Rates for Aluminum and Steel Cans in Japan



Steel Cans



Weight of used cans
Weight of recycled cans
Recycling rate

Sources of data: Japan Aluminum Can Recycling Association and Japan Steel Can Recycling Association

Greener Packaging

Containers and packages preserve the quality of their contents and make it easy for customers to handle products. As they are made from finite resources, the Kirin Group takes packaging seriously and seeks to reduce its environmental load. In the global arena, there is growing concern about the depletion of finite natural resources spurred by an ever-increasing demand for them.

While continuing to promote 3Rs (reduce, reuse, recycle) efforts for packaging, we will use more plant-derived materials for the manufacture of plastic bottles and will start to recycle used PET

bottles into new PET bottles. We will continue to wisely use finite resources and will work closely with our customers and communities in a stepped-up effort to make a zero-waste society a reality.

3Rs of Packaging

Reduce	■ Reduce the mass and volume of packaging
Reuse	■ Use returnable containers
Recycle	■ Reprocess packaging materials into new containers ■ Use recyclable materials

Recycle: Reprocess Packaging Materials into New Containers; Use Recyclable Materials

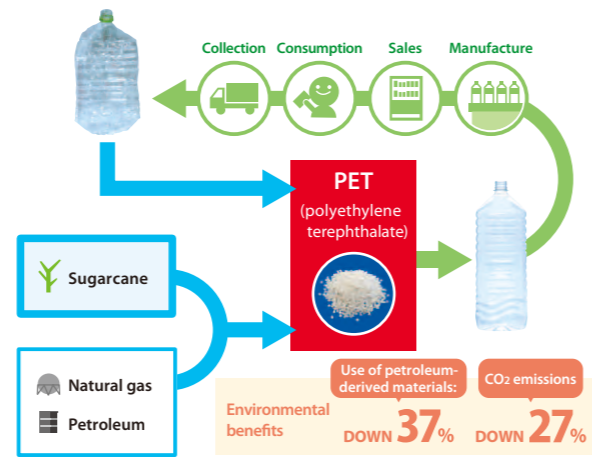
In summer of 2012, Kirin Beverage will start using for *Kirin Namacha* green tea drinks PET bottles

made from recycled PET bottles.

Bottle-to-Bottle Recycling: Recycling Used PET Bottles into New PET Bottles

Used PET bottles are recycled mainly into polyester fibers that can be used to make non-bottle products such as clothes and carpets—most of which are exported. In bottle-to-bottle recycling, used PET bottles are recycled back into new PET bottles, and the recycling process is completed in Japan.

Kirin Beverage makes new PET bottles from mechanically recycled PET materials—impurities in which are removed by heat, vacuum, and gas-cleansing processes—combined with, for the first time in Japan¹, plant-derived PET materials. Initially, these PET bottles are made from 10% of mechanically recycled PET materials and up to 27%² of plant-derived PET materials. The company will gradually increase the percentage of mechanically recycled materials.

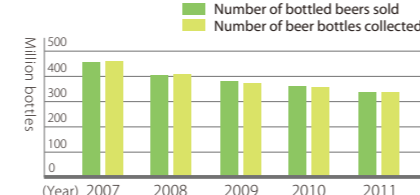


¹ As of January 5, 2012
² The percentage of plant-derived PET materials in recycled PET bottles varies from 4.5% to 27% within a production lot.

Reuse: Use Returnable Containers

Kirin Brewery reuses glass bottles as well as large kegs for draft beer for commercial use. While the company has been using fewer glass bottles as canned beers have gained popularity, the collection rate for glass bottles has reached more than 99%. Kirin Beverage uses returnable glass bottles for its *Kirin Lemon* and other soft drinks with their collection rate at nearly 100%.

Kirin Brewery's Performance in Collecting Returnable Beer Bottles



Reduce: Reduce the Mass and Volume of Packaging

The Kirin Group sheds weight from its glass and PET bottles and cans, and also simplifies shipping

cartons for its products with the consent of distributors and retailers.

Specially coated lighter PET bottles (Kirin Beverage)

The newly developed 500-ml PET bottle for carbonated drinks, weighting 24 grams, is one of the industry's lightest PET bottles, and has improved performance in keeping carbonated gas trapped in it.

22% lighter



Lighter six-pack cartons (Kirin Brewery)

The redesigned carton for six 350-ml cans of beer is made of a smaller square of thinner paperboard and has a lower environmental load. This carton is lighter than its predecessor.

6% lighter



Corner-cut cartons (Kirin Brewery and Kirin Beverage)

Kirin Brewery was the first Japanese beverage company to use a corner-cut carton, which is a wrap-around cardboard shipping case for canned beverages, the four corners of which are beveled off, and which requires less paper to make. Moreover, a filled corner-cut carton is easier to carry and handle. Kirin Beverage has also adopted this design for its shipping cases, the first to do so in the soft drink industry.

CO₂ emissions: **Down 400 tons a year**



Corner-cut carton for 2-liter bottles of Kirin Alkali Ion Water

PET bottles for wine (Mercian)

Mercian started using specially coated PET bottles with excellent oxygen-barrier characteristics first for some of its wine products in 2010 and for its Franzia wine in 2011. PET bottles for wine are much lighter than glass bottles.

CO₂ emissions in manufacturing a PET bottle compared with a glass bottle: **Down 50%**



Lighter beer cans (Kirin Brewery)

Kirin Brewery was the first Japanese beer company to switch to the smaller 204-diameter can end for its beer cans. In 2011, the company, working with three can manufacturers, shed 1 gram of weight from every 350-ml and 500-ml can it uses.

29% lighter



Lighter beer bottles (Kirin Brewery)

Kirin Brewery uses the industry's lightest large beer bottles, and, by the end of 2011, has saved a total of 55,000 tons of materials to make bottles and reduced 57,000 tons of CO₂ emissions. The company also has switched to lighter small bottles.

21% lighter

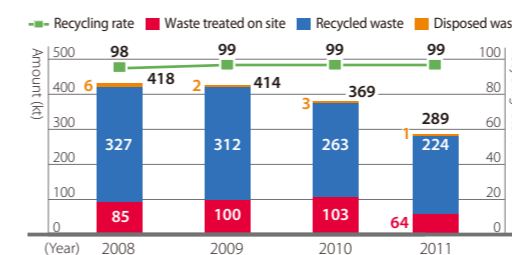


Reducing and Recycling Waste Materials

The Kirin Group works to minimize waste from its business operations and to maintain a high

recycling rate for the waste it does generate while developing ways to make better use of industrial by-products instead of throwing them away. All plants of Kirin Brewery, Kirin Beverage, and Kirin Distillery maintain a 100% recycling rate for the waste materials they generate.

Amount of By-Products and Waste Generated and their Recycling Rate in Kirin Group Companies in Japan



Kirin Holdings' Central Laboratories for Frontier Technology has discovered that barley residue, a by-product of making low-malt beer, stimulates immune activity in cows when consumed as feed. This discovery raises expectations for a novel way of using barley residue in a manner that benefits dairy farmers.

Guidelines for Designing Green Packaging

Kirin Brewery established the guidelines in 1998 and has been shedding weight from its containers and packages as well as promoting recycling of resources.

Packaging Development Center

Kirin Brewery's Packaging Development Center is working on technologies to improve the quality and reliability of packages and, at the same time, reduce their environmental load. The center shares its technological achievements with other Group companies.

In 2011, Lion's Beer, Spirit & Wine business in Australia assessed and reengineered packaging materials under the auspices of project evergreen. As a result they significantly reduced the materials they use, particularly glass and cardboard. Overall, their materials usage index measured as grams of packaging per liter of product was reduced by 2.3%.

Mercian places grape pomace on a compost heap in its vineyard for a year to transform it into organic fertilizer, which is then used in its vineyard.

Conserving Biodiversity

Making Sustainable Use of Biological Resources

Developing more and more land for farming, partly to feed growing populations and to grow crops to produce biofuels, might affect the balance of nature and might have an impact on communities of farmers and their families. The Kirin Group, which relies on what nature has to offer to conduct its business, recognizes the importance of sustainable sourcing and use of

abundant, high-quality biological resources. In the spirit of the Kirin Group's Declaration of Support for Biodiversity Conservation, announced in 2010, we will continue to work with food-producing communities and supplier partners to achieve the sustainable sourcing of biological resources so that nature continues to bless us with its plentiful bounty to keep our business going.

Kirin Group's Declaration of Support for Biodiversity Conservation



(Announced on October 6, 2010)

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

- 1. Make sustainable use of natural resources**
In our business operations, we use natural resources with biodiversity consideration in mind so that people around the world can continue to enjoy and appreciate the rich bounty of nature.
- 2. Apply technologies to conservation of biodiversity**
We apply the portfolio of technologies we have acquired through business operations to the sustainable use and conservation of biodiversity while delivering a new joy of food and health to our customers.
- 3. Work with stakeholders to conserve biodiversity**
We incorporate biodiversity considerations into our ongoing environmental stewardship efforts and work with customers and communities to conserve biodiversity.
- 4. Meet legal and regulatory obligations**
We meet our obligations under laws and international treaties that govern the conservation of biodiversity to ensure that the rich bounty of nature is shared among people around the globe.

Sustainable Sourcing of Biological Resources

Assessing the Sustainable Use of Resources

The Kirin Group has been assessing its practices of sustainable use of biological resources since 2010. As a first step, we assessed the influence that our suppliers of black tea leaves—one of our primary procurement items—might have on local biodiversity and found that they had no adverse

influence on it. In 2011, we ascertained how much we sourced other types of biological raw materials and from where to evaluate their sustainability. We will use these findings and those from assessments of our suppliers' sustainability performances to realize the biodiversity-friendly use of resources.

Supporting the Development of Agricultural Communities

Kirin Beverage donates books to Sri Lankan communities that produce tea leaves for its *Gogo-no-Kocha* (afternoon tea) brand of bottled black tea drinks, to assist in the education of children in the

communities. The company has been carrying out this project since 2007 and will expand it to include 100 elementary schools over the next five years from 2012.

Supporting Sustainable Agriculture in Communities

As part of efforts to promote regional agriculture, Mercian harvests grapes for wine in its vineyard developed from largely idle farmland with careful attention paid to the original landscape and scenery. The company uses fertilizer and agrochemicals with a low environmental load and uses mist spraying to reduce the amount of agrochemicals used on the vineyard. In its ongoing partnership with Landcare Australia—a not-for-profit movement dedicated to managing environmental issues in local

communities—Lion provides grants for projects in the dairy industry and in the broader community. One of these initiatives is aimed at improving the quality of soils on dairy farms in the Hunter Valley, which have been damaged due to a long history of intensive production.



Leveraging Kirin Group's Technologies to Conserve Biodiversity

The Kirin Group has developed a technology to propagate plantlets from the tissue of a plant, which has the potential to restore a commercially logged forest to its natural state faster, thus to maintain the sustainability of forest resources. In 2011, we succeeded with the molecular

breeding—from xylose abundant in inedible plant biomass—of yeast capable of efficiently producing L-lactic acid from which biomass-derived plastics* can be made. This may lead the way to producing biomass materials without harming ecosystems.

Working with Stakeholders

Biotope

Kirin Brewery's Kobe Plant protects and breeds indigenous fish species in a biotope it built on its premises in 1997. The plant worked with the Hyogo Museum of Nature and Human Activities on scientific research into golden venus chub—an endangered fish species—and transferred 200 of them from a reservoir nearby to the biotope in 2002. The number



gradually grew to nearly 1,000 and has stayed at that level. Children in the community visit the biotope to check on the fish—enjoying the hands-on opportunity to learn about nature. The Kobe Plant is working to establish guidelines for bringing the fish back to the natural environment in the local community without compromising its genetic diversity.



Saving a Wetland

On King Island, Lion supports the King Island Natural Resource Management Group, which aims to ensure that the island is a world leader in integrated sustainable production and quality living. The project will support the island's dairy farmers in using sustainable farming practices to protect waterways from nutrient run-off. This scheme will improve farmers' knowledge of nutrient management while at the same time protecting the Ramsar-listed Lavinia Wetland and other estuaries on King Island which are threatened by too many nutrients entering the systems via sediment loads from neighboring properties. These wetlands are a vital asset and provide food plants for endangered species such as the orange-bellied parrot. Wither Hills, Lion's winery in New Zealand, has undertaken a conservation of the Rarangi wetlands, whose indigenous biological diversity is of significant

ecological value to the region. This project has been largely led by Wither Hill's staff and a local ecologist in conjunction with the region's council and the Biodiversity Fund of New Zealand. This conservation project includes major weed eradication and control, the replanting of natives as well as protecting the rare flora which has been listed as "vulnerable" by the International Union for Conservation of Nature. This project was shortlisted for a prestigious international environmental award at the Drinks Business Green Awards 2012. The awards recognize those in the industry who are changing their business practices to minimize their impact on the environment.



Meeting Legal and Regulatory Obligations

Kirin Group's Principles on Access Management of Genetic Resources

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

*Biomass-derived plastics: eco-friendly plastics made from organic biological materials (biomass), such as plants and microbes, that can be reproduced fast; polylactate is the most widely available form of biomass plastics, made from polymerized lactic acid produced when sugar is fermented using lactic acid bacterial.

Kirin Holdings—a promotion partner for the Declaration of Biodiversity by Nippon Keidanren and a member of the Japan Business and Biodiversity Partnership—spearheads the Kirin Group's efforts to integrate biodiversity considerations into its business operations.

Part of the proceeds from beverage sales from this vending machine go to a conservation project in Borneo



Kirin Beverage supports the Borneo Conservation Trust Japan, an NPO working to protect forests and establish a rescue center for wild animals in Borneo. The company installed vending machines that support the cause first in Asahiya Zoo in Hokkaido in 2009, and has since been installing them in other parts of Japan.

*Drinks Business Green Awards: Environmental management award program run by the Drinks Business, a London-based leading trade publication on alcohol drinks.



Students of an elementary school that received books

Mitigating Global Warming

Reducing CO₂ Emissions

Researchers say that global warming might trigger climate change that affects the entire Earth—its ecosystems, water resources, farm crops, and natural disasters. Climate change could also affect the Kirin Group's business, whose sustainability relies on the bounty of nature. In August 2009, we formulated and announced

an action plan for mitigating global warming with a medium-term target of reducing CO₂ emissions directly associated with our business as well as longer-term targets for reducing them throughout our value chain ranging from R&D to disposal and recycling. We have been making progress toward achieving these reduction targets.

CO₂ Reduction Targets

Weighing the balance between the Earth's finite natural CO₂ absorption ability and the CO₂ emissions created by mankind,

- 1 We will reduce CO₂ emissions generated from our entire global value chain by half from the 1990 level by 2050. [▶ See Page 32 and 38](#)
- 2 We will reduce CO₂ emissions resulting from our global manufacturing, distribution and office operations by 1% or more annually through 2050. [▶ See Page 41](#)
- 3 By 2015, we will bring CO₂ emissions from our manufacturing, distribution and office operations in Japan down to 35% below the 1990 level. [▶ See Page 38 and 39](#)

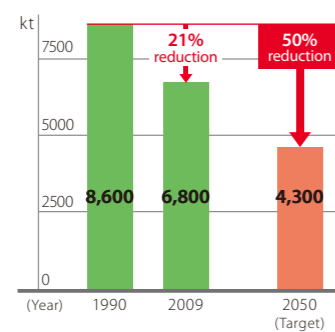
Reduction targets apply to the value chains of all Group companies throughout the world. (Formulated on August 3, 2009)

Progress Report on Action Plan

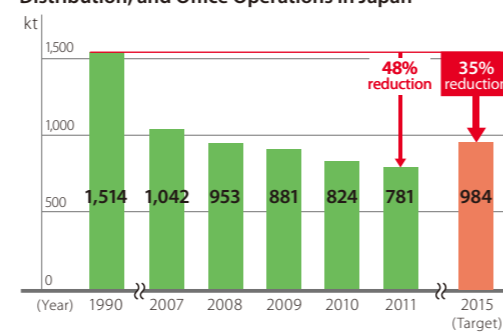
We have found that the Kirin Group's value-chain CO₂ emissions for 2009 were 21% below their 1990 level, and that we are on track toward achieving the goal of reducing them by half from

the 1990 level by 2050. We will keep monitoring our performance in reducing value-chain CO₂ emissions to stay on track.

Kirin Group's Value-Chain CO₂ Emissions



Kirin Group's CO₂ Emissions from its Manufacturing, Distribution, and Office Operations in Japan*



Manufacturing

Conserving Energy

Kirin Brewery, having already achieved its target for CO₂ reduction set for 2012, has been working toward new goals for 2015. The new goals are reducing CO₂ emissions from its manufacturing, distribution, and office operations by 64%; reducing CO₂ emission intensity in manufacturing by 55%; and reducing CO₂ emission intensity in transportation by 46%—all compared with the 1990 level. Shinshu Beverage switched fuel to natural gas in January 2012. Kirin Beverage switched the fuel used for boilers to natural gas in its Maizuru Plant in 2011. Mercian switched fuel for boilers from coal to heavy

oil in its Yatsushiro Plant in 2011. Lion has continued its strong focus on reducing energy consumption across its manufacturing sites, mainly through the involvement in the federal government's Energy Efficiency Opportunities program. Under the program, Lion is required to identify, evaluate, and report publicly on cost-effective energy savings opportunities, and over the past three years it has identified more than 90 opportunities, many of which have been implemented.

*Scope of reporting: Kirin Brewery Co., Ltd.; 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.; Mercian Corp.; Kirin Beverage Co., Ltd.; Kirin Chilled Beverage Co., Ltd.; Shinshu Beverage Co., Ltd.; Kyowa Hakko Kirin Co., Ltd.; Kyowa Medex Co., Ltd.; Kyowa Hakko Bio Co., Ltd.; Daiichi Fine Chemical Co., Ltd.; Kirin Kyowa Foods Co., Ltd.; Koiwai Dairy Products Co., Ltd.; Kirin Holdings Co., Ltd.; Kirin Business Expert Co., Ltd.; and Kirin Real Estate Co., Ltd. Amounts of CO₂ emissions shown left include those reported as a specified consigner pursuant to the Japanese Act on the Rational Use of Energy.

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



Renewable Energy

Shinshu Beverage is working with C Energy, an energy solutions company in the Chubu Electric Power Group, to build a mega-solar power generation plant on its premises in Nagano Prefecture. When the plant becomes operational by the end of 2012, it will generate 1,478 kilowatts of electricity per hour, the largest capacity among all photovoltaic facilities in Nagano (as of February 2012). The power plant is expected to help the company reduce its CO₂ emissions by 600 tons a year. Kyowa Hakko Kirin operates photovoltaic power generation facilities year-round in its Fuji Plant and in

Tokyo Research Park. The company added another one in its Ube Plant in 2011.

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

Equipment	Installation
Gas boilers	Installed in 21 plants and offices since 1980
Photovoltaic system	Installed in 12 plants and offices since 1996. Rated power output: 260 kilowatts
Wind-power system	Kirin Brewery has been sponsoring the Wind Power Generation Project initiated by the City of Yokohama since 2007. Rated power output: 1,980 kilowatts
Cogeneration system	Installed in 7 plants and offices since 2002



Wind power generation facility in Yokohama (sponsored by Kirin Brewery)

Distribution

Modal Shift to Rail

Kirin Beverage and Kirin Brewery became certified with the Eco Rail Mark for their extensive use of rail freight in 2006 and in 2010, respectively. Although neither of them achieved their targets for rail freight use for 2011 because rail transportation was disrupted in some parts of the country in the wake of the Great East Japan Earthquake, both companies will continue to make a modal shift to rail.



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

Importing Wine in Bulk

Mercian imports wine in bulk in specially designed large bags, and bottles it in Japan to reduce CO₂ emissions during ocean transportation.

Shared Delivery

Kirin Brewery and Kirin Beverage share trucks to deliver products to distributors and retailers with the Suntory Group and Sapporo Breweries Ltd. In August 2011, Kirin Brewery and the Asahi Group started collaborative small-lot deliveries to retailers and collection of empty bottles and kegs; both companies are expected to reduce CO₂ emissions from their distribution operations by 196 tons combined, or 22%, a year.



Shipping carton for Kirin Namacha green tea drinks, with an Eco Rail Mark printed on it

Sales and Office Operations

Eco-Series Beverages

Kirin Beverage has started marketing Eco-Series beverage products, which come in the industry's lightest PET bottles and are sold in stores in selected markets to which products are drop-shipped from Kirin Beverage plants to reduce CO₂ emissions during transportation.

Eco-Friendly Cars

As of the end of 2011, Kyowa Hakko Kirin had 585 hybrid vehicles in its fleet of cars for its salespeople in the field, with the goal of having 1,000 of them by 2014. Kirin Brewery is phasing electric vehicles and fuel-efficient, low-emission cars into its fleet.

Eco-Series Kirin Eco-Series beverages are eco-friendly.



They come in lighter PET bottles.



They are produced in and shipped from selected Kirin Beverage plants to selected markets to reduce CO₂ emissions during transportation.

CFC-free vending machines

Kirin Beverage will have CFC-free refrigerant in more than 90% of new vending machines it plans to install in 2012.

Vending Machines

Kirin Beverage cut power consumption by its vending machines in 2011 by installing machines running on energy-efficient heat pumps and conserving power during summer and winter. The company started in March 2012 to install a new generation of heat-pump vending machines that run on 50% less electricity than their predecessors, and all its new vending machines, except a small number of shallow-profile units, will have energy-efficient LED lights. Furthermore, most of new vending machines to be installed in 2012 will use refrigerant free of ozone-harming CFC gas.



Porte Preferment Ripened at Low Temperature

Kirin Kyowa Foods has developed Porte Preferment ripened at low temperature. Preferment and bread dough ripened at low temperature overnight give distinctive flavors and textures when baked. Making consistently good bread from such preferment requires the right ripening equipment and a tight process control over an extended period, both of which consume energy. High-quality bread can be made quickly from Porte Preferment without having to store it in special equipment before baking, which saves energy in the process.



Conserving Water Resources

Efforts to Conserve Water Resources

The impacts of water resources issues significantly vary geographically and from year to year. Globally operating companies must address the water resources issue in each region in a manner that is most appropriate for it.

The Kirin Group employs highly sophisticated water-saving systems when it operates in high water-stress areas and, in other areas, chooses the right water-saving technology according to the level of energy use at each plant. In addition, to keep the water cycle working well, we treat wastewater

properly and work with communities to preserve forests at water sources to continue to obtain clean and safe water, an essential resource for our business.

Kirin Group's Efforts to Conserve Water Resources

Using water efficiently	<ul style="list-style-type: none"> We reduce our water use We recycle water where feasible
Treating wastewater properly	<ul style="list-style-type: none"> We treat wastewater before discharging it into rivers and oceans
Protecting water sources	<ul style="list-style-type: none"> We protect sources from which to draw water

Using Water Efficiently

The floods in Brisbane, Australia, in 2011 caused major issues to Lion's best performing brewery, Castlemaine Perkins, with the water recycling plant inundated and out of action for six months. This was, however, offset by the outstanding results in some of its other breweries, in particular, the new Pride Brewery in Auckland which showed a decrease of 15% from the previous year—enabling Lion to achieve an overall reduction in

water consumption for the year. In 2011, Kirin Brewery—through a company-wide water conservation project—reduced its water use for manufacturing by 64% and its water-use intensity by 47% from their 1990 levels. Kirin Group engineers in Japan and overseas exchange ideas and information about efficient use of water, and Group companies around the world share know-how and best practices for conserving water.

Treating Wastewater Properly

The Kirin Group has established more stringent voluntary standards for wastewater treatment than required by law, so as to minimize the load of wastewater on the environment. Kirin Brewery's beer plants generate high-concentration wastewater originating from raw materials as well as low-concentration wastewater such as used cleaning water. All wastewater is first piped into balancing tanks and treated using

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

Protecting Water Sources

Kirin Group's projects to protect water sources comprise three components: forestation at water sources; voluntary environmental conservation around its factories and offices; and community environmental conservation. The projects to protect water sources—initiated by Kirin Brewery in 1999, the first such attempt in the Japanese brewing industry—have been extended to other Group companies.

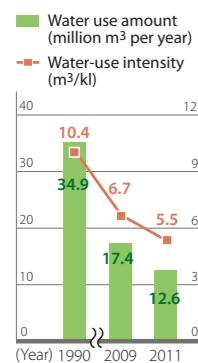
As part of a water-source forestation project carried out in 2011, Kirin Beverage signed an agreement with Kanagawa Prefecture to sponsor its forest restoration project, and started working on a forest newly named the Kirin Beverage Kanagawa Forest. In voluntary environmental conservation projects and community environmental conservation projects,

Kirin Group employees and their families cleaned up the vicinities of their plants and shores nearby together with other members of the communities.

Projects to Protect Water Sources Conducted by Kirin Brewery in 2011

	Description	117 projects participated in by 8,428 people
Water-Source Forestation	Helping preserve forests owned by national and local governments	16 projects participated in by 2,227 people
Voluntary Environmental Conservation	Voluntary beautification project	77 projects participated in by 4,718 people
Community Environmental Conservation	Participating in a beautification project initiated by a local community	24 projects participated in by 1,483 people

Water Use and Water-Use Intensity in Kirin Brewery



Kyowa Hakkō Kirin Takasaki Water-Source Forestation Project

Ninety-three employees of the Kyowa Hakkō Kirin Group and their family members participated in a forestation project held in a 1.55-hectare forest in the Warabi Daira Forest Park located at the foot of Mount Asama-kakushi, a water source of Takasaki City.



Prime Minister's Award

Kirin Distillery's Fuji-Gotemba Distillery, which had been engaged in projects to protect water sources, received the Prime Minister's Award for Afforestation Promotion for 2011.

Environmental Risk Management and Material Balance

Preventing Environmental Pollution

Kyowa Hakkō Kirin, because of the nature of its business, handles a large amount of chemical substances. Under its Basic Policy on Environment, Safety and Product Safety, the company undertakes Responsible Care activities that include stringent assessment of the safe handling of chemical substances from the research phase through to their use and disposal.

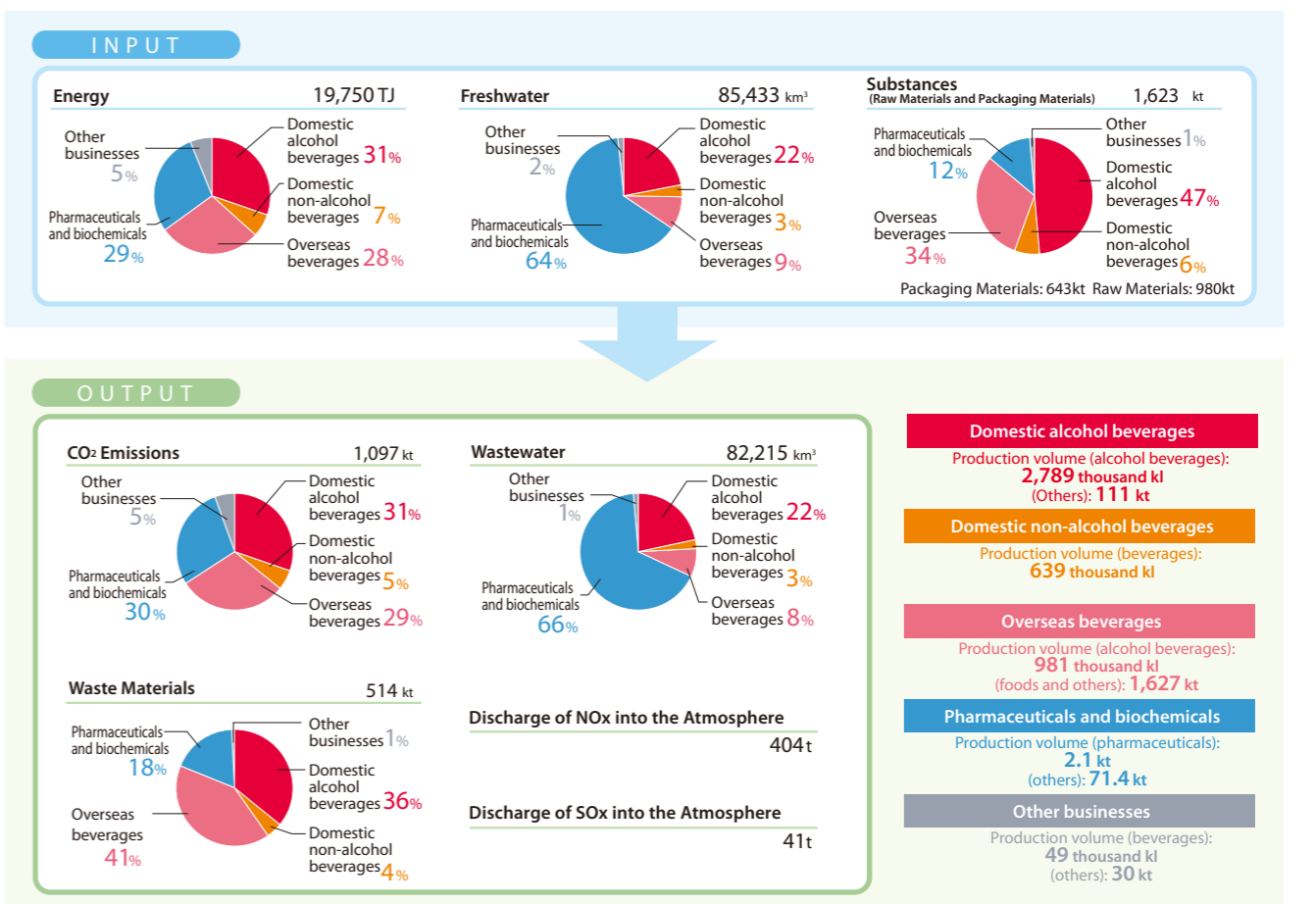
The Kirin Group assesses and cleans up any soil contamination before selling a property. In 2011, one of our plants, due to inadequate

monitoring, discharged wastewater that exceeded the standards on biochemical oxygen demand*. We immediately notified the regulatory authorities of the incident and, to prevent similar incidents, have since been exercising tighter control over wastewater-treatment operations and more vigorously monitoring the discharge of wastewater. We regularly train our employees on environmental management, as we believe that having a good understanding of environmental risks is essential to mitigate such risks.

* **Biochemical oxygen demand:** The amount of oxygen consumed when organic substances in water are decomposed by microbes; a metric to measure the level of organic pollution of a river.

Material Balance

The Kirin Group ascertains the effects that its business operations may have on the environment and uses the findings to take action to reduce environmental load. Shown below are the results for material balance broken down by business segment for 2011.



Domestic alcohol beverages business	Kirin, Brewery Co., Ltd.; Kirin Distillery Co., Ltd.; Ei Sho Gen Co., Ltd.; Kirin City Co., Ltd.; Kirin Merchandising Co., Ltd.; Kirin & Communications Co., Ltd.; Kirin Logistics Co., Ltd.; Kirin Engineering Co., Ltd.; Kirin Techno-System CorAp; Kirin Diageo Co., Ltd.; Heineken Kirin Co., Ltd.; Mercian Corp.; Mercian Feed Corp.; Mercom Corp.; Nippon Liquor Ltd.; Daiichi Alcohol Co., Ltd.
Domestic non-alcohol beverages business	Kirin Beverage Co., Ltd.; Kirin Chilled Beverage Co., Ltd.; Shinshu Beverage Co., Ltd.
Overseas beverages business	Kirin (China) Investment Co., Ltd.; Kirin Brewery (Zhuhai) Co., Ltd.; Lion Pty Ltd
Pharmaceuticals and biochemicals	Kyowa Hakkō Kirin Co., Ltd.; Kyowa Medex Co., Ltd.; Kyowa Hakkō Bio Co., Ltd.; Daiichi Fine Chemical Co., Ltd.; Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd.; Biokyowa Inc.; Shanghai Kyowa Amino Acid Co., Ltd.
Other businesses	Kirin Kyowa Foods Co., Ltd.; Koivai Dairy Products Co., Ltd.; Yokohama Arena Co., Ltd.; Yokohama Akarenga Inc.; Kirin Echo Co., Ltd.; Kirin Holdings Co., Ltd.; Kirin Group Office Co., Ltd.; Kirin Business Expert Co., Ltd.; Kirin Business System Co., Ltd.; Kirin Real Estate Co., Ltd.



Communities

Coevolving with Communities

See Pages 8 to 11 for an update on the Kirin KIZUNA Relief-Support Project

Our Goal

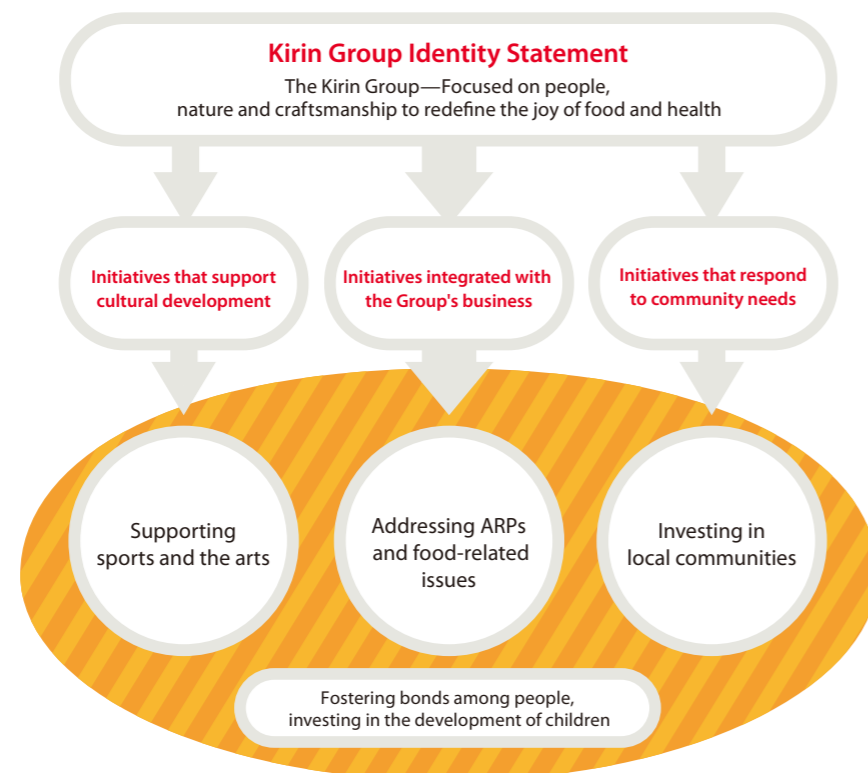
The Kirin Group Identify Statement calls for us to focus on people, nature, and craftsmanship to redefine the joy of food and health. We consider it our corporate responsibility to establish a lasting bond with communities that support our business while actively engaging ourselves in supporting their sound, sustainable development. To sustain coevolving relationships with communities, we play our part in addressing

alcohol-related problems (ARPs) and food-related issues in society, both of which have an immediate relevance to our business; we research trends and changes in what people eat and how they eat it, so as to gain insights into the future of food lifestyles; and we also invest in the development of children to build a foundation for the future, and help people foster enduring bonds with each other.

Our Approaches

The Kirin Group's efforts to sustain coevolving relationships with communities take four approaches: (1) addressing ARPs; (2) helping resolve food-related issues; (3) investing in the development of children; and (4) fostering bonds

among people. Each Group company puts these approaches into action in a manner that reflects its business nature and that benefits communities in which it operates.



Dialogue with Communities

Dialogue with Consumer Groups

We sit down with consumer groups to solicit their insights and suggestions about new category products we bring out to the market and their advertising messages and campaigns. Kirin Free, which we introduced in 2009, is a case in point. Kirin Free is a non-alcohol, beer-tasting drink made through a non-fermentation process. At the suggestions of the Japan Housewives Association—a pioneering consumer organization in Japan—and the Japan Specified Non-profit Corporation to Prevent Alcohol and



Kirin Free stocked in an alcohol aisle of a supermarket

Drug Problems, we chose to tout Kirin Free as a beverage product for people aged 20 years and older and to sell it in alcohol aisles in supermarkets and liquor stores to keep

minors away from it. We value staying in touch with consumer advocates and will continue to incorporate their perspectives into how we develop and market our products and services.



Some national convenience-store chains have taken a step further; they ask customers buying non-alcohol, beer-tasting drinks to verify they are of legal drinking age at cash registers to prevent minors from buying them. (Pictured is an age-verification system installed in a Seven-Eleven store in Japan.)

ARP Workshops for Employees

Kirin Brewery, as a socially responsible beer company, holds ARP workshops regularly for its management and employees so that they have a good understanding of alcohol-induced diseases and alcohol addiction, and they exercise self-discipline when drinking. In February 2012, the company held a workshop for the president and other top executives at the National Hospital Kurihama Alcoholism Center, one of the leading alcoholic treatment centers in Japan. In this workshop, they received updates on ARPs and alcohol addiction from Susumu Higuchi,

director of the hospital, who talked about drinking and its toll in Japan, initiatives undertaken by the World Health Organization (WHO) to address ARPs, underage drinking, and women's drinking problems.



Workshop at the National Hospital Kurihama Alcoholism Center

Working with DrinkWise

Lion is a foundation sponsor and board member of DrinkWise, a non-profit organization that was established in 2005 by the alcohol industry and that aims to encourage a healthier, safer drinking culture across Australia. Lion and DrinkWise know that cultural change will not happen overnight and that complex, interdependent factors drive the use and misuse of alcohol. DrinkWise's activities are a key part of a broad, multi-faceted strategic approach to creating a safer drinking culture that involves government, industry, and the community. As an evidence-based organization, DrinkWise relies on key independent research and clinical advice. The information supporting DrinkWise's campaigns has been gathered from authoritative studies and knowledge gained from consultations with experts in the fields of public health, neuroscience, epidemiology, and

child and adolescent psychology. DrinkWise's campaigns mainly focus on the parents of children, because studies reveal a strong link between the way parents drink and how their children grow up to drink. Lion cooperates with DrinkWise to seek the best way of promoting responsible consumption of alcohol and proactively supports DrinkWise's campaign activities.



DrinkWise's campaign poster

Socially Responsible Alcohol Beverages Company

Our Goal

While alcohol beverages give joy and pleasure to people, consuming them in an irresponsible manner takes its toll. As a socially responsible corporate group that manufactures and markets alcohol beverages, the Kirin Group addresses alcohol-related problems (ARPs) head-on and provides practical solutions to them. We consider ARPs are at odds with the Kirin Group's identity statement of "redefining the joy of food and health." We work with local and international communities in a crusade against

high-risk drinking. Our far-reaching efforts to tackle ARPs start with establishing the basic policy and action guidelines for addressing them, and range from raising public awareness about responsible drinking to defining and enforcing stringent voluntary standards on alcohol advertising. We also train our employees on responsible drinking, and participate in industry-wide programs and campaigns against the harmful use of alcohol in Japan and abroad.

Basic Policy for Addressing ARPs	The Kirin Group, true to its identity statement of being "focused on people, nature and craftsmanship to redefine the joy of food and health," strives to prevent high-risk drinking that may result in a variety of problems and to promote responsible drinking in a society.
Basic Policy	<ol style="list-style-type: none"> 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 irresponsible drinking may cause to prevent such problems. <ul style="list-style-type: none"> ● 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 irresponsible drinking. 5 We establish a responsible-drinking drive month in which all employees are encouraged to participate in a training session or a self-development program.

Our Approaches

ARP Office

In May 2010, WHO resolved to adopt the Global Strategy to Reduce the Harmful Use of Alcohol. The Kirin Group established the ARP Office in Kirin Brewery in February 2011 to step up our efforts to

address social issues and health risks associated with drinking, as part of our ongoing crusade against the harmful use of alcohol.

Joining Forces with Trade Associations

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

misuse. Following the May 2010 WHO resolution, trade associations in the Japanese alcohol industry have been working with the government to develop initiatives to address ARPs including those specific to the Japanese market.

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

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

GAP Group
An international coalition established to address ARPs, representing alcohol beverage companies and industry associations.

Raising Awareness of ARPs

Enlightening Our People on Responsible Drinking

The Kirin Group expects all its employees to be role models for responsible drinking for the public. Group companies and plants in Japan have designated staffers in charge of promoting responsible drinking, who provide awareness-raising training to all employees during the responsible-drinking campaign month in April every year. The ARP Office directly contacts and supervises these staffers to exercise governance over them. In addition, Group companies in Japan conduct by-rank training sessions on responsible drinking for their employees-to-be, new hires, and

new managers.

Lion has a Responsible Drinking Policy that covers the way they expect their employees to behave in the workplace and at work-related social functions where alcohol is being consumed. Lion also continues to promote the '3Ps' (plan, pace, and protect) tool for living sociability responsibly. Kirin Brewery (Zhuhai) trains employees and other stakeholders on responsible drinking, especially on strict compliance with laws against drunk driving. The company has been enforcing sanctions against drunk driving by employees since 2009.



Training session on responsible drinking

Enlightening Suppliers on Responsible Drinking

To ensure that the call for responsible drinking runs through all aspects of our business, we ask—in the Kirin Group Supplier CSR Guidelines—our supplier partners to understand and support our

efforts to address ARPs. In fiscal 2012, we will start providing suppliers with copies of a DVD that promotes responsible drinking. [▶ See Page 59](#)

Educating the Public

We educate the public on alcohol and health by making information available to all age groups through a variety of communication media. For instance, we have distributed 6.8 million copies of a brochure titled *The ABCs of Alcohol and Health*

and 60,000 copies of a video titled *Minors and Alcohol*. 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

New brochure on responsible drinking *Drink Happily Throughout Your Lifetime*



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

	Media Type	Released in	Target Audience	Number of Copies Distributed to Date
<i>The ABCs of Alcohol and Health</i>	Brochure	1996	General public	6,832,300
<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> (no longer available)	VHS video	1993	High-school and college students	33,000
<i>Minors and Alcohol: Revised Edition</i>	VHS/DVD	2005	Junior high school students	27,300
<i>Minors and Alcohol: Revised Edition</i>	DVD	2006	International audience and people with hearing disabilities	
Learn about and Enjoy Alcohol and Health	Web site	2002	General public	
Responsible Drinking	Web site	2001	General public	

(As of December 31, 2011)

Training Programs Developed to Prevent the Harmful Use of Alcohol

As part of efforts to raise public awareness of ARPs, the Kirin Group develops training programs to prevent harmful use of alcohol. People drink alcohol to have a good time; however, irresponsible drinking poses health risks and may lead to drunk driving. Using a training program we have developed under the supervision of the National Hospital Organization Hizen Psychiatric Center, we encourage our employees in Japan to assess their drinking habits and practice responsible drinking so that they can continue to enjoy alcohol for the

rest of their lives. Based on this program, we have created an education brochure and a DVD on responsible drinking for adults titled *Drink Happily Throughout Your Lifetime* and have distributed 20,000 copies since March 2012 to help reduce health problems and alcohol addiction caused by excessive drinking in society. This is the second educational DVD we have created, following the one produced for minors. We are considering offering this training program outside the Kirin Group to reduce the risks of ARPs in society.

Socially Responsible Alcohol Beverages Company



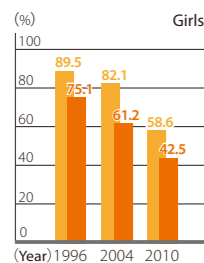
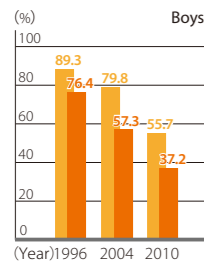
Steering-Wheel Keeper Campaign

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



"Stop Underage Drinking" symbol

Percentage of Teenagers Who Drink Alcohol



Legend:
■ High School Seniors
■ Junior High School Seniors

Source: Final Report of Healthy Japan 21, sponsored by the Ministry of Health, Labour and Welfare, 2011

Crusading against Drunk Driving

Leveraging Kirin Free to Promote the Designated Driver Campaign

Kirin Brewery uses Kirin Free—a non-alcohol, beer-tasting beverage—as a vehicle to get across its message against drunk driving and to generate increased public support and awareness of a designated driver and safe ride campaign called the Steering-Wheel Keeper Campaign. In 2011, the company, with the blessing of local governments, distributed campaign brochures and free samples of Kirin Free to people on the street at 30 locations around Japan. In the spring and autumn of 2011

when a national traffic safety campaign was underway, the company—to further spread the message against drunk driving—ran TV advertisements to promote the campaign; hung campaign posters in bars, restaurants, convenience stores, and supermarkets; and handed out campaign materials on the street. In 2011, Kirin Brewery started printing the campaign symbol on its beer cans, in addition to bottles, to boost public awareness of the campaign.

Mandatory Alcohol Testing of Employee Drivers and Commercial Truck Drivers

We mandate that employees who drive to work or at work have their breath alcohol level tested before driving a vehicle. We supply breath analyzers to employees in the sales and logistics departments who drive at work and those who drive to and from work; when a

test shows that an employee has a breath alcohol level of 0.01% or more, he or she must not get behind the wheel. We ask trucking companies working for Kirin Logistics to implement the mandatory alcohol testing of their truck drivers.

Kirin Fund against Drunk Driving

In 2010, we added the Kirin Fund against Drunk Driving as an option in our special benefit program for shareholders. In 2011, 1.3 million yen was raised through the 3,000-yen-per-person fund

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

Crusading against Underage Drinking

"Stop Underage Drinking" Campaign

Kirin Brewery has been participating in the "Stop Underage Drinking" campaign organized by the Brewers Association of Japan since its inception in 2005. Participating beer companies show the "Stop Underage Drinking" symbol in their TV and print advertisements, and the association communicates the campaign message to other manufacturers of alcohol beverages, convenience stores, supermarkets, liquor stores, and junior high

and high schools around the country. The association runs "Stop Underage Drinking" advertising in public transportation systems in nine large cities, in magazines, and in newspapers, and broadcasts campaign messages through radio, and posts campaign posters in convenience stores and supermarkets around the country. As a result, the public awareness of the campaign has exceeded 95%.

Poster and Slogan Contest

The Brewers Association of Japan has been sponsoring an annual poster and slogan contest against underage drinking since 2002. The contest is intended to raise the awareness among junior high

and high school students of underage drinking and encourage them to consider its dangerous nature. In 2011, the competition garnered 4,384 entries of posters and 2,863 entries of slogans from students.

Overseas

Lion supports programs and organizations that promote the prevention of underage drinking. For instance, the company supports Youth Off the Streets, an Australian NPO engaged in a youth-care program to prevent underage drinking. The program's goals include: helping young people develop self-confidence and a sense of responsibility; rehabilitating young

people with alcohol-related problems; and helping young mothers acquire parenting skills.



Supporting the NPO Youth Off the Streets

Responsible Marketing of Alcohol Beverages

Voluntary Standards on Alcohol Advertising

The Kirin Group has adopted the Self-Regulatory Code of Marketing & Advertising Practices and Container Labeling for Alcoholic Beverages, established by the Japan Liquor Industry Council, which comprises eight alcohol trade groups in Japan. As a leading alcohol beverage manufacturer, we have even established more stringent voluntary standards on advertising. To enforce these more stringent internal standards

on advertising, we have established the Ethics Committee comprising 17 members from eight departments. The committee reviews extensively and approves advertisements on Kirin Group's alcohol beverage products before they are run. The committee also gives the green light to sales promotion campaigns for alcohol beverages before they are carried out.

Cautionary Notes Printed on Products

The Kirin Group prints warnings regarding problem drinking on its alcohol beverage products. For instance, on containers of our low-alcohol beverage products, such as *chu-hi* and cocktails, we print a warning "You must be 20 or older to drink alcohol" to prevent underage drinking, and one saying "Women who drink alcohol while pregnant or breastfeeding may risk affecting the health of their babies" to reduce the risk of fetal alcohol syndrome. Moreover, in April 2007, we became the first alcohol beverage company to print these

warnings near the "Alcohol Beverage" logo on products so that customers do not mistake them for soft drinks.



Overseas

Following the initial release of Labelling Logic in January 2011 by the Australia and New Zealand Food Regulation Ministerial Council, Lion announced they would voluntarily adopt consumer health messages that support responsible drinking choices, including during pregnancy, on the labels of their alcohol beverages. The messages have already launched

on Lion's biggest brand XXXX GOLD and at the end of 2011 were adopted across 60%. San Miguel Brewery adds a message "Drink Responsibly"—either visually or verbally—to its TV, radio, and magazine advertisements of its beer products to promote responsible drinking among the general public.

Lion

Warning label: It advises against underage drinking and during pregnancy.



San Miguel Brewery

Warning label: It advises against underage drinking and reminds customers to drink at their own risk.



Example of the Kirin Group's voluntary standards on alcohol advertising
 Do not use a scene of a woman drinking alone in broad daylight.

Addressing Food-Related Issues

United Nations University-Kirin Fellowship Program
<http://www.kirinholdings.co.jp/english/csr/fellowship/index.html>

Lion donates food products to Foodbank
 Lion continues to be a regular and substantial donor to Foodbank, Australia's largest hunger relief organization. Lion donates products that Foodbank makes available to welfare agencies across Australia for distribution to people without enough to eat. In 2011 Lion provided more than 818,500 kilograms of dairy products to Foodbank. Lion also helped develop, and became a major partner in, an industry-wide program that enables Foodbank to provide fresh milk to Australia's needy people.



Company cafeteria in our Tokyo head office



Low-calorie items

Helping Solve Food Problems in Developing Countries

United Nations University-Kirin Fellowship Program

While many Asian countries have been growing economically, they have a long history of serious food problems, such as food shortages and malnutrition. The Kirin Group, which promotes the joy of food and health 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.

United Nations University selects from research institutions in Asian countries annually five food researchers, who receive financial assistance from

the fellowship program to undertake one-year research projects at the National Food Research Institute in Japan.



Fellows on the 2011 Program

Achievements	<ul style="list-style-type: none"> From its inception in 1993 through 2011, the program has sponsored 93 up-and-coming researchers from nine Asian countries in their food science research. It is one of United Nations University's most successful sponsorship programs for capacity development.
Program outline	<ul style="list-style-type: none"> 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. 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.
Whom to sponsor	<ul style="list-style-type: none"> 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. 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.

Comment by a Fellow on the 2011 Program

Adawiyah Dede from Indonesia

I am researching starch extracted from arenga palm and sago palm, both widely found in Indonesia. Indonesian sago starch is imported to Japan and is used as flour to be sprinkled over *udon* noodle dough. Arenga starch has long been used to make noodles and cookies in Indonesia, but little research had been done on it. I am working to compare the physical characteristics of these two types of starch to find a way to use them for food processing. I am also working on a technology to reform starch without using chemical agents.



Adawiyah Dede

Addressing Food and Health Issues with Global Implications

The Kirin Group seeks to address food- and health-related social issues and works with society to achieve its sustainable growth. Table For Two is one such social program we are carrying out. Today's world faces two contradicting food problems. On one hand, 1 billion people suffer from malnutrition and hunger in developing countries; on the other hand, another 1 billion in developed countries are obese as a result of overnutrition. The Table For Two program is intended to address these two contradicting social issues with a single set of solutions. This is

how it works. When you buy a low-calorie, healthy item at a participating restaurant, the restaurant donates 20 yen to a school lunch program in a developing country; a school lunch costs about 20 yen per person in developing countries. The Kirin Group introduced the Table For Two program in two company cafeterias in its Tokyo head office in January 2011. The Kirin Group will continue to play a role in addressing food- and health-related social issues with global implications.

Exploring the Future Lifestyle of Food

Kirin Institute of Food and Lifestyle

Food and Lifestyle Research

The Kirin Institute of Food and Lifestyle analyzes emerging trends in people's dietary behavior from various angles and works with customers and Group employees to develop a vision of future food lifestyles and to define what role the Kirin Group should play in turning that vision into reality. The institute conducts food and lifestyle research and regularly reports its findings. In 2011, the institute published research reports on what young people who had started their careers immediately after graduating from college thought of drinking and their job; what people over 20 thought about going out for a drink with their coworkers; how they liked drinking in beer gardens, and how they enjoyed year-

end parties. The institute also presents quarterly research findings on how people over 20 enjoy seasonal foods and traditional events. In addition, the institute publishes reports on global beer production and consumption by country and on per-capita beer consumption by country, based on findings derived from questionnaires sent to brewers associations overseas and the latest statistics available overseas. Furthermore, it analyzed perceptions of food and health and the dietary behavior of 10,000 Japanese men and women aged from 16 to 69, and identified 10 distinctive patterns of food lifestyles among them, including an "upscale food lifestyle" and a "streamlined food lifestyle."

Employees Participating in the Forum on Future of Food and Health

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

people lead better dietary lifestyles. The institute will take up in future forums two of the most popular themes from the past—food cultures and beverages in Asia, and nutrition and health. In the seventh forum held in March 2012, following a keynote speech on food and communication in an aging society, participants split into group sessions centered around this theme. The Kirin Institute of Food and Lifestyle will continue to work with Kirin employees to develop insights into how to help people enjoy fulfilling dietary lifestyles.



Presentation on food and communication in an aging society at the forum



Group sessions at the forum

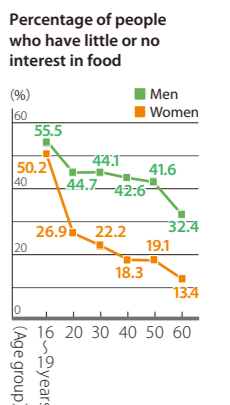
Envisioning the Future Lifestyle of Food with College Students

The Kirin Institute of Food and Lifestyle sets the stage for Kirin Group employees to explore ideas of what new opportunities for sociability beverages can bring to consumers in the future. In 2011, we invited 15 junior and senior students of the Faculty of Economics, Keio University, to a Kirin Brewery project to envision the future lifestyle of food and drink. In this project, Kirin Group employees and the students developed a vision of what value packaged beverages would deliver, what role alcohol beverages would be playing, and how consumers would be enjoying them in a variety of lifestyle scenes in 2025, based on predictions of how information and communication technology would evolve, how consumers would spend their time, and how their lifestyles would change over the years. In 2012, we are planning to perform a reality check to ascertain if the vision of the future

lifestyle we have developed has any chance of becoming a reality. The Kirin Institute of Food and Lifestyle has found that young people do not care much about what they eat. We hope to reverse this trend and will explore the future lifestyle of food with young people.



Group discussions with college students



Investing in the Development of Children

The Secrets of Good Dietary Habits



We have been offering food education to elementary students attending the Kirin Soccer Field, a soccer class for children, since 2009. Using information boards and a brochure titled *The Secrets of Good Dietary Habits*, we stimulate their interest in what they eat to build a strong, healthy body.

Nurturing Children through Food Education

Kirin Kids School of Great Taste

Food is the backbone of the Kirin Group's business. The Kirin Institute of Food and Lifestyle offers children a food education program called "Kirin Kids School of Great Taste" to develop their ability to choose the right food, to prepare the right meals, and to eat the right food.

This hands-on class has been conducted in Group companies' factories in Japan since 2008, teaching children to use their five senses to learn about what they eat.

In 2011, children learned about the intricacy of

the fermentation process and about the mystery of the sense of taste in classes held in four cities in Japan.

We plan to expand a program to include a class on food and sports for sports-loving children in 2012.



Kirin Kids School of Great Taste held in the Yokohama Plant

Nurturing Children Through Science Education

The Kyowa Hakko Kirin Group invites children to its factories and laboratories to let them experience the fun and joy of science experiments.

In the summer of 2011, researchers from Kyowa Hakko Kirin's Bio Process Research and Development Laboratories held in its Takasaki Plant a class named "A Science Project is Surprisingly Fun" for elementary students. Since 2000, researchers at its Tokyo Research Park facility have been visiting schools in a van

nicknamed Bio Adventure, giving 80 science classes to more than 3,000 students. One of Kyowa Hakko Kirin's researchers says he got motivated to become a researcher when he attended one of these science classes as an elementary student. Since 2009, Kirin Brewery and Kirin Beverage have been working together to offer, in Kirin Brewery's Yokohama Plant, extracurricular science classes to high school students on the flavoring of low-calorie sports drinks.

Nurturing Children Through Soccer

The Kirin Group has been an official sponsor of the Japan National Team of Soccer for more than 30 years. It supports soccer to, among other things, nurture children through the sport. In the process, it helps soccer gain a broader fan base in Japan and encourages small children to aspire to make it to the National Team.

We have been sponsoring the Kirin Soccer Field, soccer classes for elementary students, in Japan since 2008. This program is intended to introduce children to the joy of sports and to encourage them to take on the challenge of becoming better players. Nearly 4,800 children participated in the classes held in 31 prefectures around the country in the first four years of its introduction.



© J.LEAGUE PHOTOS
Kirin Kids Supporters at a Kirin Challenge Cup game

We also invite children to the National Team's games held in Japan to give them an opportunity to see professional players in action in packed stadiums of cheering supporters. Some of the children are designated as "Players Escort Kids" and "Kirin Kids Supporters."

The Group has been sponsoring the JFA Family Futsal Festival with Kirin events since 2004 to offer people an opportunity to enjoy kicking soccer balls around indoors and outdoors. Annually, more than 150 Family Futsal games are held all over Japan, and both experienced and novice futsal players enjoy the sport with their families and in a close-knit community environment.



Kirin Soccer Field

Supporting Sports, and the Arts and Culture Investing in Local Communities

Supporting Sports, and the Arts and Culture

Supporting Sports

The Kirin Group focuses its support for sports on supporting soccer and has been an official sponsor of the Japan National Team for more than 30 years, intended to help them succeed in the global arena and to make soccer more popular in Japan. We support Japan National Teams in all categories: Men's Senior National Team, Women's National Team, U-23 National Team (Olympic team), U-20 National Team, U-17 National Team, Futsal national team, and Beach soccer national team. Our commitment to supporting soccer is reflected in our slogan "Kirin Loves Soccer."



© J.LEAGUE PHOTOS
Starting lineup of the Japan National Team at a game against Vietnam on October 7, 2011



© J.LEAGUE PHOTOS
Starting lineup of the Japan Women's National Team at a game against selected members of the women's league on August 19, 2011

Supporting the 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. In their concerts, we reserve a section of the auditoriums for children.



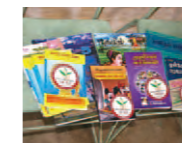
Les Freres in a concert

Investing in Local Communities

Japan

Kirin Beverage

Kirin Beverage conducts social outreach projects built around its products, including donating part of the proceeds from its soft drink sales from vending machines to a social cause to raise awareness of breast cancer; donating part of the proceeds to upgrade school facilities; and donating books to elementary schools near tea estates in Sri Lanka that grow tea leaves for Kirin black tea drinks.



Kyowa Hakko Kirin

Kyowa Hakko Kirin carries out social development programs, including undertaking a community dialogue initiative called Responsible Care¹ and supporting science education for children.



Overseas

Lion

Lion invests in the communities in which they operate and in programs that drive real change. Initiatives that contribute to social sustainability include the preservation of historical buildings and surrounding environment, ongoing partnership with a predominantly indigenous community to support their sustainable tourism venture, and continued partnerships with various community organizations.

Mercian

Mercian provides wine classes, viticulture assistance, and job-training support to people in grape-growing communities in Akita, Fukushima, Nagano, and Yamanashi Prefectures, so as to maintain a strong tie with them and keep the Mercian brand as a brand they love and are proud of.



Kirin Brewery

Kirin Brewery keeps community environment in good condition and maintains harmonious relationships with the communities in which it operates. The company conducts water-source reforestation projects to protect sources of clean and safe water—an essential ingredient in making great-tasting beer, and in cooperation with local residents cleans the vicinities of its plants.



San Miguel Brewery

San Miguel Brewery has made a long-term commitment to developing local communities. The company has been providing, through the San Miguel Foundation², basic social services, such as providing medical services and installing portable water tanks for the communities near its factories. It also assists local residents in starting their own businesses.

Kirin Group companies' community support projects

■ Japan
Mercian
<http://www.mercian.co.jp/e/index.html>

Kyowa Hakko Kirin
<http://www.kyowa-kirin.co.jp/english/index.html>

■ Overseas
Lion
<http://www.lionco.com/sustainability/>

San Miguel Brewery
<http://www.sanmiguelbrewery.com.ph/csr.html>

1. **Responsible Care:**
An initiative that the Japan Chemical Industry Association has been undertaking since 1995 to encourage companies that deal with chemical substances to adopt a voluntary management system to protect the environment and promote safety and health throughout the life cycle of chemical substances from development and manufacturing to use and disposal; companies then publicize their activities and achievements and maintain dialogue with the public.

2. **San Miguel Foundation:**
A foundation established by the San Miguel Group in 2008 to provide financial support to community development programs.



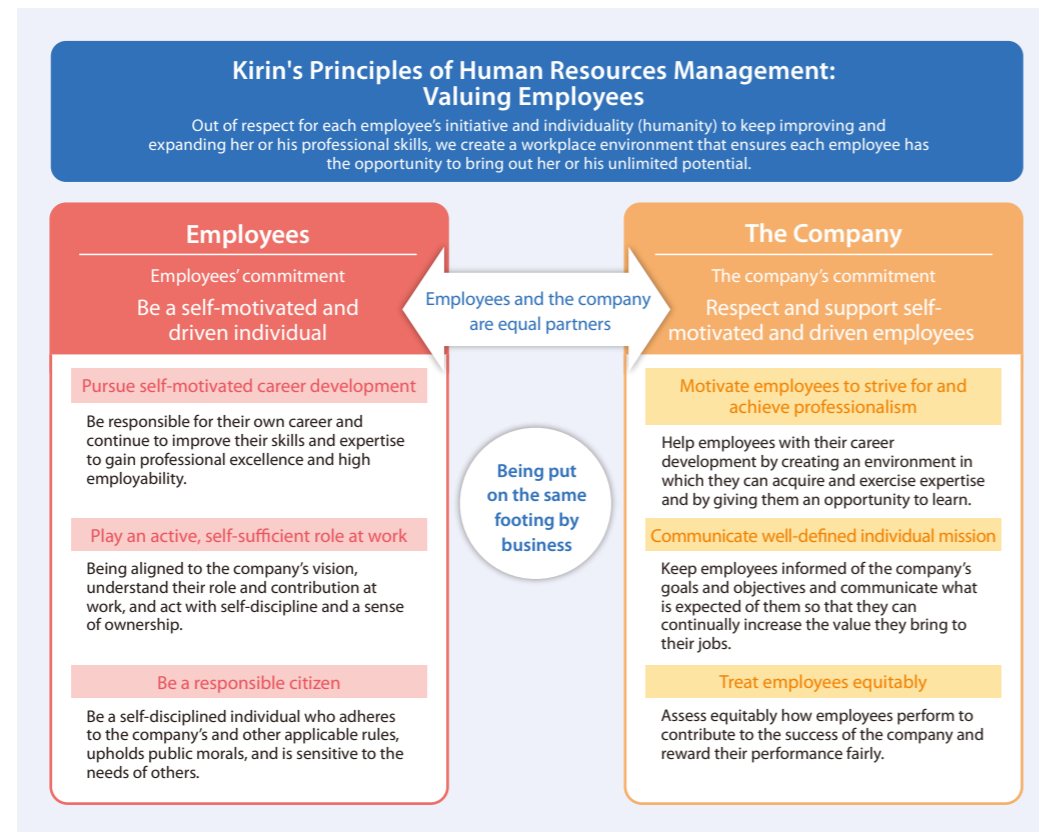
Employees

Valuing Employees

Our Goal

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

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



Our Approaches

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

toward employees including respect for humanity. Each Group company implements human resources management practices that reflect its own business strategy and needs. However, we ensure that these practices are in line with the group-wide, unified principles of human resources management that value all employees.

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

Fostering a Sense of Togetherness and Belonging throughout the Group

The Kirin Group produces and markets around the world a broad range of products including alcohol beverages, soft drinks, and pharmaceuticals, and has a growing number of employees with diverse backgrounds. The Group benefits from synergy when each Group company musters its strength while each of its employees comes to have a sense of togetherness and belonging as a member of the Kirin Group. The KIRIN WAY defines the values we hold most dear and the guiding principles to which all Kirin employees are expected to adhere (See Page

16). We provide Kirin Group employees in Japan with KIRIN WAY training annually to help them understand and embrace the values for which the KIRIN WAY stands. We also offer employees opportunities to get to know their counterparts in other Group companies and to refresh their understanding of the Group's shared values. For instance, new employees of Group companies in Japan attend a joint initiation ceremony in April, and employees from various business lines across the Group participate in cross-functional training sessions.

Open Dialogue with Employees

Dialogue-Driven Corporate Culture

The Kirin Group believes in open dialogue between management and employees and among employees. The president of Kirin Holdings visits company departments and offices to hold Town Meetings in which he shares management strategies and objectives with staffers. The president regularly posts messages on his blog via the company intranet so that employees can get to know the

top management better. Top executives of other Group companies also talk openly with their staffers in meetings, training sessions, and projects. In addition, employees answer questionnaires on such areas as workplace environments, job satisfaction, and the promotion of diversity and inclusion, and the results are reported upward so that management can take action to address employee concerns.

Kirin Brewery

Kirin Brewery has been carrying out the company-wide V10 Project since 2005 to foster a corporate culture that encourages every employee to be self-motivated and self-driven, and in which management values feedback from employees. The company holds a forum several times a year, in which employees volunteer to share their

thoughts on the company's vision and culture; this cross-functional forum also gives employees a chance to network with their counterparts from other departments. The president of Kirin Brewery visits plants and regional offices around the country and has direct dialogues with 2,500 to 3,000 employees a year.

Kirin Beverage

Kirin Beverage is carrying out the Spread the Smile Project to encourage employee initiatives and facilitate cross-functional communication among employees in collective efforts to bring smiles to customers. In this year-round project, employees from the same or different departments hold workshops to discuss pre-selected themes, and

each department is encouraged to take action on its own initiative. These workshops also provide a vehicle for the company's top executives and staffers to get to know each other better; the president occasionally participates in a workshop to engage employees in a discussion.

Mercian

Mercian has been encouraging its employees to take part in diverse cross-functional workshops to unite them across company sites and departments. Recognizing the need to provide employees with more opportunities to open up with each other, the company is launching the Future-Ready Project in

2012, which is intended to foster a corporate culture that promotes openness and initiative. In this project, all Mercian employees will participate in small-group workshops of 30 to 40 people including the company's top executives to enhance the relationship of trust between management and employees.

Kirin City

Kirin City held a "World Cafe" session to share its business plan for fiscal 2012 with its employees in an informal and open setting. The company's executives and staffers were engaged in a relaxed yet creative and insightful conversation about

what it takes to achieve Kirin City's vision of becoming a beer restaurant that brings smiles to customers and employees. This session also helped encourage employee initiative.

President's blog
The president of Kirin Holdings posts his insights and observations on his blog, which accepts and posts comments from employees.



Dialogue session at Kirin Brewery



World Cafe session

Embracing Diversity and Inclusion

Corporate Culture that Embraces Diversity and Inclusion in the Workplace

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

Leveraging the talents and skills of diverse employees will meet the social needs arising from the changing demography, diversifying values in society at large, and globalization. The past few years have seen an increasing number of employees with diverse backgrounds join the Kirin Group, and the management

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

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

Greater Career Opportunities for Female Workers

The Kirin Group, as a first step to promoting diversity and inclusion in the workplace, has been offering greater career opportunities to female workers.

In October 2006, we put together "Kirin Affirmative Action Initiatives 1" for systematically hiring and developing female employees, and set quotas for female hires and female managers. Furthermore, we established the Kirin Women's Network (KWN) in February 2007 to encourage female workers to network with their female coworkers across business units. KWN's project members make recommendations to management to provide fulfilling career opportunities all employees, regardless of gender, career background, or type of employment. KWN offers female employees leadership training through the Kirin Women's College and individual mental support on career development through the Mentoring Program. It also helps prepare female employees who take childcare leave to return to work smoothly. KWN regional meetings, held regularly around the country, offer participants awareness-raising programs and career-support programs. These regional meetings attract an increasing number of male employees interested in issues that affect all employees regardless of gender.



Kirin Women's College

As part of our efforts to transform our corporate culture, we provide employees in managerial positions with training programs in management skills to promote the empowerment of female employees as well as diversity and inclusion in the workplace. These initiatives and programs have proved effective in empowering more female employees to realize their full potential in diverse fields. An increasing number of female employees have been promoted to presidents of Group companies, department managers of the head office, presidents of regional sales companies, and managers in Group companies abroad. Furthermore, female employees have proved themselves in field sales and manufacturing positions that used to be filled largely by male employees.

Promoting Diversity and Inclusion in the Workplace

Kyowa Hakkō Kirin has been undertaking the cross-divisional Diversity & Inclusion Project (D&I PJ) since October 2010, with the goal of promoting diversity and inclusion in the workplace to help employees exert their individuality and realize their full potential.

In fiscal 2011, the project—as a first step—focused on developing a corporate culture that inspires employees, regardless of gender, to achieve their full potential. Project activities along this line included: 1) increasing employees' understanding of the meaning and importance of diversity and inclusion; 2) sharing information internally about role models through the intranet site; 3) providing a vehicle for employees in different departments to interact with each other; and 4) conducting a preliminary study on diverse work styles.

The D&I PJ will continue to help foster a workplace environment in which all employees—regardless of gender, nationality, career history, and experienced life events and with or without disabilities—find dignity and meaning in what they do at work.

Ensuring a Healthy Work-Life Balance

Maintaining a healthy work-life balance is critically important for employees to feel motivated to exercise initiative and creativity and to feel proud and enthusiastic of their jobs. In April 2010, we drew up the Kirin Group Charter of Work-Life Balance.

The Kirin Group creates better workplace environments where employees' working hours are tracked and managed to avoid excessive

working hours and employees can reduce overtime to have more time for themselves. We also take a systematic approach to ensuring all employees—men and women—can balance their careers and personal life.

We will encourage other Group companies to adopt these programs to develop a diverse workplace environment that supports employees' efforts to maintain a healthy work-life balance.

Conceptual Diagram of the Charter of Work-Life Balance



Promoting the Hiring of People with Disabilities

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

As of June 1, 2011, people with disabilities accounted for 1.73% of all employees of Kirin Holdings' consolidated subsidiaries in Japan, slightly short of the minimum of 1.8% required by law. Each Group company, either by itself or with others, will step up its effort to hire more people with disabilities in a manner that reflects the nature of its business.

We are expanding the types of jobs that can be performed by people with physical or intellectual disabilities. We are also making our

facilities barrier-free and accessible, and are helping employees overcome mental barriers they may have to disabilities, so that people with disabilities can find working for Kirin Group companies pleasant and fulfilling.



Preparing students with intellectual disabilities for employment
Kyowa Hakkō Kirin works with public special needs schools in Tokyo to offer their students an apprentice program to prepare them to pursue employment opportunities. Students on this program are given assignments in the company's facilities, such as entering data into computers, filing documents, collecting and delivering mail, and replenishing paper in copiers.



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

Kirin Brewery introduced in January 2009 programs that include: (1) the Work-Life Balance Support Program, which allows employees to take an extended leave of absence when they choose to accompany spouses who are relocating out of town for career reasons or when they choose to pursue a self-development opportunity outside work; and (2) Family Support Leave, which allows employees to take a leave of absence to take care of their children, to care for sick family members, to attend school events with children, or to receive fertility treatment.

Learning and Development

Employees' Professional Growth Results in the Group's Success

The Kirin Group respects humanity and believes in human resources development. In order to strengthen the Kirin Group and develop global managers, we will expand training programs, more actively support self-motivated skill development and learning. This will benefit employees' professional growth as an individual and at the same time enhance the Group's organizational strengths.



Sessions of Global Management Program

Expanded Group-Wide Training Opportunities

Each Group company conducts human resources development programs tailored to its business needs; it provides training programs for its employees and assists them in self-motivated skill development and learning. To foster greater organizational excellence across the Group, we provide opportunities for younger managers with leadership potential from Group Companies to join Kirin School of Management and develop them to become new generation business leaders. In 2011, we began a short-term employee

exchange program between Group companies in Japan and overseas to facilitate greater sharing of knowledge, skills, and technological expertise in order to establish a platform to create synergy.



Kirin School of Management

Provide Employees with Opportunities for Growth

The Kirin Group supports highly motivated employees—regardless of gender, age, or nationality—in expressing their individuality and maximizing their capabilities. Depending on the stages of their careers, we offer them opportunities to further their learning and professional careers.

Every Minute is a Learning Experience

I am in a class of 102 students from 26 countries at MIT Sloan School of Management. Motivating each other, we are studying the latest theories of management as well as leadership essential for today's global business environment. The students and their spouses and children form a closely-knit community, in which I cherish the opportunity to learn about history and cultures of my fellow students' countries, their values, and traditions they uphold as well as to learn how to relate to people with diverse backgrounds. I find all of these experiences as valuable to me as what I have learned in class. I would like to bring back home the experience and knowledge I have acquired on and off campus and share them with my coworkers in our collective efforts to help the Kirin Group succeed with their global business.



Tomohiko Okada (second from left)

Tomohiko Okada
Sloan School of Management
Massachusetts Institute of Technology

Career History

1995: Joined Kirin Brewery Kyoto Plant engaged in labor management.
1999: Upon the closure of the Kyoto Plant, transferred to the Personnel Department of Kirin Brewery in Tokyo, engaged in labor-management negotiations over wages, bonuses, and fringe benefits.
2007: Transferred to the Personnel and Administration Department of Kirin Pharma, engaged in the development of a new human resources management system of Kyowa Hakko Kirin
2011: Started a course of study at MIT on the company's scholarship program, expecting to earn an MBA in 2012

Leveraging Career Experience to Step Up to the Next Level

My job in the Overseas Business Promotion team is to promote the Kirin Brand outside of Japan. I am very excited about the opportunity but at the same time I am a little nervous, since this is my first experience working outside Taiwan. When I was told that I was going to be transferred to Kirin Brewery, I did not have any second thoughts about working in Japan. But Kirin Brewery operates on a much larger scale than Taiwan Kirin so there are many different challenges. It is a great experience working at the Planning Department as it gives me an opportunity to learn many new things through daily interaction with other departments. It also makes me realize what skills I need to improve on and what knowledge I need to gain. Other members of the Overseas Business Promotion team and the Planning Department have been a tremendous help to me. I am looking forward to gaining more experience in order to contribute to the success of the company.



Qiumei Zheng
Overseas Business Promotion
Planning Department Kirin Brewery

Career History

1991: Joined Taiwan Kirin, assigned to the Accounting Department
1992: Transferred to the Planning Department, maintaining contact with the sole distributor of Kirin Beer in Taiwan and engaged in sales planning for beer
1995: Engaged in marketing in the Sake Department
1998: Assumed the position of project manager for accounting system in the Accounting Department
2004: Transferred to the General Affairs Department
2007: General Administration Department
2011: Started working in the Planning Department of Kirin Brewery

Respecting Human Rights

Respecting Human Rights

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

As the scale and scope of the Kirin Group's business extends beyond national boundaries, the scope of human rights that the Group must address is expanding. We have the challenge of establishing a system for ensuring that human rights are upheld not just for Kirin Group employees but at all stages across the value chain outside the operational boundaries of the Group.

Group-Wide Efforts to Respect Human Rights

We train employees on human rights and compliance every year, and gauge the level of human rights awareness among them every two years.

We also offer executive training sessions on human rights* to presidents and general managers of human resources managers of Group companies every year. We plan to appoint and train a human rights point person in each Group company to raise awareness of human rights in workplaces. We use the risk management system to identify human rights risks in our overseas subsidiaries and to monitor how they treat those risks. We conduct on-site assessments of their facilities to ensure

human rights compliance, taking into account social environments prevalent in the countries in which they operate.



Human rights training session

*In an executive training session on human rights for 2011, a Japanese movie about people with hearing impairment was used as a basis for discussion about how to relate to people with disabilities.

Relationships with Labor Unions

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

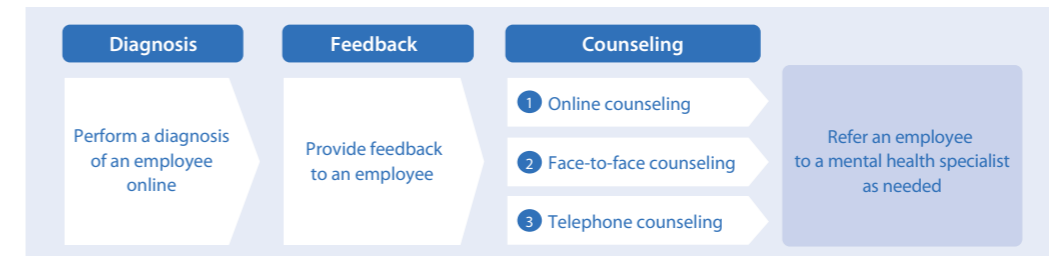
culture. Labor-management councils held in Group companies provide a forum through which management and employees maintain a stable relationship.

Ensuring Occupational Safety and Health

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

To address issues relating to workplace mental health, we have been implementing an Employee Assistance Program (EPA) in Group companies since 2009, taking preventive and early detection approaches to managing employees' mental health risks. The EPA will be offered to Japanese employees on overseas assignments starting in 2012.

Employee Assistance Program





Business Partners

Developing Collaborative Relationships

Our Goal

From the time R&D begins until the moment customers make purchases, every stage of the Kirin Group's value chain is supported by business partners. Their active involvement in promoting CSR is essential for us to work toward

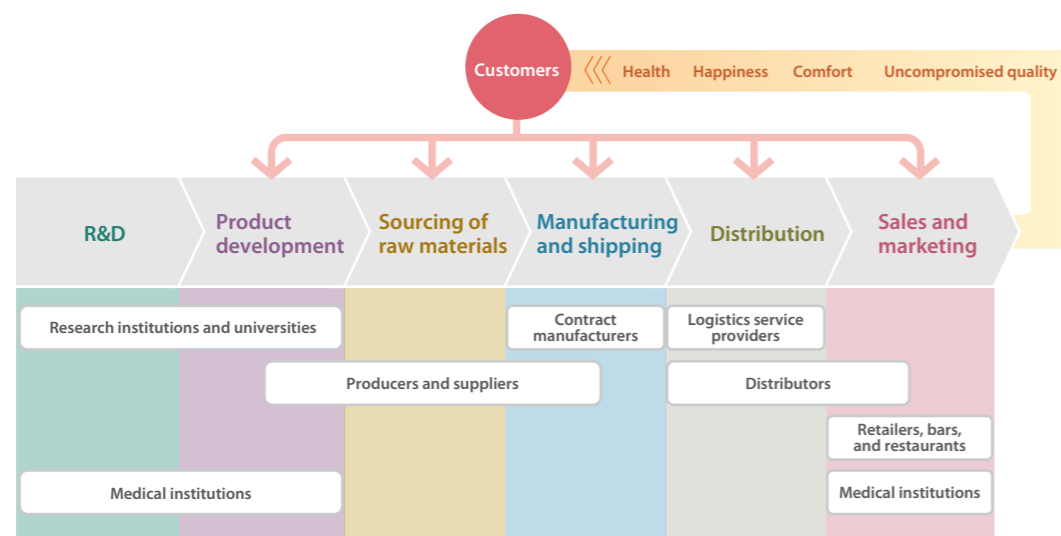
making a sustainable society a reality. The Kirin Group builds relationships with its business partners based on the following three guiding principles.

- We treat all our business partners reasonably and with an open heart as a basis for developing a fair and equitable relationship with each one of them.
- We solicit from all our business partners their understanding and support for our efforts in promoting CSR.
- We work closely with our business partners to offer customers safe, reliable, and high-quality products and services with clear value propositions.

Our Approaches

Working toward achieving a sustainable society, the Kirin Group maintains frequent, interactive communication with business partners at each stage of the value chain ranging from R&D and sourcing of raw materials through to distribution and sales. This interaction enables us to develop fair and equitable relationships with our business

partners and sets the stage for both parties to work together to promote CSR. In these collaborative relationships, the Kirin Group and its business partners work together to offer customers products and services with compelling, tangible value propositions.



Dialogue with Business Partners

The Kirin Group maintains interactive communication with suppliers to develop and sustain long-term relationships. We regularly assess the performance of our suppliers and, in return, ask them their opinion of our procurement policies and practices. In anonymous surveys conducted since 2009 by a research firm we retain, suppliers provide straightforward feedback on the way our procurement coordinators interact with them and on the specifics of our procurement practices. In 2011, 181 suppliers participated in a survey, in which they gave us high marks for having a strong sense of responsibility and ethics in conducting fair and open business transactions and in ensuring regulatory compliance. On the other hand, they told us that we needed

to improve in professional knowledge and accountability. To meet their expectations, we will train our procurement staffers—through knowledge sharing, factory visits, and on-the-job training—so they acquire the technical expertise and professional knowledge necessary to engage in more robust give-and-take dealings with suppliers. We will also make our procurement department more accountable by having their staffers work more closely with other departments to keep suppliers in the loop regarding supply-and-demand trends, results of their performance evaluations, and responses to their proposals and complaints. We will continue to use feedback from suppliers to improve our procurement practices and to develop stronger collaborative relationships with them.

Policy and System for Socially Responsible Procurement

Updated Policy on Procurement

In 2011, the Kirin Group updated its policy and guidelines on procurement management so as to be more adaptable to emerging social needs and to more effectively enforce socially responsible procurement practices. With this update, the Kirin Group Green Procurement Basic Policy, CSR Procurement Basic Policy, and CSR Procurement Guidelines—all under the Kirin Group Procurement Basic Policy—are streamlined into the Kirin Group Supplier CSR Guidelines. The new Kirin Group Supplier CSR Guidelines covers six categories as shown to the right and are intended to be informative and useful for suppliers to understand what is expected of them. The Kirin Group uses these guidelines to encourage suppliers to step up their CSR efforts.

Policy and Guidelines on Procurement Management

Kirin Group Procurement Basic Policy

Five Areas of Policy Agenda

- 1 Quality focused
- 2 Fair and open business transactions
- 3 Ensuring regulatory compliance
- 4 Environmental stewardship
- 5 Relationships of mutual trust with suppliers

Kirin Group Supplier CSR Guidelines

Six High-Level Categories

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

CSR Procurement System

The Procurement Department of Kirin Group Office develops, implements, and manages procurement strategies for the entire Group. Since its establishment in 2010, the department has taken over the procurement responsibilities of domestic Group companies (including

affiliated companies) for which more than 50% of voting shares are owned by Kirin Holdings. We will establish a unified governance structure to step up CSR procurement efforts by Group companies around the world.

Case Studies of Collaborative Projects

Partnering with Suppliers

Mercian Works with Grape Farmers

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

to bring great-tasting wines to wine lovers.

[▶ See Page 36](#)



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

Kirin Brewery's Collaborative Research on Plum Wine

Since 2006, Kirin Brewery and Mercian have been working with the Plum Research Center in Wakayama Prefecture on research into the aroma of plum wine made from fully ripened nankoume, a plum variety cultivated primarily in the prefecture. The latest joint research analyzed the aroma constituents of two plum wines—one made from under-ripe green plums

(conventionally made plum wine) and the other from fully ripened plums—and found that the latter had a much higher level of constituents that give plum wine a fruity aroma.



Nankoume plums

The research also identified the conditions optimum for cultivating and handling nankoume plums to extract a fruitier aroma. Armed with the research findings and its proprietary manufacturing process, Kirin Brewery developed a new plum wine product named Ume Makkoi (rich and thick plum wine) and has been marketing it since 2011.

Kirin Brewery will continue to partner with plum producers to find ways to develop new plum wines that appeal to a broad range of customers.



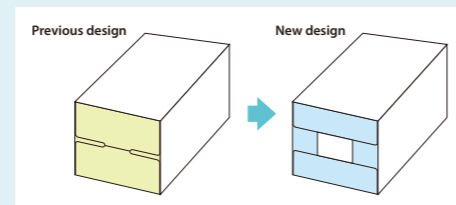
Wakayama Plum Research Center

Cross-Industry Carton Project

Kirin Holdings and Kirin Beverage are founding members of the Carton Project, launched in October 2010 by 15 Japanese manufacturers, distributors, and retailers of consumer goods to standardize cardboard shipping boxes for beverage products. After a year of deliberation, the project in October 2011 published standardized specifications for a box that would result in a 7- to 18-gram reduction in weight per box and a reduction in CO₂ emissions.

Kirin Holdings is a founding member of the Japan TCGF*, established in August 2011 by Japanese manufacturers, distributors, and retailers of consumer goods to discuss, among several subjects, how to mitigate operational risks to manufacturing and distribution of consumer products, as evidenced in the aftermath of the Great East Japan Earthquake. Kirin Holdings chairs the Sustainability Project, which is working toward achieving a sustainable society.

Conceptual Drawing of a Carton Box with Shorter Side Flaps



(Applied to carton boxes for RTD tea)

*TCGF: The Consumer Goods Forum, a global network of more than 650 retailers, manufacturers, and service providers in the consumer goods sector from 70 countries, was established in June 2009.

Lion Promotes Sustainable Dairy Farming

Lion's dairy and drinks business works with the farming community to create a supply chain that delivers a four-way win: for farmers, for customers, for distributors, and for Lion. To this end, Lion works closely with dairy farmers to provide support and help involve them in programs run by Dairy Australia, a dairy industry association.

[▶ See Page 36](#)



Working with dairy farmers

- Research into efficient use of resources and implication of policy and trading.
- Lower Murray Darling basin review.
- Life cycle analysis in response to policy and market imperatives.



\$1 A LITRE MILK

Lion Dairy & Drinks remains deeply concerned about the impacts of the current retail price of house-brand milk - sold by supermarket chains at \$1 a liter - on the sustainability of the Australian dairy industry. Although it may seem attractive to consumers in the short term, the continuation of the \$1-per-liter policy will make it less and less viable for the dairy

industry to continue delivering fresh white milk to retail outlets on Australian consumers' doorsteps. The long-term impact of the \$1-per-liter policy is serious and Lion would like consumers to appreciate the value and ready availability of fresh white milk, and to understand the need to pay more than \$1 a liter for it.

Collaborative R&D Projects

Beer is made through a fermentation process, in which yeast plays the most critical role in determining the quality and flavor of beer. In fact, the physiological condition of yeast during fermentation determines how good the beer turns out. The condition of brewing yeast was conventionally speculated only by the intracellular pH or cell size, but it could not be elucidated at the metabolite and morphological levels. In collaboration with Professor Tomoyoshi Soga and his team at Keio University, Kirin Brewery developed a method of advanced metabolite analysis of brewing yeast cells using the capillary electrophoresis time-of-flight mass spectrometry technology, which is capable of measuring ionic low molecules—such as amino acids and glycolytic intermediates—with a molecular weight of 1,000 or less.

Kirin Brewery also partnered with Professor Yoshikazu Ohya and his team at the University of Tokyo to develop a method for an accurate understanding of the physiological condition of brewing yeast through a quantitative analysis of its cell morphology, using state-of-the-art microscopic observation with cytological staining and a high-resolution image-processing technique, which is

called CalMorph.

These newly developed methods enable researchers—for the first time—to explain the physiological condition of brewing yeast at the metabolite level and from a morphological perspective, which is a major leap in brewing technology. Kirin Holdings and Kirin Brewery received an Award for Achievement in Technological Research from the Japan Society for Bioscience, Biotechnology, and Agrochemistry in 2012, for developing these methods of data acquisition and analysis of brewing yeast that can be applied to producing beer of consistently high quality.



Partnership in Manufacturing, Distribution, Sales, and Medical Research

Partnership in Manufacturing

Kirin Brewery's Approach

Kirin Brewery and its manufacturing partners work as a team to produce safe, high-quality products. Each Kirin Brewery plant shares its business objectives and production plans with its manufacturing partners so that both parties are on the same page, working toward common goals. A Kirin Brewery plant invites presidents and senior managers of subcontractors to partners meetings to exchange and share a wide range of information. These meetings start with Kirin's people talking about the plant's business objectives and annual production plans. It is

followed by a discussion of subjects—such as safety and environmental management, byproduct management procedures, and the observance of compliance requirements—that provide manufacturing partners with helpful tips for factory management. In turn, presidents of partner companies give presentations of their business objectives and proposed improvements. These meetings are an important vehicle for fostering greater understanding and forging closer cooperation between Kirin Brewery and its manufacturing partners.

Kyowa Hakko Kirin's Approach

Medicines that Kyowa Hakko Kirin markets under its brand are manufactured by its own plants and, to some extent, by contract manufacturers. The company regularly audits contract manufacturers to improve their levels of quality management. An on-site audit ascertains if a contract manufacturer is managing its manufacturing and quality in strict accordance with pharmaceutical manufacturing standards. An audit also determines if a subcontractor is following the provisions of an agreement with Kyowa Hakko Kirin and of the Pharmaceutical Affairs Act of Japan. When an audit identifies a substandard quality-management performance by a subcontractor, the company requests that it take remedial action. When the company finds instances of outstanding performance, it encourages a contractor to keep up the good work. When a contract manufacturer has a quality-related problem, Kyowa Hakko Kirin immediately asks it to look into the problem, and to take corrective action if the initial probe warrants it. In the event of a serious quality defect, Kyowa Hakko Kirin's audit team rushes to a subcontractor's plant; both parties work side by side to get to the bottom of the problem, to ascertain the degree

and extent of its impact on product quality, and to implement corrective and preventive measures. Information about a quality problem that arises in a subcontractor's plant and preventive measures taken against it is shared with other contract manufacturers and Kyowa Hakko Kirin's plants so that they learn from other's experience. All these practices are part of the risk management that enables Kyowa Hakko Kirin and its contract manufacturers to enhance their respective quality management. This is one of the keys of providing reliable medicines to patients.



Quality control of medicines

Partnership in Distribution and Sales

Kirin Beverage's Approach

Kirin Beverage has been increasing the use of rail for intermodal shipping of its products—becoming less dependent on trucks. Transporting container loads of products by rail reduces both the environmental load and shipping costs, compared with shipment by truck. In 2010, the company took a step further by starting to deliver products directly from its plants to distribution centers of national retailers, with part of the routes traveled by rail, when retailers agree to order by

container and accept a longer order-to-delivery lead time. Through the use of rail and shorter routes, this alternative shipping arrangement helps the company reduce CO₂ emissions and environmental loads in its distribution operations. Kirin Brewery will continue to work closely with its retail partners to make wider use of this environmentally friendly shipping method.

[See Page 39](#)

Kirin Brewery's Approach

Restaurants and retailers play an important role in enhancing the fun and enjoyable experiences customers have when they come into direct contact with our products. We closely communicate and work with restaurants and retailers, and provide them with a wide range of support to make their businesses a success. For instance, Kirin Brewery's sales representatives call on restaurants and retailers to assist them in better serving their customers—helping them improve the quality of the alcohol beverages they offer, advising them to broaden the assortments of alcohol offered, and recommending a training class on customer-service skills. The company also invites owners and managers of restaurants and retailers to workshops in which they exchange ideas for new menu items, and to beer-making classes in which they learn about beer, beer brewing, and beer culture—something to talk about to their customers.

In addition, the Kirin Draft Masters School trains people who serve beer from dispensers at bars and restaurants on how to keep beer in good condition in a dispenser, how to pour beer into a jug, and how to maintain a dispenser. The Kirin Group will continue to work closely with restaurants and retailers to keep bringing great-tasting products and smiles to customers.



Beer-making class

Partnership in Medical Research

DOPPS

Kyowa Hakko Kirin partners with physicians and other medical professionals to bring smiles to people struggling against illness. The company joins forces with them to develop new drugs and to search for effective treatments expected to bring better prognoses to patients. For instance, Kyowa Hakko Kirin has been supporting the Dialysis Outcomes and Practice Patterns Study (DOPPS) since 1999. The DOPPS is the first internationally collaborative epidemiological study ever conducted, in which investigators and institutions in 12 countries*, including Japan, participate. The company serves as the DOPPS coordinating center in Japan, collecting data from participating medical institutions in an effort to help advance dialysis treatments. This study focuses on determining which hemodialysis practices and patient care are associated with the best patient outcomes, with the primary goal of improving patient longevity, quality of life, and admission rate. DOPPS investigators publish results of their studies at medical conferences and in medical journals, which illustrate differences in dialysis practices performed in each country. Analyses of these differences are expected to lead to improved dialysis treatments that can be tailored to the needs of individual patients. The DOPPS reports

that Japanese hemodialysis patients show significantly better vital prognoses than those in the 11 other countries, which raises expectations that hemodialysis studies conducted in Japan will contribute to advancing dialysis practices not only for Japanese patients but also for those in the rest of the world. Another DOPSS research showed that the longer dialysis session patients receive the better prognoses they have. This finding led to a revision to the health insurance coverage for dialysis practices in Japan. Kyowa Hakko Kirin is committed to supporting the DOPPS and working with professional medical partners with the goal of helping patients around the globe have better prognoses by leveraging the company's expertise to facilitate the advancement in disease treatments.



DOPPS Symposium held in Yokohama

*Australia, Belgium, Canada, France, Germany, Italy, Japan, New Zealand, Spain, Sweden, United Kingdom, United States

Shareholders and Investors

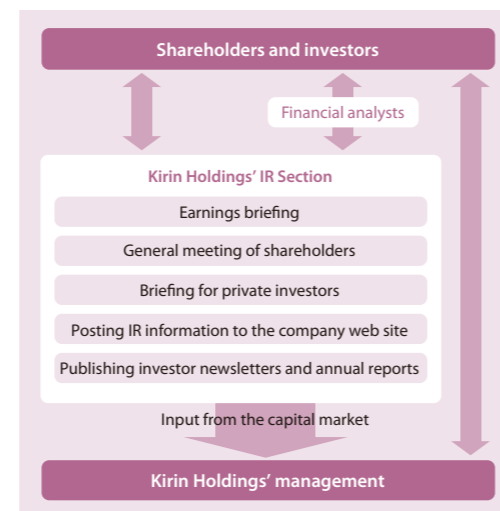
Timely and Fair Disclosure of Information

Our Goal

Interactive Communication between Management and the Capital Market

Kirin Holdings, a publicly traded company, values interactive communication between its management and its shareholders and investors when conducting investor relation (IR) activities. Kirin Holdings' IR Section updates shareholders and investors on the Group's growth strategy and its progress in an easy-to-digest manner. The section regularly forwards to the company's management comments and opinions that shareholders and investors provide as well as the section's own insights. This interactive process helps establish long-term relationships of trust between the Kirin Group and the capital market and increase the Group's corporate value. We ensure transparency, fairness, and continuity in disclosing financial and business information to shareholders and investors timely and appropriately.

Conceptual Diagram of Interactive Communication between the Capital Market and Management



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.

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.

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.

Investor Relations

Kirin Holdings discloses financial and business information on its web site to reach a broader range of shareholders and investors.
<http://www.kirinholdings.co.jp/english/ir/index.html>

Award-Winning IR Activities

In 2009, Kirin Holdings won the IR Grand Prix for maintaining excellent communication with investors from among 335 companies that participated in the IR Prime Business Awards competition organized by the Japan Investor Relations Association. The company was also recognized for its senior management's proactive attitude toward IR and its voluntary disclosure practices in the Awards for Excellence in Corporate Disclosure by the Securities Analysts Association of Japan.

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.

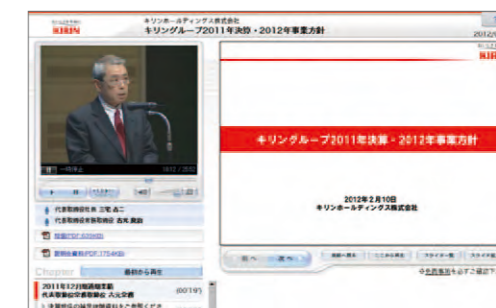
Keeping in Touch with Shareholders and Investors

Kirin Holdings keeps in touch with shareholders and investors through a variety of communication efforts, including earnings briefings, general

shareholders' meetings, investors briefings, the company web site, investor newsletters, and annual reports.

Top Management's Commitment to IR

Kirin Holdings' top management demonstrates their commitment to IR by making themselves available at earnings briefings* and other management briefing sessions to give presentations on the company's financial results and growth strategies. Our top executives also value the opportunity for direct contact with investors and shareholders; they make speeches at major conferences for institutional investors and meet with investors in small-group sessions. These forms of direct communication provide a common ground for the Kirin Group management and shareholders and investors to better understand each other.



Financial Results in the Investor Relations section of Kirin Holdings' web site

*Videos of recent earnings briefings are available for viewing in English on our web site.



Presentation Given in a Conference for Institutional Investors

In a forum that attracted institutional investors from around the world, Kirin Holdings President and CEO Senji Miyake discussed the progress that the Kirin Group was making in accomplishing its Medium-Term Business Plan for 2010-2012 as a step toward achieving Kirin Group Vision 2015. He also talked about the Group's strategy for becoming an integrated beverage group in Japan and abroad, as well as about an outlook for its newly acquired beverage business in Brazil.

Socially Responsible Investment Indexes

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

around the world evaluate corporations' CSR performances and publish SRI indexes among good performers. As of December 2011, Kirin Holdings was included in the following SRI indexes.





Accountable Management

Our Goal

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

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

Our Approaches

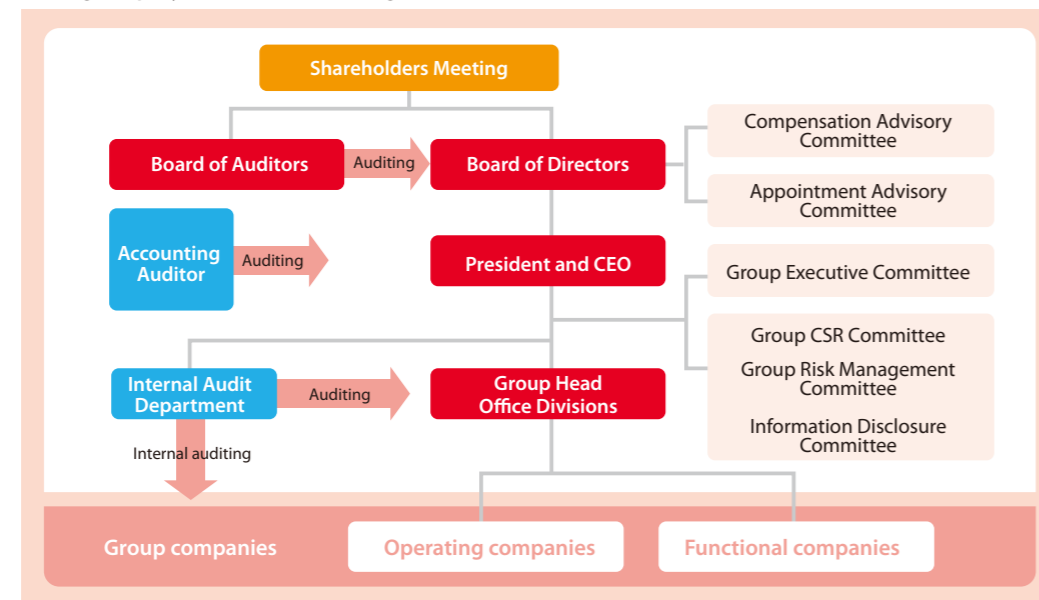
The Kirin Group has been operating under a pure holding company system since July 2007 so as to optimize its corporate structure for sustainable growth. Kirin Holdings—the Group's holding company—oversees its operating subsidiaries engaged in alcohol beverages, non-alcohol beverages and foods, and pharmaceutical businesses, and manages functional entities that provide back-office support and services for the entire Group.

The Kirin Group's corporate governance is structured to facilitate the quantum-leap growth outlined in the Kirin Group Vision 2015 long-term business plan. A division of roles and responsibilities is established between Kirin Holdings and its subsidiaries to enable the former

to drive group-wide growth while allowing the latter to exercise autonomy and flexibility and still allowing all of them to work together to add value to the entire Group. This structure also streamlines each entity's decision-making process and helps make its business management more transparent and sound, combining to maximize the Group's corporate value.

Kirin Holdings operates in a transparent and efficient manner. The Board of Directors and the Board of Auditors underpin the Group's corporate governance structure. The Compensation Advisory Committee and the Appointment Advisory Committee, both of which include external directors, are in place as well as other committees that perform specific decision-making and

Holding company structure (Kirin Holdings)



execution functions. The Board of Directors makes decisions on significant business and legal matters. Internal directors, corporate auditors, and division heads meet in the Group Executive Committee as needed to review and to decide in a timely fashion on proposed strategic and investment plans that affect two or more business units or that have group-wide implications. The Compensation Advisory Committee and the Appointment Advisory Committee advise the Board of Directors on compensation and appointment of directors and auditors. The Compensation Advisory Committee—consisting of four directors, including the president and one external director—recommends to the Board of Directors a proposed compensation system for directors and auditors and levels of remuneration for them that are reasonable, fair, and in line with the business environment and performance. The Appointment Advisory Committee also comprises four directors, including the President and one external director, and proposes to the Board of Directors candidates for directors and auditors. Two advisory staffers assist the auditors. In

addition, the Internal Audit Department in Kirin Holdings—independent of the auditors—audits the company and its subsidiaries to ensure that internal controls are maintained within the Group. External directors use the practical, objective, and professional perspectives accumulated from years of experience in corporate management to ensure that the Board of Directors makes the right decisions and exercises prudent management oversight. Kirin Holdings does not provide full-time assistants to external directors; the Secretary Section in the Personnel and Administration Department provides administrative support to internal and external directors. To facilitate the Kirin Group's CSR efforts, the Group CSR Committee manages and coordinates them, and the Group Risk Management Committee oversees risk management and compliance as a basis for CSR. In addition, the Information Disclosure Committee plays an advisory role in determining what information to disclose to shareholders and investors and ensures management transparency through the timely, truthful, and fair disclosure of information.

Convening of and Attendance at Board of Directors Meetings, Board of Auditors Meetings, and Committees

Board of Directors	The Board of Directors meets once a month and on an ad hoc basis as needed. In fiscal 2011, 19 scheduled sessions of the Board of Directors were held, with an average attendance rate of 79% by external directors.
Board of Auditors	The Board of Auditors meets once a month and on an ad hoc basis as needed. In fiscal 2011, 13 scheduled sessions of the Board of Auditors were held, with an average attendance rate of 94% by external auditors.
Committees	In fiscal 2011, four sessions of the Compensation Advisory Committee were held, with an average attendance rate of 100% by committee members. The Appointment Advisory Committee convened seven times during the year, with an average attendance rate of 100% by committee members.

Maintaining Internal Control System

The Kirin Group has defined the outline of a system for ensuring the appropriateness of business operations, based upon which it maintains an internal control system and makes continual improvements. To make incremental enhancements to the system, lead units,

designated for each area of control, monitor the ongoing operational status and issues against targets set for each year, and use the results as a basis for setting targets for the following year. Monitoring results are regularly reported to 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

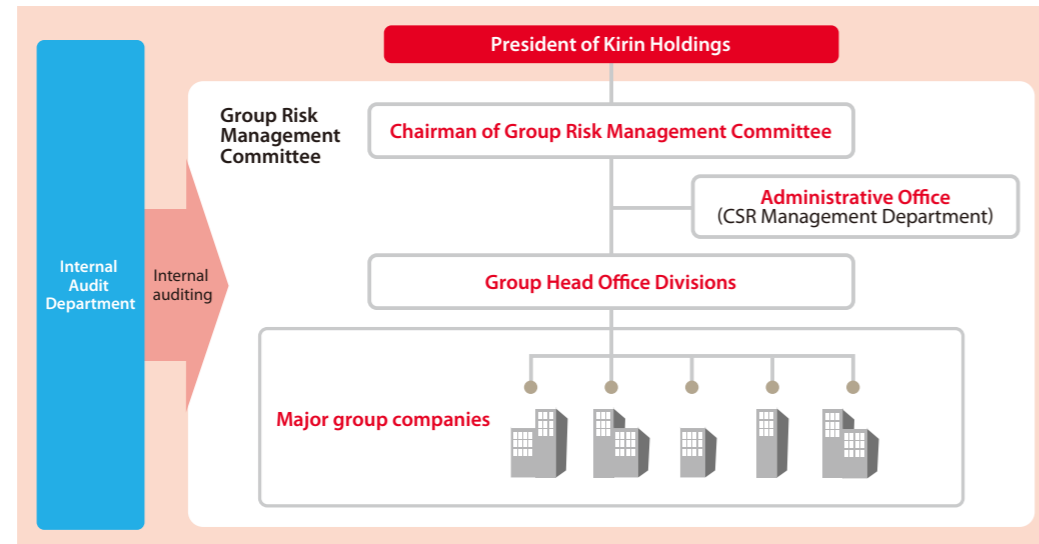
Risk Management

Risk Management

The Kirin Group focuses its risk management efforts on preventing risks from materializing and affecting its business. When we implemented the pure holding company structure, we established a risk management system based on the Group Risk Management Rules. This system is employed in consolidated subsidiaries around the globe

to ensure the effectiveness of risk management throughout the entire Group using the PDCA cycle. Under this system, we identify and manage significant risks that could affect the entire Group, and each Group company makes it part of its business plan to manage its own significant risks.

Group Risk Management Committee



Crisis Management and Business Continuity Planning

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

group-wide crisis readiness. In the wake of the Great East Japan Earthquake that struck in March 2011, the Group Risk Management Committee has enhanced business continuity planning by upgrading initial-response plans against disasters and expanding the scope of disaster preparedness.

Enhancing Information Security

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

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

Compliance

Compliance

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

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

Compliance Guidelines

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

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



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

Compliance Training

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

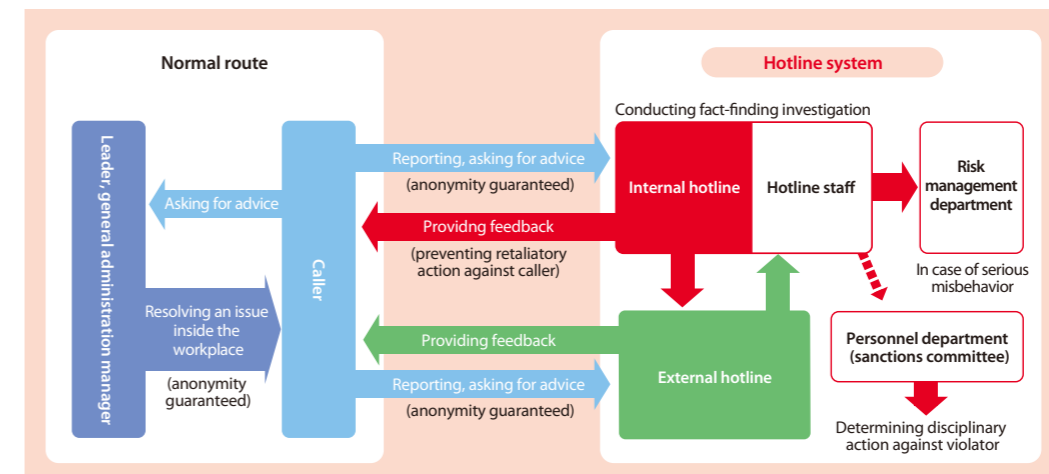
them but something they have to do; that they are expected to give their superiors information with not only positive but also negative implications timely and accurately; and that they need to act in an open and fair manner. Employees grasp these basics of compliance to become sensitive to changes in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

Compliance Hotline

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

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

How Hotlines Work



Third-Party Opinion

The Great East Japan Earthquake and the subsequent incident at the Fukushima Daiichi Nuclear Power Plant made many Japanese business leaders learn the hard way that a healthy business needs a healthy society to prosper. This report explains how Kirin Brewery's Sendai Plant and Kirin Group's other facilities sustained damage from the earthquake. My hat is off to the people who worked hard to bring those facilities back to what they used to be. I read with particular interest the special section of this report that discusses the Kirin Group's efforts to "review and upgrade its preparedness for natural disasters to enhance its ability to handle disaster recovery and maintain business continuity" and to "upgrade safeguards against radioactive contamination." Of equally keen interest to me was the feature story about the Kirin KIZUNA Relief-Support Project, to which the Group is contributing 6 billion yen over three years. It is especially heartening to know that every employee was retained and back in the Sendai Plant after the earthquake to make the special edition of Kirin Ichiban using hops harvested in Tono in the Tohoku region.

I respect Kirin Group's candor when it announced that it would step up disaster preparedness and would continue to proactively help bring normalcy to the affected areas through day-to-day business and community investment. When an earthquake disrupts the normal functioning of society, there is nothing for which businesses can be blamed. But in other cases, business activities could directly or indirectly compromise the soundness of society. The important thing is whether a business is willing to publicly admit its responsibility. I applaud the Kirin Group's commitment to addressing global environmental threats and alcohol-related problems by organizing and directing group-wide efforts to reduce environmental loads throughout its value chain and by leading a moral crusade against irresponsible drinking. The Kirin Group is at the forefront in the Japanese beverage industry for taking novel approaches to these challenges, such as quantifying its value-chain CO₂ emissions using Scope 3 Standards; recycling used PET bottles into new PET bottles; and aggressively marketing non-alcohol, beer- and wine-tasting beverages. On the other hand, the Kirin Group might want to take a more insightful perspective to understanding other critical social issues. For instance, the Kirin Health Project should be driven not merely by consumers' growing health needs but more by the acknowledgement that many people are experiencing deteriorating health. An insight into reality in which people are suffering from obesity, lifestyle-induced diseases, food allergies, atopic dermatitis, and mental disorder would reveal that the Kirin Group's business is vulnerable to these health issues, that the Kirin Group may be unwittingly causing them, and that the Kirin Group can do a lot to proactively address them in the normal course of business. Likewise, I would suggest that the Kirin Group pursue a



Head of ESG Research Center
The Japan Research Institute, Limited

Eiichiro Adachi

more aggressive strategy for conserving biodiversity and for accommodating employees' work-life balances. Furthermore, the Kirin Group's value chain is vulnerable to concerns that the global food supply and water resources can hardly keep up with the growing population and that overly aggressive food production may aggravate human rights issues in food-producing communities. I would like to know how the Kirin Group will secure multiple sources of raw materials to reduce risks and how it will realize local production for local consumption.

A company's CSR efforts used to be judged by their scope and scale. Today, what counts more is a company's commitment and determination to keep abreast of social issues, to prevent its operations from making them worse, and to provide solutions to them. Internationally accepted codes of conduct, standards, and guidelines for social responsibility should be used only as a basis to formulate a company's blueprint for CSR initiatives. Meeting those standards and guidelines is only half the story.

A corporation can be indifferent to social issues and still make a profit with savings in social and community investments going directly to the bottom line—but only for a short term. Such a socially aloof company is unlikely to remain the market's favorite for long. This realization motivates a company to pursue excellence in social responsibility. I assume that the Kirin Group management thought along this line when developing a theme for its medium-term business plan for 2010-2012: "three years to implement key initiatives and achieve a qualitative expansion." I hope the Kirin Group will become a corporate group that passionately cares about the soundness of society.

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

How We Act Upon Expert Advice



Seiichi Hashimoto
Managing Director,
Kirin Holdings Co., Ltd.

First of all, we appreciate Mr. Adachi's review of our sustainability report for 2012. The Great East Japan Earthquake, which struck in March 2011, prompted us to reflect upon what corporate social responsibility truly meant to us. While we were struggling to bring Kirin Brewery's heavily damaged Sendai Plant back to normal operation, we extended many forms of assistance to speedy reconstruction in affected communities in the Tohoku region. Mr. Adachi's kind words make it all worthwhile. Our relief-support project is not over yet. The entire Kirin Group is committed to continuing to assist people in the region in their reconstruction efforts. Following Mr. Adachi's advice from last year, we have made this year's report more informative to readers by covering a broader range of our CSR activities and discussing how we incorporated the outcomes of stakeholder dialogues into our CSR activities. We take seriously Mr. Adachi's comment that the Kirin Group could use a more insightful perspective to understanding critical social issues. His advice will be incorporated into our CSR planning. The Kirin Group serves customers and society in the food and health fields. We value comments and suggestions our stakeholders give us so that we can serve them better. We appreciate your feedback.

Public Recognition

Kirin Group companies have received public recognition and awards for their achievement in diverse areas. The following are five of the awards we have received from authoritative organizations.

Month/Year	Award
April 2011	Prime Minister's Award for Afforestation Promotion for 2011 (Kirin Distillery's Fuji-Gotemba Distillery)
October 2011	Award of the Society of Soft Drink Technologists for new advanced pecology plastic bottles
November 2011	Rated as top Japanese company in the Carbon Disclosure Project's carbon disclosure score
March 2012	Outstanding Performance Award of the 15th Environmental Communication Awards
March 2012	Award for Achievement in Technological Research granted by the Japan Society for Bioscience, Biotechnology, and Agrochemistry for developing a comprehensive technology to analyze beer yeast for quality improvement

Information on Kirin Group Companies' Sustainability Efforts

Several Kirin Group companies report their CSR activities in English.

Kyowa Hakko Kirin Group CSR Report	http://www.kirin.co.jp/csr/env/report/index.html
Lion Sustainability Reporting	http://www.beverage.co.jp/csr/environment/index.html
CSR Section in Kirin Holdings' web site	http://www.kirinholdings.co.jp/csr/