

The Kirin Group CSR Report

The Kirin Group Corporate Social Responsibility Report

2006



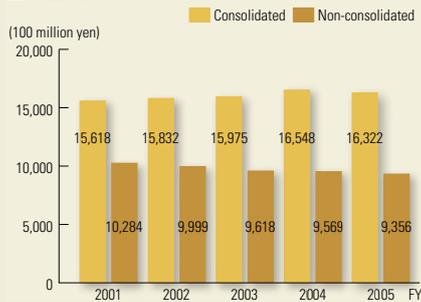
KIRIN

Company Profile

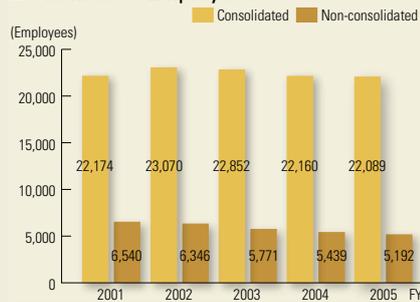
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|-------------------------|---|------------------------------|---|
| Trade Name | Kirin Brewery Company, Limited | Main Businesses | Manufacturing and marketing of alcoholic beverages, soft drinks, pharmaceuticals and other goods |
| Date of Incorporation | 23 February, 1907 | Business Locations | Head office, 6 regional headquarters, 31 branches, 35 branch offices, 12 plants (11 breweries, 1 pharmaceutical plant), 8 research laboratories, 1 hop management center, 8 pharmaceutical branch offices |
| Location of Head Office | 2-10-1 Shinkawa, Chuo-ku, Tokyo 104-8288, Japan | Number of Employees | 5,192 |
| Telephone | +81-3-5540-3411 (information desk) | Consolidated Group Companies | Consolidated subsidiaries: 257 Affiliates under the equity method: 16 |
| President and CEO | Kazuyasu Kato | | |
| Paid-in Capital | 102,045 million yen | | |

(As of December 31, 2005)

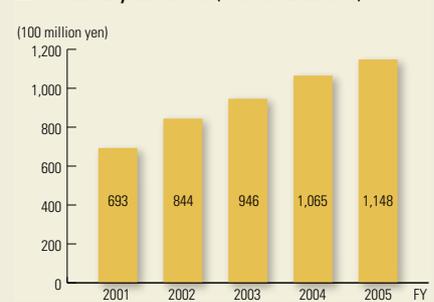
Sales



Number of Employees



Ordinary Income (Consolidated)



Alcoholic Beverage Business in Japan

As a comprehensive alcoholic beverage maker, we manufacture, distribute, and market a wide range of products such as flagship Kirin brands as Kirin Lager Beer and Kirin Ichiban Shibori Draft Beer, and other brands including Kirin Tanrei Nama, Kirin Nodogoshi Nama, Kirin Chu-hi Hyoketsu and Kirin Mugi Shochu Pure Blue.

Companies include:

- Kirin Communications Stage Co., Ltd.
- Kirin Logistics Co., Ltd.
- Kirin Engineering Co., Ltd. etc.

International Alcoholic Beverage Business

Outside Japan, we operate an integrated global alcoholic-beverage business. In addition to the manufacturing and marketing of Kirin Beer, our business operations involve Four Roses Bourbon and Raymond Vineyard & Cellar wines. As Asia and Oceania are our key markets, we have attempted to build a global network through investment in Lion Nathan Limited and San Miguel Corporation, while strengthening our business base in China.

Companies include:

- Kirin Brewery of America LLC
- Kirin Europe GmbH
- Kirin (China) Investment Co., Ltd. etc.

Soft Drink Business

With core brands including Kirin Namacha (green tea), Kirin Fire (coffee), Kirin Gogono-kocha (tea), Kirin Alkali-Ion-no Mizu (water), and Volvic, Kirin Beverage Corporation holds the third largest share in the Japanese soft drink industry in terms of the sales made in FY 2005. Kirin Beverage Corporation forms the core of our active commitment to our domestic and international soft-drink businesses, and our domestic foods businesses.

Companies include:

- Kirin Beverage Corporation
- The Coca-Cola Bottling Company of Northern New England, Inc.
- Kinki Coca-Cola Bottling Co., Ltd. etc.

Pharmaceutical Business

Since initiating the pharmaceutical business in 1982 on the basis of biotechnological capabilities we have developed from brewing-related activities, the Kirin Group has been promoting R&D and business development with much emphasis on areas such as nephrology, cancer and immunology and allergies.

Companies include:

- Kirin-Amgen, Inc.
- Jeil-Kirin Pharmaceutical Inc.
- Kirin Kunpeng (China) Bio-Pharmaceutical Co., Ltd. etc.

Nutrient Food Business

We continue to offer our customers new value through "food and health", particularly in the area of healthy foods and seasonings.

Companies include:

- Kirin-Well foods Co., Ltd.
- Takeda-Kirin Foods Corporation etc.

Agribio Business

We operate a seed and potato business based on our R&D capabilities and global network. We market cut flowers such as Kirin Mum (chrysanthemum) and Kirin Clavel (carnation), potted plants including Calandiva (double kalanchoe), the Kirin Wave (petunia) and other flower seedlings, and Cynthia (potato), offering new ideas for a life with flowers and a rich eating lifestyle.

Companies include:

- Kirin Green and Flower Co., Ltd. etc.

Real estate Business

Our real estate business includes leasing of office buildings, housing, commercial facilities and other properties, operation of hotels, real-estate management and consulting, effective use of idle property, and large-scale development of former factory sites.

Companies include:

- Kirin Building Management Co., Ltd. Kirin Hotel Development Co., Ltd. etc.

Food Business

Our food businesses are managed by Nagano Tomato Co., Ltd., which manufactures agricultural products made of locally grown foods, and Yonekyu Corporation, which manufactures and markets meats, processed meats and other products.

Companies include:

- Nagano Tomato Co., Ltd. ● Yonekyu Corporation etc.

Editorial Policy

Kirin Brewery has been publishing the "Environmental Report" since 1994. During this period, we have reported on our economic and social activities in addition to our environmentally focused initiatives. In March 2005, we established a CSR & Corporate Communications Division in order to spearhead the Kirin Group's CSR initiatives, resulting in the change of the name of the report from the "Environmental Report" to the "CSR Report." "The Kirin Group CSR Report 2006" is the second report published since then. Although having a room for further improvement, it focuses on our initiatives aimed at gaining the trust of all of our stakeholders including our customers, shareholders, local communities, suppliers and employees. The Kirin Group CSR Report 2006 was edited based on the following policy:

(Note: CSR is the abbreviation for "Corporate Social Responsibility," the Kirin Group defines CSR as "an approach to earn the trust of the society.")

- We have endeavored to clearly and concisely describe the Kirin Group's thoughts and activities aimed at contributing to a sustainable society.
- In describing our activities, we have attempted to show our reasoning behind them as well as our future plans.
- We have used the following documents as references:
"Environmental Report Guidelines (Fiscal 2003 version)" published by the Ministry of the Environment and the "GRI Sustainability Reporting Guidelines 2002." (The comparison table for the GRI Sustainability Reporting Guidelines 2002 is scheduled to be available on our Website.)
- Although the reporting period is from January to December 2005, we have also included some activities and initiatives taken in 2006.
- The boundary for this report covers Kirin Brewery Company, Limited and its main affiliates.
- In order to enhance objectivity and transparency, we have had the environmental information in this report verified by a third party, and we have made available its comments. As a result of this verification, we have been authorized to use the logo below. This logo indicates that the reliability of the environmental information in the Kirin Group CSR Report 2006 meets the standard for environmental report screening and logo use defined by the Japanese Association of Assurance Organizations for Environmental Information (<http://www.j-aoei.org/>).



Index

CONTENTS

| | |
|--------------------------------------|---|
| ■ Company Profile | 2 |
| ■ Contents/Editorial Policy | 3 |
| ■ Commitment of Top Management | 4 |
| ■ The Kirin Group's CSR | 6 |

Highlights

| | |
|--|----|
| ■ Dialogue with Society – Working together for Kirin's CSR ... | 8 |
| ■ CSR Workshop | 12 |

Governance

| | |
|------------------------------------|----|
| ■ Corporate Governance | 14 |
| ■ Risk Management/Compliance | 16 |

Economic Report

| | |
|---|----|
| ■ Economic Relationship with Stakeholders | 20 |
|---|----|

Social Report

| | |
|--|----|
| ■ Making the most of Customer Feedback | 22 |
| ■ Commitment to Product Quality | 24 |
| ■ Relationship with Suppliers | 27 |
| ■ Our Responsibilities as a Maker of Alcoholic Beverages ... | 28 |
| ■ Making Kirin a Great Place to Work | 30 |
| ■ Partnership with the Community | 33 |

Environmental Report

| | |
|--|----|
| ■ The Kirin Group's Environmental Philosophy | 36 |
| ■ EcoBalance | 38 |
| ■ Targets and Results | 40 |
| ■ Promoting Environmental Management | 42 |
| ■ Environmental Accounting | 43 |
| ■ Initiatives for Water Resources | 45 |
| ■ Initiatives for Packaging | 48 |
| ■ Initiatives to Prevent Global Warming | 51 |
| ■ Initiatives for Resource Recovery | 55 |
| ■ Independent Verification of Environment Report ... | 58 |

Strengthening CSR activities to gain social trust and attain development of the Kirin Group

CSR through our main businesses

Since 2005 when we defined CSR as an approach to gain the trust of society, we have been striving to be open and honest in conducting our business activities. Companies are supported by various stakeholders including their customers, suppliers, and employees. It is my view that our stakeholders are partners required for better management of the Kirin Group.

It is also my recognition that corporate entities have a need to contribute to society through their own business activities as the



need for each individual, as a responsible citizen, to make social contributions of any kinds has been increasing. I believe that this is what a commitment to CSR is truly about. That is, I believe that the Kirin Group must make contributions to society through either its main business activities or activities that are related to them. This belief forms the basis of our commitment, and is the most important factor if we are to achieve Kirin's CSR.

Through the day-to-day actions of each individual

In fiscal 2006, the Kirin Group has five key CSR initiatives: compliance, safety and reliability, protection of personal information, raising awareness of responsible drinking, and protecting nature. Each of these initiatives is indispensable for the Kirin Group given that nearly all of our products are made from the bounty of nature, and delivered unchanged from our plants straight to our customers. Although the five key initiatives I have listed above are company initiatives, each of our employees can also carry them out. Initiatives for compliance, protection of personal information, and responsible drinking in particular are all demanded of every employee as part of their day-to-day work, or as contributing members of society. All employees are striving to achieve the safety and reliability



initiative through quality management and quality assurance activities where we manufacture and sell our products. They are also promoting the nature-protection initiative through their day-to-day operations that involve efforts to conserve energy and achieve zero emissions of waste. To reiterate, it is vital for every Kirin Group employee to perform their day-to-day duties with a focus on CSR and an awareness of its importance. In this sense, I think it is important that every group employee reads our CSR report and deepens their understanding of our CSR initiatives in order to enable the group to act as a united whole.

Respecting the spirit of the Global Compact

In September 2005, we announced our support for the United Nations Global Compact. The Global Compact consists of the 10 principles concerning human rights, labor, environment, and anti-corruption. It was first proposed by the United Nations Secretary General Kofi Annan to lead companies around the world to achieve a more sustainable and inclusive global economy. This could also be taken as "promises to the international community" in conducting corporate activities. Kirin Brewery Company and each company in the Kirin Group respect the 10 principles in their own

corporate activities, both in Japan and in our increasingly profitable international operations, to contribute to a sustainable society.

The value of communication

As it can be seen from the fact that we have established a CSR & Corporate Communications Division, we believe that communication with a wide range of stakeholders is vital for the Kirin Group's CSR. The recognition of the importance also led to the involvement of outside experts in our Group CSR Committee. In drawing up this CSR report, we held a dialogue with multiple stakeholders in order to clarify what CSR should mean for the Kirin Group. Judging from the views gained through this dialogue, it has become clear that we would still face many challenges for helping to achieve a sustainable society, but I believe it is vital for the Kirin Group to maintain its strong commitment to CSR while maintaining communication with society.

A handwritten signature in black ink that reads "Kazuyasu Kato".

Kazuyasu Kato
President and COO
Kirin Brewery Company, Limited

The Kirin Group's CSR

The Kirin Group's activities are aimed at achieving our corporate philosophy. It is vital that we earn the trust of society through the achievement of this philosophy in order to play our role in society as a global citizen. We define CSR as an "approach to earn the trust of the society", and in May 2005, we created "The Kirin Group CSR Declaration" so that every employee working in the Kirin Group deepens their understandings of this approach, and reflects it in daily business activities. We will continue to maintain a dialogue with society and nature as we promote our CSR.

The Kirin Group Slogan

Ureshi-o-tugi-tugi-to meaning "One Happiness After Another"

KIRIN

Corporate Philosophy

We contribute to the health, enjoyment and comfort of people all over the world.

Corporate Guidelines

Customers Standards / Quality Standards

We strive to develop our own technologies and supply products and services that are valuable to customers.

Fair and Open Activities

We strive to be a trustworthy corporate group by engaging in fair and open business activities.

Respect for Humanity

We strive to be a corporate group in which individual employees can exercise their initiative and creativity and enjoy a rewarding work life.

Sound Management

We strive to develop our management infrastructure from a long-term and global perspective and to continuously fulfill our responsibilities to customers, shareholders, the communities where we do business, and employees.

Social Contributions

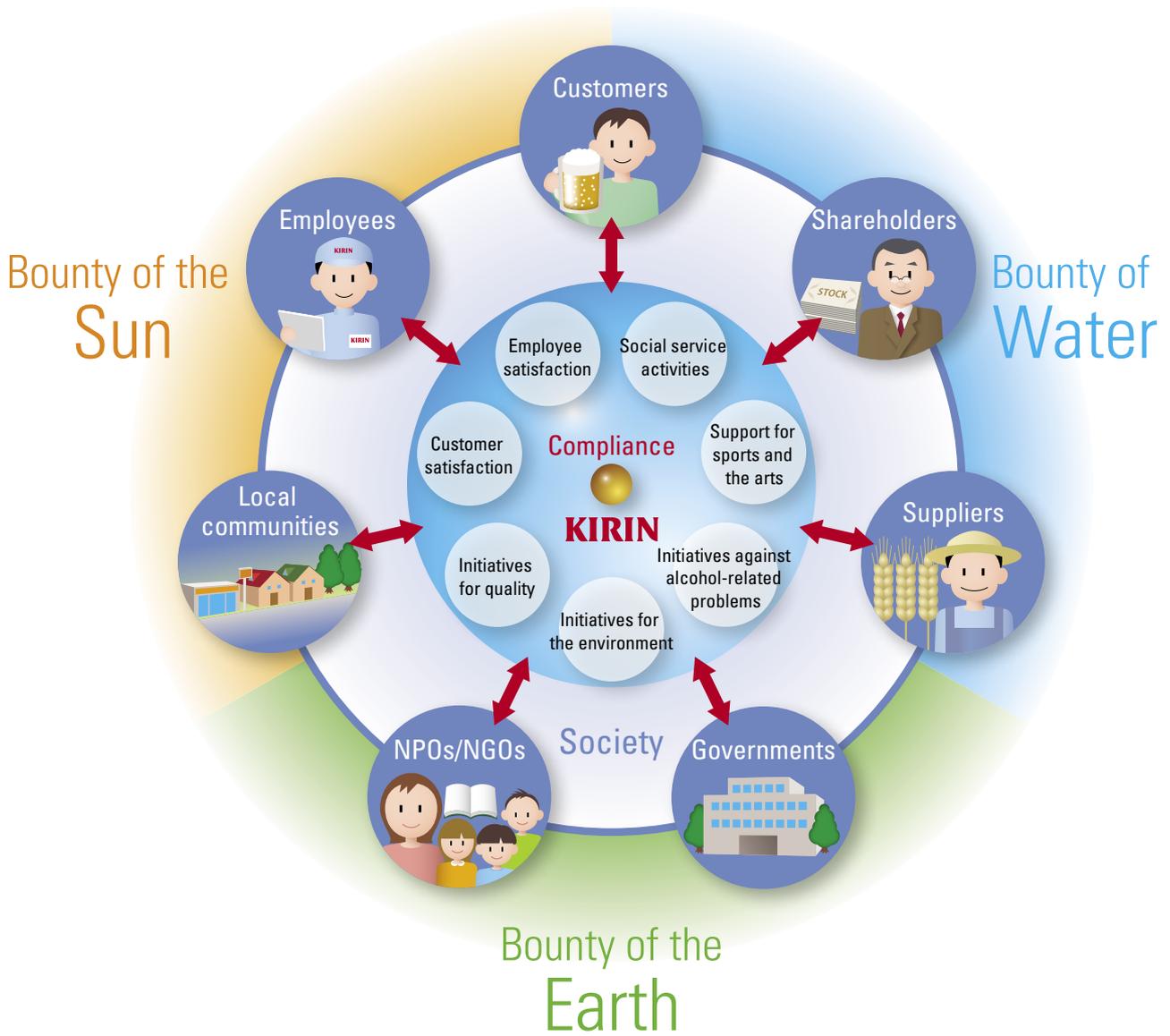
We continuously strive to make positive contributions to society and to take global environmental concerns into consideration in our business activities.

The Kirin Group CSR Declaration

The Kirin Group contributes to the development of a sustainable society through its business activities centered on food and health.

Each management and employee are proactively involved in these initiatives.

- We provide safer, more reliable, and better quality products and services in response to the expectations of our customers.
- We undertake business activities harmonizing the global environment, and strive for its conservation.
- We contribute to resolve social issues to enrich people's lives through engaging and supporting various activities.
- We provide a workplace that is rewarding and facilitate personal development of our employees.



Relationship with Stakeholders

The Kirin Group is supported by society including our customers, shareholders, local communities, suppliers, and employees. Also, the bounty of nature is the source of our products. This is why we are putting an emphasis on communication with our stakeholders to promote Kirin's CSR in a way that can contribute to a sustainable society and the global environment.

Declaration of Participation in Global Compact

In September 2005, the Kirin Group announced its support for the United Nations Global Compact. The Global Compact is an initiative proposed in 1999 by U.N. Secretary General Kofi Annan, calling on global corporations to act as responsible corporate citizens. The Kirin Group fully supports the philosophy of the Global Compact, and will continue to act as a responsible corporate citizen.

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 Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labor;

Principle 5: the effective abolition of child labor; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies

Anti-Corruption

Principle 10: Businesses should work against all forms of corruption, including extortion and bribery.

Dialogue with Society

Working together for Kirin's CSR

On January 23, 2006, we held our first Dialogue with Society, inviting experts from a variety of fields to discuss what is expected of Kirin to achieve a sustainable society.

Peace of mind is derived from the perception that a company is reliable

MC I'd like to start by asking your opinion on the issue of most concern to Japanese society: safety and trust.

Yoshikawa I once heard that the difference between safety and trust is that a company provides safety by disclosing information, and people feel peace of mind and trust when they get persuaded by this information. A company does not provide trust. I think this is a distinction that must be clearly made.

Kanda I agree. Safety leads to peace of mind. In other words, consumers feel peace of mind when they are convinced of safety. In the past few years, there have been a number of incidents that lowered companies' trust. Since you cannot see inside of companies, you end up thinking that this has got to be just the tip of the iceberg. If a company does not want to be treated this way, it should improve its transparency by providing information to consumers as equal partners.

Yasui Speaking on the difference between safety and trust, safety is probably something you can show objectively using data. Trust, or peace of mind, on the other hand, is something psychological that consumers

could have after seeing the data. So I think that two points are essential here: how much information the company can offer showing it is safe, and how reliable those figures are perceived to be. Frankly, the level of safety that has been achieved in Japan today is so great that consumers can trust companies unconditionally. On the other hand, sometimes we are convinced that something is safe when it's not necessarily so.

Open and honest disclosure of appropriate information is the key to earning trust

Akiyama I think that the Japanese had more confidence in their food 10 years ago. Recent incidents threatening the safety of food is making people a little skeptical.

I think there are two keys to giving consumers peace of mind and winning their trust. A first is open and honest disclosure. By this I mean whether a commitment to full disclosure, even of negative information, is visible in the product. The other key is the reliability of the company itself. Reliability is something a company builds through its day-to-day work. It is important for all employees to pervasively hold the mentality of providing safety, of never faking safety, and of wanting to give





the customer peace of mind. The Kirin Group has been doing a lot of things, but I think that it has not got what it deserves in some areas because it has not necessarily been able to effectively communicate its activities.

Kanda To be sure, labeling is vital. People don't feel trust by reading a publication like a CSR report; they feel it through products. People feel peace of mind when a product displays accurate information about the producer, and when the label does not contain fabrications, nor does it cause misinterpretation. To be honest, there are some problems with Kirin's product labels. The information is hard to find as it is not shown in the same place on all products, and the colors of the labels and text are similar. There is a gap in capability between companies and consumers. For one thing, companies have expert knowledge that consumers often lack. I think it's important that companies do not forget this.

It is important to communicate both the positive and negative side of alcohol

MC Next, I'd like to ask you about what kinds of initiatives we should take as a company that produces and sells alcoholic beverages.

Kanda I think that initiatives like distributing brochures at schools and making videos as part of our alcohol-related educational activities are very good ways to raise awareness. But it is even more important to raise awareness through your products. Getting back to the question of labeling, while it's true that your products have warnings about underage drinking and drinking when pregnant, they give the impression that they were slapped on as an afterthought. If the Kirin Group really wanted to communicate to the buyer about appropriate drinking, I think information could be labeled in a



different way. While it would be simple if the buyer saw that label and didn't drink, I think that the seller also has a responsibility, because driving under the influence of alcohol can cause truly tragic accidents.

Akiyama As a manufacturer, you should make sure you communicate the negative as well as the positive aspects of alcohol. Needless to say, some of these things are hard for one company to do alone, so as a top manufacturer, I hope you should take some leadership roles within your business associations. I'm sure this will make you more competitive and make your products more appealing.

Yoshikawa I especially believe that the entire industry should work in partnership to raise awareness of the harmful effects. Meanwhile I think it would probably be good to communicate how to enjoy alcohol and the beneficial effects through commercials and the collaboration with cultural centers and the like. Instead of showing commercials that create associations with chugging beer, the Kirin Group should show a scene of beer being enjoyed in a family setting. Just changing the setting of the commercial will have a significant effect.



I think it's important for a company to be a pioneer, offering new ideas that its customers have not noticed or imagined before.

Kiyoshi Yoshikawa
 Manager
 Management Communications Group
 Corporate Environmental Management Department
 and Director, CSR Office
 Matsushita Electric Works, Ltd.



Products link consumers to companies. The Kirin Group should do more to communicate its commitments to safety and a sustainable society through its products.

Toshiko Kanda
 General Secretary
 The National Liaison Committee of
 Consumers' Organizations

Akiyama I would like to add that the Kirin Group's employees probably have a lot of opportunities to drink alcohol, so they should lead by example, for instance by not drinking and driving. This would also be valuable for risk management. If a scandal involving alcohol erupts in the Kirin Group, people might say, "It's because it is a beer company." That could bring unnecessary criticism down on you.

Yasui I agree with everything you all have said regarding responsible drinking. What worries me is that not enough attention has been paid to the cultural aspects of alcohol. Given the danger of adverse physical and psychological effects if alcohol is misused, why do so many people drink? It's because alcohol is a tool for adding pleasure to life. I believe such cultural relationship between people and alcohol should be communicated more to the people. Incidentally, there are data showing that Japan is the only country in the world where for some reason women who drink live longer than women who do not.



Making a business sustainable from the stage to gain the raw materials to the production process

MC As our final topic, please comment on what Kirin should do to help achieve a sustainable society.

Yasui With resources, there are already some elements that are globally unsustainable. The key concepts are renewable energy, population control in developing countries through education, and change in our sense of values. It may take centuries to change our sense of values, but we are now at a turning point. It would probably be good for Kirin to objectively look at the relation between people and the Earth, and communicate the message that you always take this relation into account.

Yoshikawa Japan indirectly imports a great amount of water through the import of agricultural products (Virtual water*). Beer makers can't make their products without water, so thinking from this global perspective could show a new avenue to achieving a sustainable society.

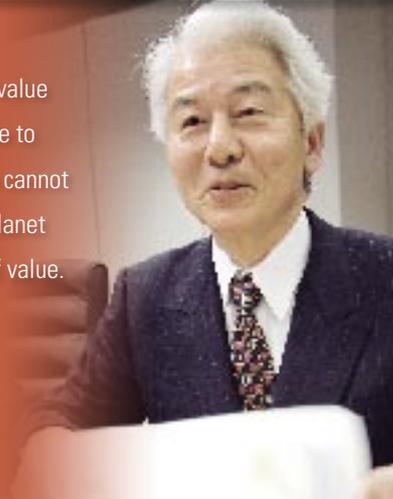
Yasui Japan imports 600 tons of water per person every year. Since Japan is abundant with water, there is no worry about us running it out in the foreseeable future, but if we were to begin supplying our own food, we would run into trouble.

Akiyama Are raw materials like water sustainable? What about production processes? The Kirin Group has got to gradually start thinking about sustainability in its business. It would be very persuasive if you create a clear vision for the Kirin Group, and show its commitment to achieving that vision.

*Virtual water: The amount of water that would have been needed to grow/raise imported agricultural and livestock products in the importer's country. This is based on the philosophy that the consumption of agricultural and livestock products (food) indirectly consumes water.

We have got to change our value system from increasing scale to increasing added value. We cannot achieve harmony with the planet unless we shift our sense of value.

Itaru Yasui
Vice-Rector
United Nations University



Companies build trust through their day-to-day work. It is vital for each employee to be aware that they are providing safety.

One Akiyama
President
Integrex Inc.



From scale to added value Today, a shift in the value system is needed

Yasui Companies have to earn profits in order to ensure its continued existence. I have the idea that a balance must be reached between hit products and products with a strong focus on sustainability. As an example of the latter, I hope Kirin will come out with a truly premium beer, with an air of culture, even at a price of 2,000 yen a bottle. Naturally, it should be in a returnable bottle. A switch in values is needed for the sustainability of the Earth. The age of competing on quantity is over. We cannot achieve harmony with the planet unless we shift our value system from quantity to more quality focused. My hope is that you make products that epitomize this. Highly recreational products like beer might have a role to play in guiding consumers to become oriented toward higher added value. In terms of the company's bottom line as well, it has become ineffectual to compete on scale by increasing sales. It follows that the Kirin should switch its focus to products with higher profitability.

While it is also important to listen to the views of stakeholders, accepting all views means you are marching in lockstep with the general public. Therefore, this is not the course that your company should take. I think that companies should lead consumers, always staying half a step ahead. Companies should play a pioneering role in society. That is a true meaning of corporate social responsibility.

Yoshikawa We would like to make our customers moved and delighted by offering things that they truly need, or things that they are not yet aware of. And for this, I think it is vital for companies to play a pioneering role.

Kanda In light of this, I hope the Kirin Group will play such a role only after it could figure out what consumers really need. That is the only way you can make good lifestyle suggestions. If the Kirin Group's perspectives become out of alignment, consumers won't support it. I am looking forward to seeing more product and lifestyle suggestions.

Akiyama Kirin has a wonderful corporate philosophy of contributing to health, happiness, and comfort of people around the world, so I think that in order to make a true contribution to society, you should put this corporate philosophy into practice.

Thoughts on the Dialogue with Stakeholders

We believe that CSR initiatives must: contribute to the sustainability of the company as well as society; be made through business activities centered on food and health; be conducted openly and honestly to society; and be carried out by each individual employee. In order to accomplish this, it is vital to maintain a dialogue with our stakeholders, and reflect this in each of our initiatives.

I regard the comments made today as a valuable reference as we work to make the Kirin Group's CSR activities an approach to earn the trust of the society.

Hideo Mori, Managing Executive Officer and General Manager, CSR & Corporate Communications Division



CSR Workshop

On June 18, 2005, we held a CSR workshop at the Kirin Nihonbashi Building in order to discuss how to fulfill our commitment to The Kirin Group CSR Declaration, created in May 2005, on a groupwide basis. With 22 people from 17 divisions attending, the workshop's goal was to discuss and share aspects of CSR that are critical for Kirin and Kirin's CSR with an objective of drawing up a CSR initiative plan.



In initiating workshop

Before holding the workshop, the departments to participate were interviewed. This was done in order to find a starting point for discussions of the future direction the Kirin Group should follow by asking each department about issues it is aware of in performing its day-to-day processes.

Based on the results of the interviews, the workshop considered the following three points:

- 1 Future changes in the external management environment
- 2 Expectations of each stakeholder towards the Kirin Group
- 3 Initiatives to meet the expectations of each stakeholder

Elaboration from a long-term perspective

The Kirin Group CSR Declaration contains the following pledge: "The Kirin Group contributes to the development of a sustainable society through its business activities centered on food and health". In order to fulfill this promise, we believe that a long-term perspective is essential, and for this reason, we made future changes in the external management environment a topic for consideration. We then discussed this topic with the key concept of sustainability. We debated on global issues including global warming and resource depletion as well as issues facing Japan such as its decreasing ability to supply enough food to feed ourselves, its low childbirth rate, and its aging population. The discussion was designed to share awareness towards the issues.

Elaboration from stakeholders' perspective

Next, the workshop participants considered the CSR activities expected of the Kirin Group from six perspectives: customers, local communities, suppliers, shareholders and investors, employees, and the environment.

The participants started the discussion by listing a large number of activities each of our stakeholders is believed to expect of us. The perspective was then switched back to the Kirin Group, and the participants analyzed the degree to which the group has met each of these expectations. The participants then cast a vote to identify critical CSR activities to be given priority. The following three unique Kirin CSR activities served as criteria when the vote was cast.

■ Three criteria for Kirin CSR activities





Future challenges

The workshop participants identified CSR initiatives to be undertaken for each stakeholder, and then rated their importance from the perspective of Kirin CSR activities. The table below classifies these initiatives according to the time frame in which they should be undertaken. These items are to be incorporated into the CSR initiative targets for the Kirin Group, when we formulate the next mid-term management plan.



■ Proposed for CSR activities by stakeholder

| Rank | Customers | Local communities | Suppliers | Shareholders and investors | Employees | Environment |
|------|--|---|--|------------------------------------|---------------------------------------|---------------------------------|
| 1 | Create safe products | Promote local economy | Promote CSR procurement | Select/focus on countries/regions | Ensure safety and health | Reduce greenhouse gases |
| 2 | Provide accurate information (product information) | Sound upbringing of the next generation | Supply-chain management | Select/focus on fields | Promote job motivation and evaluation | Promote container recycling |
| 3 | Provide accurate information (business activities) | Support culture and sports | Support farmer suppliers | Establish management system | Appropriate remuneration system | Reduce water usage |
| 4 | Encourage communication | Promote volunteer activities | Expand traceability | Appropriate information disclosure | Make use of female employees | Conservation of water resources |
| 5 | Develop health conscious products | Support for food issues in developing countries | Partnership with suppliers in container collection | Encourage communication | Vitalize the group | Reduce water and soil pollution |

Transparent and fair management practices



The Kirin Group's Governance ①

Corporate Governance

We are committed to strengthening corporate governance of the group as a whole in order to earn trust from both within and outside the company, and conduct fair and efficient management.

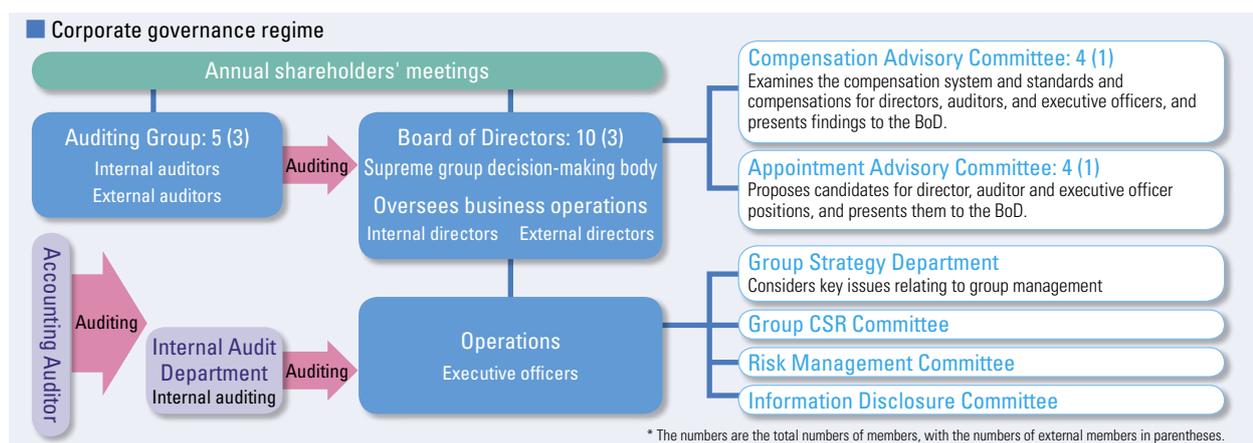
Corporate governance philosophy

At the end of March 2006, Kirin Brewery Company made some changes in its corporate governance system with the main goals of enhancing and speeding up decision making processes, and making management more transparent and sound.

The Board of Directors (BoD) is the highest decision-making authority in the group. In order to improve the business oversight and the quality of our decision making relating to important matters, the way the BoD is operated was improved, and our Management Strategy Committee was reformed into the Group Strategy Department.

In parallel, we also increased the number of external directors sitting

on our board in order to gather a broad range of external views, and dissolved the old Advisory Board, incorporating it into the new Advisory Group that serves as an advisory body to the Group CSR Committee. We have also created an Information Disclosure Committee as part of our internal control system, whose purpose is to serve as an advisory body for information-disclosure decisions. Additionally, after the Domestic Spirits division was converted into a company, we reorganized the Domestic Alcohol Strategy Committee into a Group Executive Committee, speeding up decision making by transferring authority to the company.



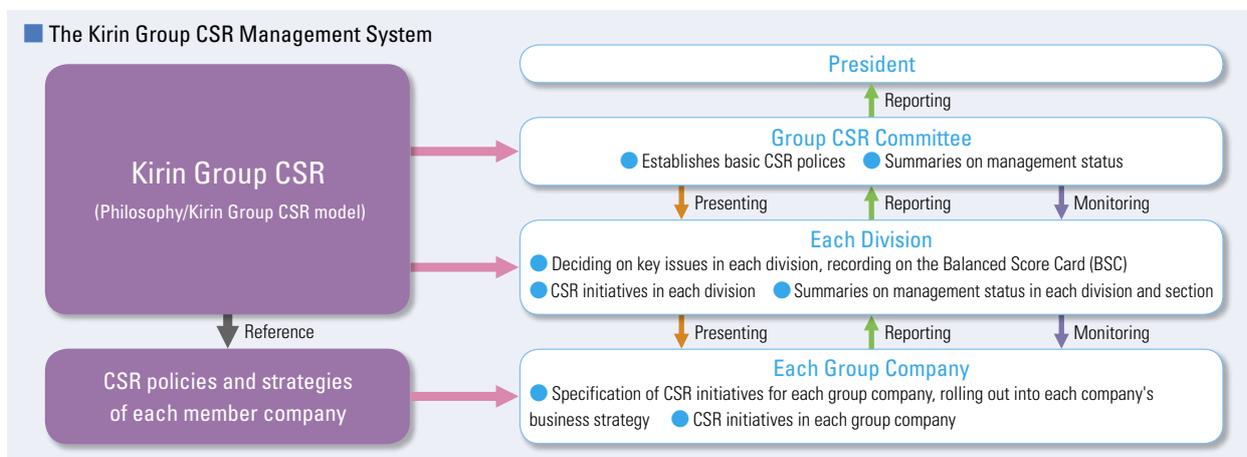
The Kirin Group CSR Management system

The Group CSR Committee was established in order to manage CSR for the group as a whole. It is designed to play a pivotal role in creating a cycle of reflecting feedback from our stakeholders in the CSR action policy, implementing the strategies, performing self assessments on them, and reporting the results back to our stakeholders.

Specifically, the committee determines key initiatives based on the Kirin Group CSR model, and incorporates them into the business strategies. Each department and employee then performs a PDCA cycle in accordance with these strategies. In order to perform the cycle, each department uses balanced scorecard procedures, which comprise our business management system, while each employee utilizes the

"Management by Objectives and Self-control" (MBO-S) system with targets and self management.

The Kirin Group believes that listening to stakeholder voices is vital for corporate social responsibility (CSR) management. We thus continually perform the following: (1) Listen to the views on our CSR initiatives by establishing an Advisory Group consisting of two external experts established in the CSR Committee (see p. 14); and (2) Suggest improvements internally based on the great deal of feedback received through the Customer Center (see p. 22). Additionally, in January 2006 we organized a Stakeholder Dialogue, where we received numerous feedbacks on our CSR activities (see p. 8).

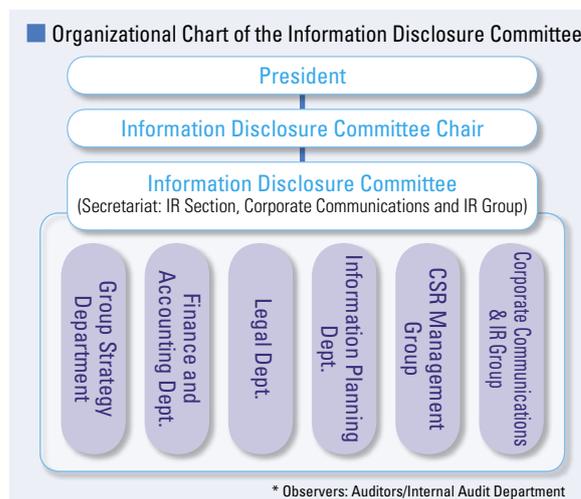


Establishment of the Information Disclosure Committee

The legal requirements on corporate management for responsibility and penalties relating to corporate governance have been strengthened in Japan and the United States in the wake of a string of crooked-accounting scandals in the United States involving Enron Corporation and WorldCom Inc., and a series of accounting scandals in Japan including window dressing in financial statements and forged securities reports. In Japan, managers are required to do the following under the guidance of the Financial Services Agency as an effort to regain the trust of investors: (1) implement internal control relating to appropriate financial reporting, and (2) create a system responsible for providing information to investors through the establishment of an internal information-disclosure system. Kirin Brewery established and initiated the Information Disclosure Committee in January 2006, which is the vital structural portion for the requirement. This is an executive committee positioned as an advisory body to the president, swiftly deciding on whether information is of importance to investors or whether its disclosure is required, and

providing recommendations to the president.

The setting of such a committee will help the Kirin Group to determine the appropriateness of the information to be disclosed based on improved procedures and criteria at an organizational level.



Risk Management/Compliance

At the Kirin Group, we hold that solid risk management based on compliance forms the cornerstone of CSR management.

Enhancing risk management and internal-control system

In June 2003, Kirin Brewery strengthened its risk-management structure, recognizing our corporate risk as "the influence of uncertainty on business and management activities". Specifically, we built a risk-management structure with companywide participation; all divisions and business locations play a primary risk-prevention role; the Risk Management Committee plays a secondary role; and the Internal Audit Department, which is responsible for our internal auditing, plays a tertiary role in risk prevention.

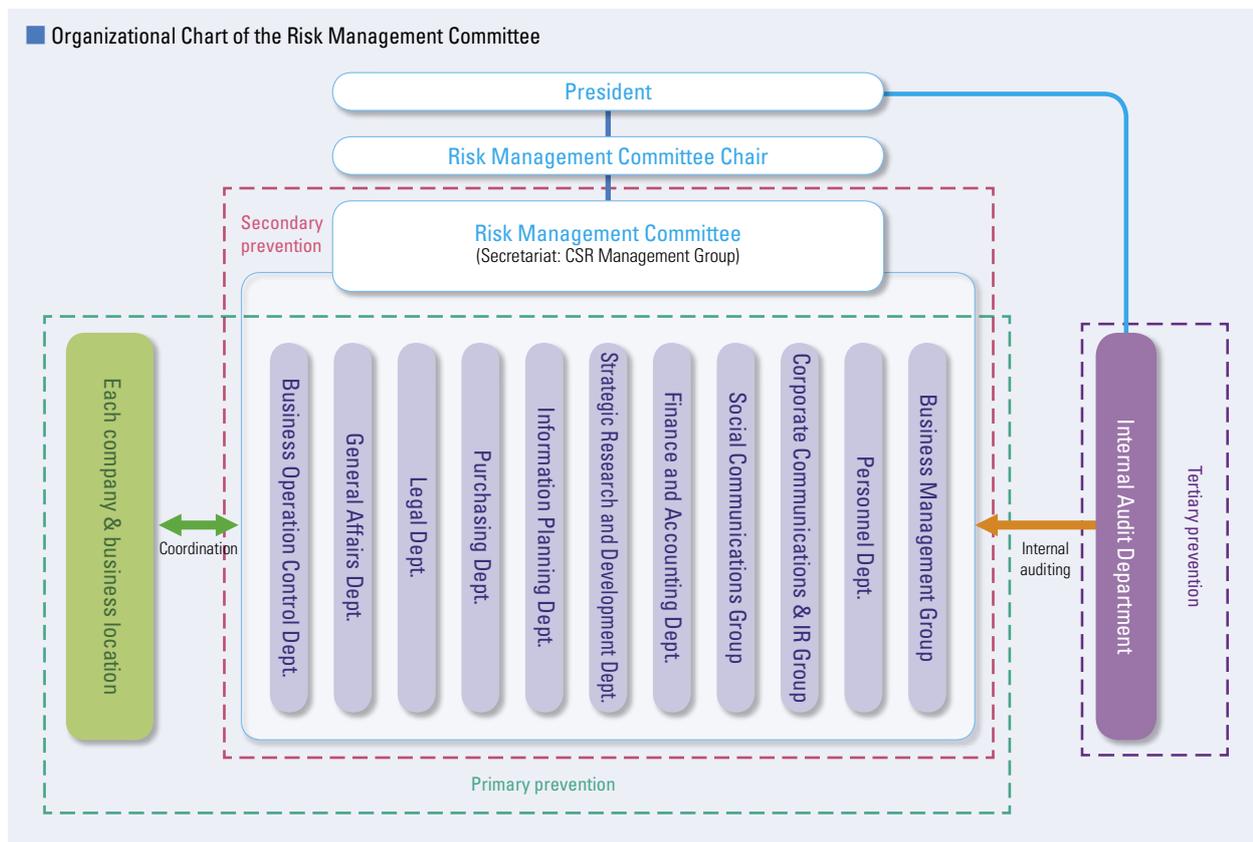
Kirin Brewery has a risk model consisting of three types of risk: external environmental risk, operational risk, and strategic decision-making information risk. Every year, each division and business location identifies potential risks according to this unified model, assesses each risk based on its potential impact and likelihood of occurring, and re-prioritizes the responses to those risks. We work to prevent and

minimize risks by incorporating a separate response to each risk into our business planning.

We have also established the Risk Management Committee in order to ensure solid risk management, which functions in accordance with our group risk-management regulations.

Additionally, the Internal Audit Department ensures that the risk management system is functioning from an independent and objective standpoint, and that internal controls are structured and operating properly by performing priority audits in high-risk domains.

In 2005, we created a risk management system manual. The state of risk response is checked at PDCA meetings with each division and our 23 group companies have introduced a risk management system. In 2006, we will work for its improvement with a focus on ensuring the establishment of the system and provision of the support to group companies.



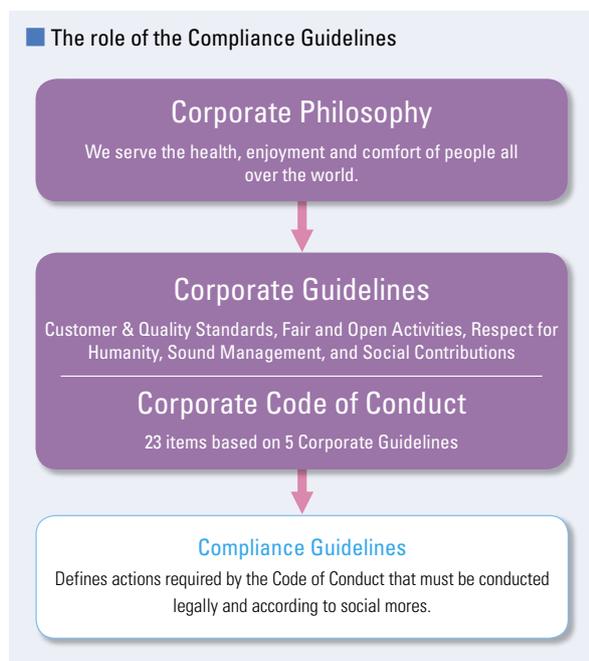
Ensuring thorough compliance

The Kirin Group recognizes compliance as the foundation of CSR, and conducts many activities aimed at strengthening compliance management. As part of these activities, Kirin Brewery revised its Code of Conduct in 2003, and created the Compliance Guidelines. Along with the Corporate Guidelines, the Code of Conduct serves as a benchmark for the business activities of each director and employee of the group companies. Two key revisions made in Corporate Code of Conduct are as follows:

- ① An overall reference to improving customer satisfaction was added in order to more clearly express our customer focused attitude.
- ② Certain items and wording were revised to reflect both changes in the social environment surrounding the Kirin Group and our attempt to enhance compliance.

Of those actions required by the Code of Conduct, the Compliance Guidelines defines actions that are prohibited or demanded of Kirin Brewery according to social ethics as well as relevant laws.

We have created a handbook titled "The RULE." that is intended to enhance each employee's understanding of and familiarity with the Compliance Guidelines, Corporate Philosophy, Corporate Guidelines, and Code of Conduct, and how the Compliance Guidelines is related to the rest. This handbook is distributed to all employees. They are also given a pocket card, "Action Self-Check Sheet". The Group CSR Committee (see p. 15) manages and oversees initiatives relating to compliance of the group as a whole.



"The RULE." handbook

Pocket card

Initiatives for compliance at the Pharmaceutical Division

The Pharmaceutical Division manufactures and sells products that is deeply related to human life. As such, its actions must be based on drug ethics in addition to general corporate ethics. For this reason, it has created and managed its own pharmaceutical compliance guidelines in keeping with the actions defined in the "The RULE." handbook.

Although it is not possible to firmly establish a spirit of compliance overnight, in early 2006 we distributed a company rulebook including the guidelines to all employees. We also strive to improve and maintain each employee's sensitivity to compliance with regular training. The Pharmaceutical Division's goal is to remain as a trusted organization that

is well accepted by the broader society through step-by-step efforts and maintenance of integrity both internally and externally.



Tetsuji Kuruma
Chief of External Affairs Section
General Affairs Department,
Pharmaceutical Division

Ryoichi Katahira
Chief of External Affairs Section
General Affairs Department,
Pharmaceutical Division

Compliance training

The Kirin Group attempts to further develop the compliance training in the belief that it is vital that each employee raises awareness towards compliance and acts with integrity.

In fiscal 2004, we created a compliance training system with the introduction of two types of training: group training based on case studies, and e-Learning using our corporate intranet. The goal of the training is to instill the fundamentals of compliance – that compliance isn't somebody else's problem, both positive and negative information must be swiftly and accurately communicated, and we should never lie – and a sensitivity to changes in society. All employees underwent the training by 2005. In 2006, we plan to develop a new program based on the results of the compliance awareness survey we conducted at the beginning of the year.

Seventeen group companies have also participated in Kirin Brewery training, and additional training courses have been conducted in accordance with the business content of each company.



Compliance training (case studies)

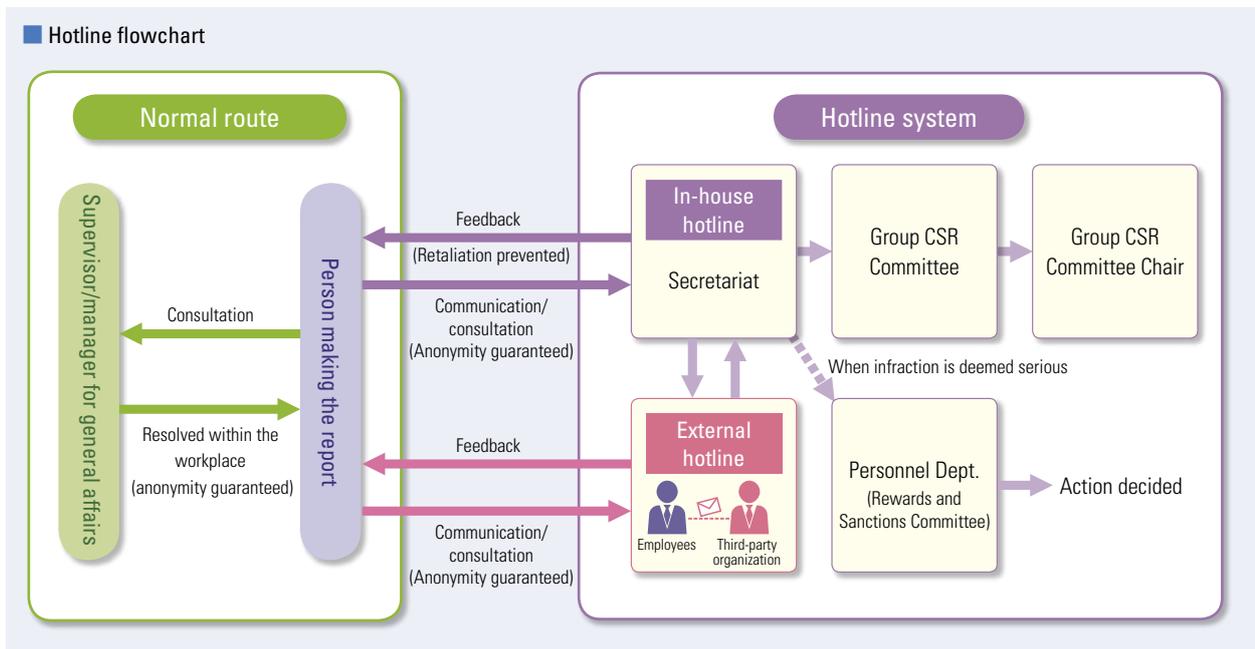


e-Learning (online training)

In-house hotline

Kirin Brewery and the main group companies have compliance hotlines in place. The internal hotline is supervised by those within the company, while the external hotline is managed by an independent third party. The external hotline is entrusted to a specialized

organization. It is aimed at making employees more comfortable with reporting compliance-related issues. Together, the internal and external hotlines were utilized 16 times in 2004, and 12 times in 2005.



Crisis Management and Business Continuity Plan (BCP)

We are in the process of establishing a crisis-response system so that we can appropriately respond to crises and minimize their impacts on society and our operations. In 2005 we completely revised the Crisis Management Manual through the addition of a response flowchart and checklist, and again notified it throughout the company in an attempt to ensure its effectiveness.

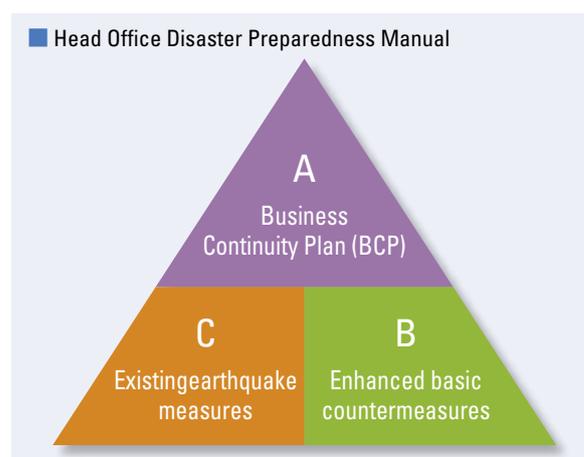
How to Respond in a Crisis

(From the Crisis Management Manual)

1. Act in an open and fair manner.
2. Report swiftly and accurately; hide nothing.
3. Protect the health and safety of our customers, fellow employees, and family.
4. Envision the worst-case scenario and take the initiative.

We have also created a Business Continuity Plan (BCP) in order to prepare for the possible dysfunctioning of our head office in the event of a major earthquake in the Tokyo metropolitan area. Specifically, the plan identifies operations that should be prioritized in the event of a disaster, and establishes a basic strategy, readiness, and procedures to

continue the prioritized operations (see A in Fig.). We also enhanced basic countermeasures that are applicable to all the operations including the establishment and operation of a disaster task force, confirmation of the safety of the employees, and assistance provided to them in returning to their homes (see B in Fig.). We then reorganized the existing earthquake measures and integrated them into the Head Office Disaster Preparedness Manual (see C in Fig.). We will promulgate this manual throughout the company and continually revise it in order to ensure its full effectiveness.



Crisis Report

As described above, we are committed to risk management and compliance. Despite the efforts, however, over the past year the following crises have occurred.

[Replacement/Recall Performed]

- August 2005: *Budweiser*, 350 ml can
(misprint of the expiration date on the bottom of can)
- February 2006: *Chivas Regal Aged 12 Years*, 700 ml
(misprint of the product label and individual box)
- March 2006: *Capetta Bellerina Spumante*, 200 ml
(misprint of the product label)

[Spill of Wastewater from Yokohama Plant]

- July 2005: Due to an operational error at the Yokoyama Plant, wastewater containing microorganisms used to purify water was spilled into the river.

[Voluntary Recall by Kirin-Well foods Co., Ltd.]

- February 2006: Group company Kirin-Well foods Co., Ltd. reacted responsibly to a report by the Ministry of Health, Labor and Welfare in Japan on animal safety testing relating to its product *Agaricus* by halting sales of this product and conducting a voluntary recall.

In addition to disclosing information about each of these incidents, we have responded by enhancing the quality management systems, revamping the manual and ensuring its thorough dissemination, and strengthening initiatives for safety.

We would like to offer the sincere apologies to our customers and everyone involved for the great inconvenience we have caused. We remain committed to preventing incidents like these from occurring again.

Continuing sound business activities



The Kirin Group Economic Report

Economic Relationship with Stakeholders

The Kirin Group is striving to measure the economic impact of our business activities in terms of our relationship with our stakeholders. We perceive that our profits are part of the relationship with our customers, while our expenses and expenditures are part of the relationship with the employees, shareholders, the government, and others.

FY 2005 operating results

Ensuring a consistent profit is essential for corporate survival. The major source of the Kirin Group's income is found in the Japanese alcoholic beverage market. We have also identified our foreign alcohol operations, soft drinks and pharmaceuticals as markets to grow in the future. The Kirin Group has been committed to continuing to improve profitability based on the "2004 - 2006 Kirin Group Medium-Term Management Plan," which was initiated in the current consolidated accounting period. In 2005, the second year of the plan, we aimed to promote management reform in order to improve Kirin's brand value, transforming ourselves into a powerful corporate group whose focus is on development and solutions.

■ FY 2005 operating results (unit: 100 million yen)

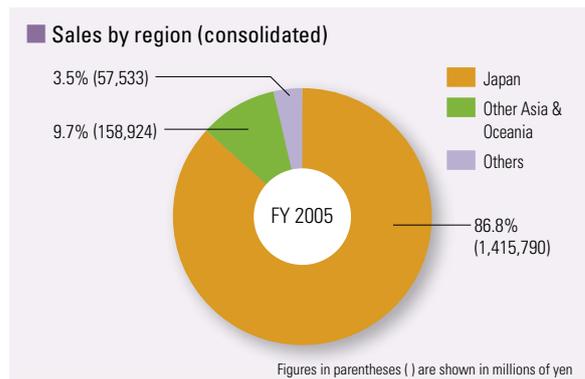
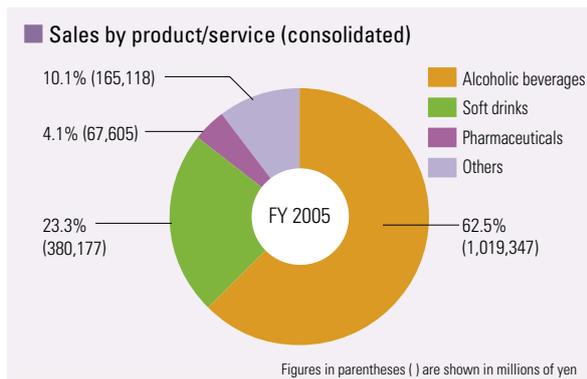
| | Sales | Operating Income | Ordinary Income | Net Income |
|-------------------------|--------|------------------|-----------------|------------|
| Consolidated | 16,322 | 1,117 | 1,148 | 512 |
| Non-consolidated | 9,356 | 581 | 725 | 438 |

Consolidated sales for the current consolidated accounting period were as follows. In the Japanese alcoholic beverages industry, the market for a new genre* following beer and happo-shu grew at a rapid pace, with beer, happo-shu, and the new genre together accounting for about 16% of the total market. Nevertheless, the market as a whole shrank due to a rebound from the unusually hot summer in 2004 and other factors. The markets for chu-hi and shochu continued to grow. Concerning the soft-drink, the market share expanded due to growth in sales of green tea and bottled water.

* Refers to liquors and liqueurs in the "miscellaneous liquors" category of the Liquor Tax Law that do not fit under the categories of happo-shu, powder liquor, or "other miscellaneous liquors similar to mirin."

Creation of economic added value by the Kirin Group

The Kirin Group's main businesses are the manufacture and sale of alcoholic beverages. The group's economic added value is created through the integrated process of procuring raw materials, manufacturing and selling products and services to customers. The proportions of sales by product/service (i.e. business) and country/region are shown below.



Allocation of economic value added by Kirin Brewery (non-consolidated)

In the 2006 report, we continued our efforts from 2005 to grasp the distribution status of added economic value to stakeholders by Kirin Brewery (non-consolidated).

Nearly all of Kirin Brewery's profit is derived from the sale of alcoholic beverages to the customers. The addition of non-operating profit, special profit and other profit categories to this is equivalent to the total profit for Kirin Brewery.

From the total profit, payments to suppliers (i.e., cost of goods sold), and other expenses and losses including sales expenses and general administrative expenses are subtracted to provide the amount of the economic value added by Kirin Brewery. The added economic value for the 2005 accounting year was about 164 billion yen.

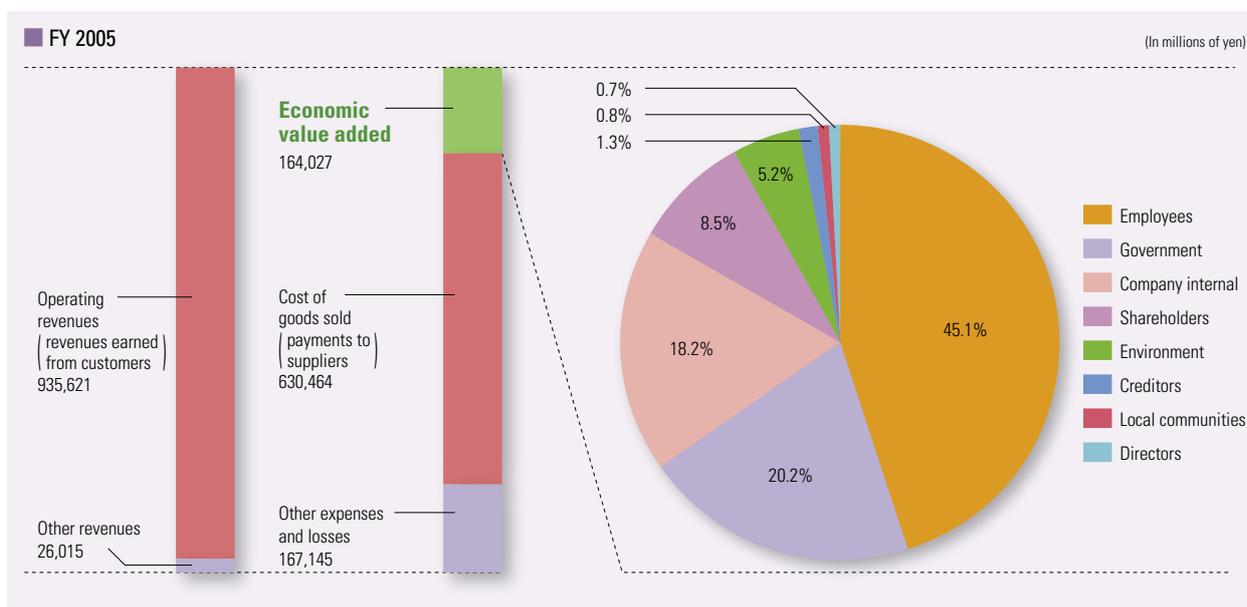
The economic value added is calculated by summing the expenses for the stakeholders, ranging from employees to government, shareholders, creditors, local communities and directors. By measuring the extent of the economic relationships with our stakeholders in

monetary terms, it becomes possible to understand the state of the present distribution. The continuation of such process enables us to bring about a well-balanced distribution for the stakeholders.

We will continue to promote communication with internal and external stakeholders by finding clearer and more concise methods of disclosing information regarding the distribution of added economic value.

Distribution of economic added value to stakeholders

| Distribution | Amount (millions of yen) | Main factors |
|-------------------|--------------------------|---|
| Employees | 73,946 | Personnel costs |
| Government | 33,225 | Corporate taxes and public dues |
| Company internal | 29,841 | Change in balance brought forward |
| Shareholders | 13,869 | Dividends |
| Environment | 8,489 | Environmental conservation costs |
| Creditors | 2,144 | Interest paid |
| Local communities | 1,351 | Charitable contributions |
| Directors | 1,162 | Directors' compensation and bonuses, Directors' retirement benefits |
| Total | 164,027 | |



Aiming to coexist with society



The Kirin Group Social Report ①

Making the Most of Customer Feedback

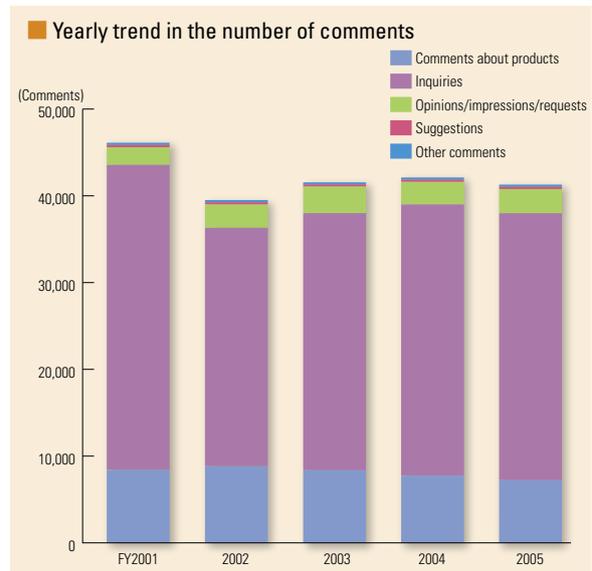
The Kirin Group endeavors to improve the customer focus by making use of feedbacks from our customers in our corporate activities and sharing all of our customers' comments across the company. In this way we can provide safe, reliable products, services and information that are trusted and enjoyed by our customers.

We value communication with our customers

In 2005 the Kirin Group strengthened the communication with a large number of customers, receiving approximately 41,000 comments (down 1.1% from 2004).

About 75% of the comments were questions regarding products and campaigns. This was roughly the same level as 2004 (0.6% decline from 2004). While inquiries about campaigns, which were, instead of inquiries about expiration dates and product features, the most common sort of inquiry in 2004, continued to increase in 2005 (up 15% from 2004), inquiries about calories and the like declined in 2005 (down 36% from 2004), as a result of the expanded nutritional information displayed on our products and packaging.

In 2005, comments on products declined (down 5.8% from 2004), but comments about containers increased.



The entire group is committed to ensuring the customer focus

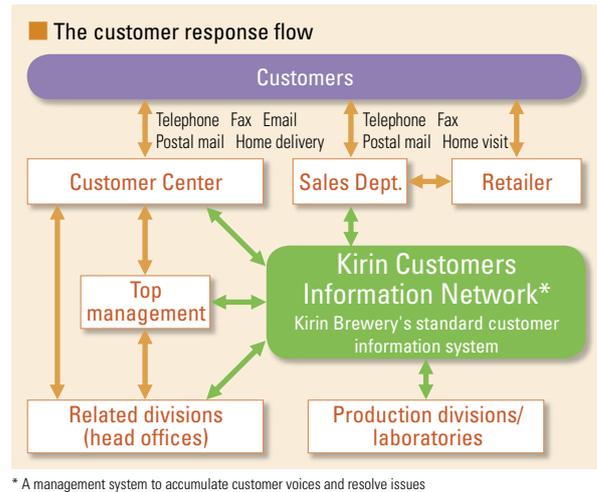
At Kirin Brewery, we present a section called "Our promises to customers" on our Website. In it we have established the "Basic

Policy", "Guiding Principles for Conduct", and "Company Rules", and we promise customers a fair, impartial and rapid response to all issues

in good faith.

We make it our responsibility to examine all feedbacks we have received on our products, and report on the results. Our goal in doing this is to recover the customer's trust and create products that our customers feel secure about.

All customer comments and inquiries about our products are shared internally by everyone in the group, from top management to rank and file employees, in order to raise common awareness and share information and thus achieve a greater customer focus.



Customer satisfaction surveys

Since 2001, Kirin Brewery has been sending questionnaires to customers who have provided comments on products to ask them about the level of satisfaction with Kirin's response.

The questionnaire asks the customer to rate the following areas on a five-point scale: treatment by the employee who received the feedback; treatment by the employee who visited the home; speed with which the results of the investigation were reported; the results of the investigation; and intention to purchase our products in the

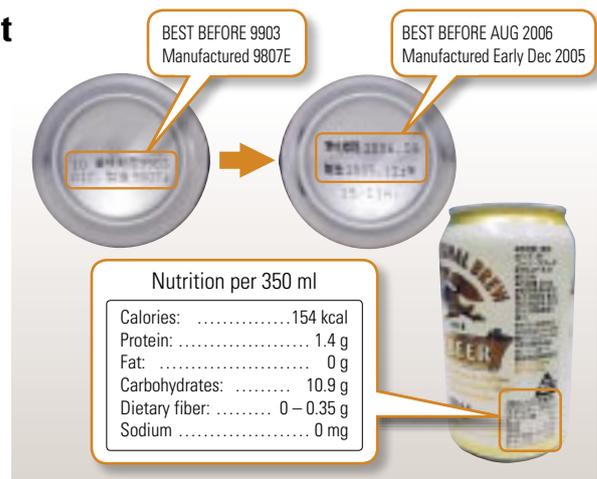
future. This evaluation, combined with overall comments, is used as a reference for improving the response.

In 2005, the response rate to our questionnaire was 65%, the highest level ever. Additionally, 68.5% of the respondents included comments in the free-response space. As a result of these initiatives, about 97% of the respondents answered that they would continue to purchase Kirin products. We remain committed to improving the response by receiving even more feedbacks from our customers in the future.

Example of a feedback-driven improvement

We received feedbacks from customers that the information displayed on our products about the product's manufacture and expiration date was hard to understand. In response, we improved the labeling on our bottles and cans to make the information easier to understand (completed at all domestic plants by May 2005).

We had also been receiving a large number of inquiries from customers about calories and other nutritional information, and so in 2004 we listed this information on our Website. Furthermore, we began to display it on the side of our beer, happo-shu, and chu-hi cans, on the paperboard of our six-can packs, and on our cardboard cartons.



Example of improved label



Future challenges

Yo Kawakami
 Director, Customer Center
 Social Communications Group
 CSR & Corporate Communications Division

We get feedbacks directly from our customers every day, but these constitute a very small portion of the many different views people may hold about the Kirin Group. Naturally, we are sincerely committed to responding to the

overt feedback that we have received, but we also feel strongly that in order to improve our customer focus, we must take a step further by understanding, reporting and making use of "hidden" views.

Commitment to Quality

The Kirin Group has established and strengthened a comprehensive quality-assurance system so that we can provide products that our customers can feel secure about. Our goal is to create a framework where each employee involved in the manufacturing of our products takes the initiative in ensuring quality assurance.

Attempting to improve our quality management system

Quality assurance is on the top of the agenda for risk management. In order to centralize the operation of our Group risk-management system including quality assurance, the responsibility for proposing a group-wide quality policy and supporting management-system development was transferred from the Kirin Group head office's Quality Assurance Department to the Quality Assurance Office that was created within the CSR & Corporate Communications Division at the end of March 2006. In order to ensure a high level of quality assurance for the products and services of the Kirin Group as a whole, the group has defined a common group-wide quality the policy based on Kirin Brewery's management policy of the Customer & Quality Standards. The Kirin Group has built a foundation for quality assurance, incorporating the concept of the global-standard ISO 9000 series as well as the HACCP* system. Our integrated quality management system for head-offices, plants, and sales-divisions is certified under the international ISO 9001 standard.

With respect to quality management of the group companies involved

in food manufacturing, we began auditing them using the quality management evaluation (QME) criteria. The goal was to continuously improve the quality-management system by having knowledge of the current state of affairs, identifying issues, and running the PDCA cycle. In 2003, we created the Kirin Group's Quality Guidelines in order to: (1) achieve the group's quality policy; and (2) serve as a self-check tool for each group company.

In 2005, we created the Quality Incident Reporting Standards. In so doing, we began an initiative to share information about incidents within the group and deploy measures cross-organizationally throughout the group to prevent the recurrence of similar incidents. Specifically, based on the "Quality Incident Case studies", a compilation of information about incidents in the group, we are attempting to prevent the recurrence of similar incidents by not only sharing information and re-inspecting the workplace of the group companies, but also establishing and executing measures.

* HACCP (Hazard Analysis and Critical Control Points) system: The systematic identification and management of risks associated with the manufacturing, distribution and use of food ingredients

Kirin Group's Quality Policy

Above all else, we will take the customer's viewpoint and strive to provide satisfying and reliable products and services.

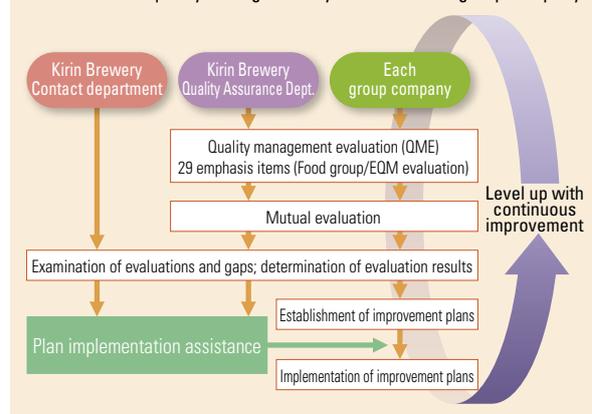
1. Enhancing Customer Satisfaction —Priority on Customers

We place top priority on valuing our customers' opinions and strive to respond with our customers' interests at heart. Recognizing that communication with our customers represents the source from which to improve quality (customer satisfaction), we will value our contact with our customers and endeavor to develop products that generate higher satisfaction, and make detailed improvements.

2. Providing Safe and Reliable Products —Priority on Quality

We will strive to win trust by providing safe and reliable products and services through all our activities, from the procurement of raw materials and supplies, to development and production, inspection, distribution and sales. To that end, each one of us will endeavor to improve the reliability of our quality assurance in our respective roles.

■ Chart of the quality management system within the group company



Support has been provided to the following companies for improving the quality management system.

- Kirin Distillery Co., Ltd.; Eishogen Co., Ltd.; Kirin Beverage Corporation;
- Kirin-Wellfoods Corporation; Takeda-Kirin Foods Corporation; Cosmo Foods Co., Ltd.;
- Japan Potato Corp.; Nagano Tomato Co., Ltd.; Yonekyu Corp.;
- Kirin International Trading Inc.; and Kirin Brewery Company, Limited

Attempting to ensure quality management during the procurement process

Establishing quality-management standards

Safety standards have been raised further for raw materials because of the implementation of the labeling system for genetically modified foods and allergies, in addition to the implementation of the system on 29 May 2006 to list ingredients with residual agricultural chemicals.

On 4 November 2003, we created the Kirin Group's Quality Guidelines (Raw Material Safety/Labeling Edition), and have been revising it annually in response to changing circumstances.

Our philosophy on ensuring the safety of raw materials has its basis on checking a record relating to them and monitoring and analyzing agricultural chemicals and the like. Before using raw materials, we confirm their safety and related data. Only after this has been carried out do we enter into a basic business agreement with the suppliers. After the agreement has been reached, we perform acceptance inspections and confirm again that there have been no changes to the data on raw-materials we originally obtained. We also strive to provide relevant information in response to inquiries from our customers regarding raw materials and labeling.

With regard to labeling management, we are assigning clear responsibility, using a double-checking system, and educating employees on the labeling system.

Guideline items

- (1) Genetically modified foods (2) Allergenic foods (3) Food additives
(4) Residual agricultural chemicals (includes veterinary medicine and feed additives)
(5) Endocrine disruptors (6) Beef (BSE) (7) Irradiation (8) Mycotoxins

Commitment to raw-material assessment

In order to respond to rising customers' awareness of food safety and reliability, we are strengthening the assessment system with respect to the introduction of new raw materials to ensure their safety.

In January 2005, we established the Quality Assurance Center at our Research Laboratories for Brewing (the laboratories are within the Technology Development Dept., Production Division), with its focus on safety-related analysis and inspection. In order to guarantee high quality and safety of the alcoholic beverages sold by the Kirin Group, the center analyzes and assesses raw materials and products by using the latest analysis equipment and cutting-edge technologies. We also make use of our domestic and international networks of research institutions to develop and introduce leading-edge analysis methods. At the end of March 2006, the center was transferred to the Quality Assurance Department of our Domestic Spirits Company's Production Division in order to improve the level of our quality assurance by centralizing all quality assurance functions relating to our domestic alcoholic beverage business.

Commitment to raw materials

We depend on imports for most of the ingredients used in our products including malt and hops. Our Domestic Spirits Company stipulates strict quality specifications for imported raw ingredients and performs acceptance inspections on all shipments in order to ensure that the raw materials purchased from our suppliers live up to the quality standards of the Kirin Group. We also plan to import from multiple regions in order to ensure a stable supply of high-quality raw materials. As for malt and hops, we trace back to the growers to ensure their safety with regard to residual agricultural chemicals and other risks, and also purchase them after confirming the analysis results produced by third-party testing institutes. We are committed to ensuring the high level of safety and quality of malt by establishing an overseas malt-manufacturing subsidiary (Kirin Australia PTY Ltd.) for the first time in the industry. As for corn, a secondary raw material of our products, we have used 100% identity-preserved (IP) handling corn since 2000.

Ensuring quality management during the manufacturing and shipment processes

Kirin Brewery has built a quality management system that meets the ISO9001 requirements. This system integrates all processes from purchasing of raw materials, ingredients and equipment, to manufacturing, shipment, and customer support. We also manage the manufacturing processes with internal standards compliant with global standards such as HACCP. Furthermore, we operate an assessment system for the prevention of quality-related incidents in addition to our ordinary quality-assurance

system with the objective of preventing quality incidents from occurring. We also have a variety of laboratories, including our Research Laboratories for Brewing and Research Laboratories for Packaging, in order to manufacture products with higher quality, develop packaging material and product technologies to maintain quality and freshness, test raw materials and water, and the like. We take advantage of these laboratories in our manufacturing and shipping process management.

Serving tasty draft beer at restaurants

We strive to deliver truly delicious draft beer straight to our customers. For this reason we meticulously support quality management for draft beer in restaurants in accordance with the system we have developed.

Initiatives for draft beer quality services at restaurants

Our support staffs of about 800 people nationwide visit restaurants serving Kirin draft beer in order to provide comprehensive quality-control support. The staff also explains the importance of paying attentions to details even where the customer does not notice, such as the proper method for washing beer mugs.

Kirin Draft Masters School

Kirin Draft Masters School trains people in restaurants to be draft masters. The school gives people working in restaurants opportunities to gain necessary knowledge, skills, and quality-control expertise to offer customers delicious draft beer. Opened in 1993 at our Yokohama Plant, Kirin Draft Masters School was the first of its kind in the industry. Since then, we have opened permanent schools nationwide, and more than 200,000 people from the food service industry have studied. After completing the course, graduates go back to their day-to-day work in their restaurants as a Draft Master.



A course at the Kirin Draft Masters School

New Kirin Perfect Draft certification program for draft beer

In 2006, we launched the Kirin Perfect Draft certification program nationwide to certify restaurants serving draft beer. In order to gain the certification, the restaurants must pass six pledges that are proclaimed to the customer. Certified Kirin Perfect Draft establishments are introduced as necessary on our Website. Additionally, group company Kirin Communications Stage Co., Ltd. takes the initiative in establishing a better follow-up system, with the aim of maintaining and improving draft-beer quality in cooperation with restaurants.

Kirin Perfect Draft certification Six pledges

1. Beer is poured by a graduate of Kirin Draft Masters School
2. Draft dispensers are clean because they are washed every day
3. We are committed to ensuring our draft beer is always kept fresh
4. We practice thorough temperature and pressure control
5. We carefully wash each mug separately
6. We check the taste of our draft beer every day before opening



Future challenges

Takumi Orishimo
Quality Assurance Office,
CSR Management Group
CSR & Corporate Communications Division

Over the years, we have built a framework for the group companies' quality management and quality assurance system. Regrettably, however, we still have incidents of product recalls. We intend to audit each company by collecting information on in-plant incidents that had not reached the

recall level but yet need to be notified, in order to determine whether the current system is effective and sufficient. We also aim to enhance our framework to share and store information about incidents occurred at group companies to prevent similar incidents from occurring again.

Relations with Suppliers

We base our purchasing activities on the Kirin Group Procurement Policy that includes such concepts as "quality focus," "open and fair dealings," "legal and ethical compliance," and "mutual trust and prosperity". In April 2006, we began making public the Kirin Group CSR Procurement Guideline.

Open and fair procurement activities based on trust

Our corporate slogan is "ureshii o tsugi tsugi to" (one happiness after another). In order to make this slogan a reality by offering products and services that are valuable to our customers, the Kirin Group is committed to an open and fair procurement in accordance with the Procurement Policy, with the support and cooperation from our suppliers. In 2005, we moved forward with the process of signing basic business agreements with our suppliers. We also held a gathering of our suppliers to explain to them the Kirin Group's view on safety, the environment and CSR, and asked for their cooperation, as we did in 2004.



Kirin Group Procurement Policy

Commitment to CSR procurement with the support and cooperation from our suppliers

We perform supply-chain management in accordance with the Kirin Group Procurement Policy, with a core belief in building a relationship of trust with our suppliers and fostering mutual understanding. In 2006, we began making made public the Kirin Group CSR

Procurement Guideline on our Website. This guideline consists of five factors we ask our suppliers to reflect in their business activities: compliance, concern for the environment, quality assurance, risk management, and information security.

We are committed to reducing environmental impact in partnership with our suppliers

We are working in partnership with our suppliers to make the bottles, cans, PET bottles, and other production materials lighter. We are also striving to streamline the packaging in transporting raw materials, reuse carriers, specify packaging materials that are easily sorted before disposal, and promote the use of larger containers.

The administrative divisions also perform green procurement that includes purchasing of office supplies, printed matter, and toilet supplies.



Future challenges

Seiji Agata
Purchasing Dept. & Procurement Dept.
Supply Chain Management Div.

We believe that the issue of how to gain mutual support and cooperation from our suppliers is of utmost importance following the introduction of the CSR Procurement Guideline.

Such a belief will serve as a solid foundation for implementing the guideline.

Our Responsibilities as a Maker of Alcoholic Beverages

Kirin is attempting to raise awareness of responsible drinking and the prevention of problem drinking including underage drinking, driving under the influence of alcohol, and binge drinking, as part of a social responsibility of a corporation that manufactures and markets alcoholic beverages. We are also committed to in-house education and awareness raising in the Kirin Group as a whole.

Basic Policy for Alcohol Issues

As part of our corporate social responsibility, we established the Kirin Group Basic Policy for Alcohol-Related Problems in May 2004 to more proactively engage in educational activities for the prevention of problems relating to alcohol.

■ Kirin Group Basic Policy for Alcohol-Related Problems For the prevention of problems relating to alcohol and for education about responsible drinking

| | |
|---------------------------------------|--|
| Basic Policy | The Kirin Group contributes to the health, enjoyment, and comfort of people around the world through activities to educate people about responsible drinking, and to prevent the various problems associated with inappropriate drinking. |
| Guiding Principles for Conduct | <ol style="list-style-type: none"> We acknowledge that moderate drinking of appropriate amounts of alcohol (responsible drinking) has benefits, and broadens the scope of human communication, and we will endeavor to expand people's understanding of the proper way to drink alcoholic beverages. We acknowledge the intoxicating effect of alcoholic beverages, and the dependency resulting from excessive drinking, and we will continue educational activities to teach correct knowledge and prevent the various problems associated with inappropriate drinking, including: <ul style="list-style-type: none"> ● Underage drinking ● Driving under the influence of alcohol ● Binge drinking In our marketing activities we will abide by the law, by the Kirin Group's own standards and by industry standards, and work for education about appropriate drinking and the prevention of inappropriate drinking. We will actively support community efforts aimed at preventing inappropriate drinking. We have a Moderate Drinking Awareness Month during which the whole company is involved in staff training and self-development. |

We work actively to raise awareness about the prevention of problem drinking

While alcohol is believed to be beneficial when consumed in appropriate amounts, a number of problems can occur due to underage drinking, driving under the influence of alcohol, binge drinking, alcohol dependency, and drinking when pregnant. A major source of problem drinking is believed to be a fundamental lack of correct knowledge

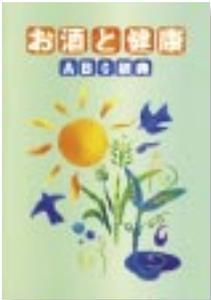
regarding alcohol. As one of the responsibilities to society of a corporation that manufactures and markets alcoholic beverages, we will continue to expand educational activities to promote responsible drinking and prevent problem drinking.

■ Alcohol-related educational tools

(as of December 2005)

| | Medium | Start of distribution | Intended audience | Cumulative copies distributed | Remarks |
|--|-----------|-----------------------|--------------------------------|-------------------------------|--|
| The ABCs of Alcohol and Health | Booklet | Apr. 1996 | General | 5,600,000 | A5 (148 x 120 mm), 49 pages |
| Drinking and Health (School version) | CD-ROM | Jan. 2000 | Junior high schools | 18,000 | |
| Drinking and Health (General Public version) | CD-ROM | Jan. 2000 | General adults | 9,000 | |
| Underage Youth and Alcohol | VHS video | Feb. 1993 | High schools and universities | 33,000 | 23 minutes |
| Underage Youth and Alcohol: Revised Edition | VHS video | Dec. 2005 | Junior high schools | 20,000 | 26 minutes |
| Underage Youth and Alcohol: Revised Edition | DVD | Feb. 2006 | International/hearing impaired | — | English, Chinese, & Japanese subtitles |
| Alcohol and Health Knowledge Base | Internet | Dec. 2002 | General | — | Kirin Brewery Website |

The ABCs of Alcohol and Health Booklet

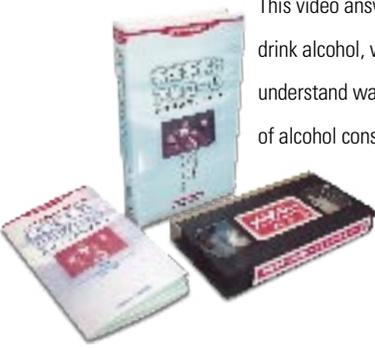


The ABCs of Alcohol and Health Booklet

This booklet has been distributed widely to the public in order to prevent inappropriate drinking and convey information on the benefits of moderate drinking. Every year, it is distributed to the coming-of-age ceremonies* of about 800 local governments and freshmen of 21 universities.

* Ceremony held in Japan once a year for people who have turned 20. Twenty is the legal drinking age in Japan.

Minors and Alcohol Video: Revised Edition



Minors and Alcohol

This video answers the question "If adults can drink alcohol, why can't minors?" in an easy-to-understand way. It also explains the harmful effects of alcohol consumption on developing brains in particular detail. It was distributed to about 20,000 locations nationwide including junior high schools, health centers, police stations, and libraries.

Used by Meiji University with New Students

This publication is distributed to new students during April orientation along with the campus guidebook. It is designed to raise awareness of the dangers associated with binge drinking and other issues. Thanks to this publication, students have come to work harder to moderate their own drinking at university festivals, during club activities, and the like.



Toshikatsu Yanagisawa, Dean of Students Meiji University

Safety class at Terajima junior high school

Using the video, an alcohol-related problems representative from Kirin taught a class to 100 second-year students at Terajima junior high school (equivalent to 7th grade in US system), a public school in the Sumida ward district located in Tokyo. The students appeared to gain a correct understanding of why minors should not drink.



The class at Terajima junior high school

Complying with voluntary standards

As the responsibility to society of a company in the alcoholic-beverages industry, Kirin Brewery sets strict voluntary standards for advertising and marketing including those relating to moderate drinking. Additionally, all advertising and marketing activities must be approved by the Marketing Ethics Committee. We work to strengthen these voluntary standards through continual review.

The fulfillment of corporate social responsibility through voluntary standards has come to be debated in Japan and around the world. We are a member of the Global Alcohol Producers (GAP) Group, and are actively involved in responding to alcohol-related issues on a global scale.

Additionally, as part of our customer-education activities, in 2005 we played a strong leadership role in the brewery industry's "Stop Underage Drinking" campaign. We plan to participate in this campaign in 2006 as well.



Stop Underage Drinking logo



Future challenges

Masanori Kino
Environmental & Social Affairs Section
Social Communications Group
CSR & Corporate Communications Division

We are committed to working even harder to integrate our efforts to prevent problem drinking and raise awareness about responsible drinking more closely with our business activities. We also would like to develop tools

to ensure thorough awareness and education within the company, so that all our employees can explain relations between drinking and health to suppliers and consumers.

Making Kirin a Great Place to Work

The Kirin Group is building relationships with its employees and the company as equal partners based on the philosophy of respect for people. We are committed to creating a safe and cheerful workplace, valuing rewarding jobs, rewarding lives, and richness of experience.

Making workplaces that are great to work at

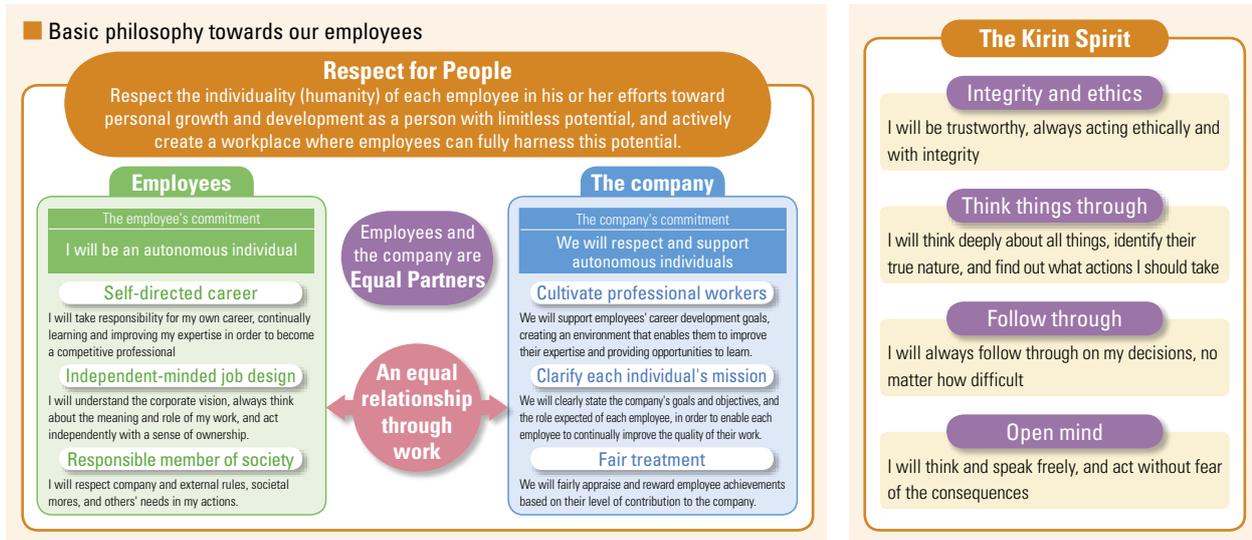
Kirin Brewery is currently working on a number of corporate initiatives including a reform of our human-resources system.

These reforms are motivated by respect for people, a philosophy long espoused by Kirin Brewery. By "respect for people," we mean respecting the individuality (humanity) of each employee striving for personal growth and development; and creating a workplace where every employee can achieve their potential. We also think of employees and the companies that employ them as equal partners, linked through work. In this respect, we clearly state our commitment to respect and support

employees with a drive to grow as autonomous individuals, as well as our expectation of how they should act as autonomous individuals. We also tell our employees about the Kirin Spirit, which is the attitude each employee should have when carrying out business activities.

Furthermore, we are committed to respecting employee diversity and supporting balance between work and private life.

We believe that these initiatives will enable each employee to harness his or her independence and creativity, making Kirin a great place to work.



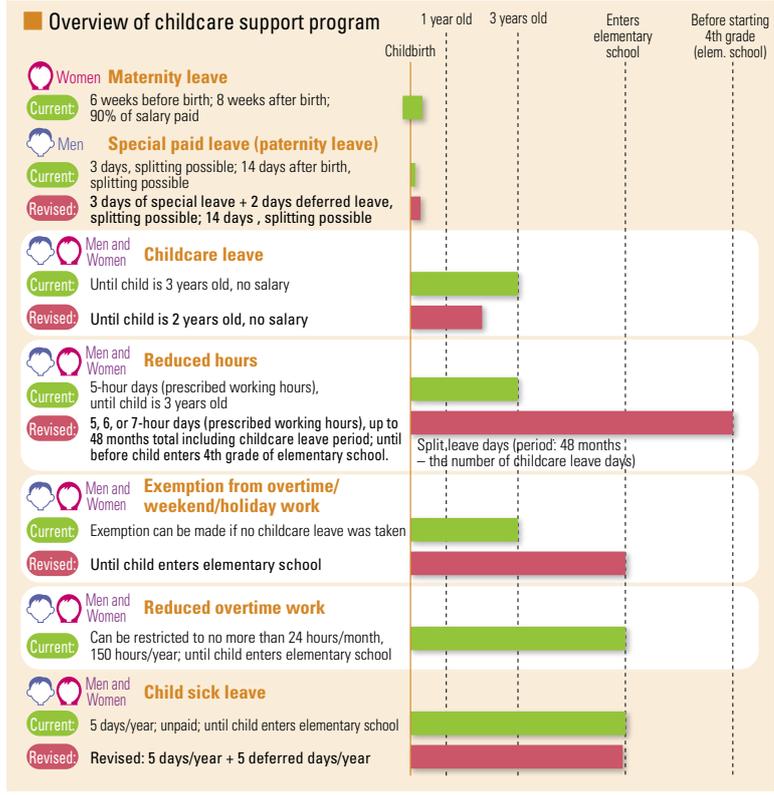
Human-resource programs

(As of 31 December 2005)

| Program | Goals, contents, etc. | Results |
|--|--|--|
| In-house recruiting | Employees can take on new job opportunities within the group including overseas businesses and new diversification projects. | Number of job postings: 21; responses: 93; successful applications: 15 |
| Deferred vacation | Employees can "bank" up to 60 days of untaken paid vacation, with a maximum of 7 days per year. | Average number of days of paid vacation taken per year: 13.5 |
| Half-day leaves | Employees who are past their trial period may take up to 10 days (20 half days) of their annual paid vacation as half-day leaves. | Employees at all our facilities are taking advantage of this program |
| "Step Up" vacations | Regardless of length of service, employees may take 14 days off when they reach 30, 40 and 50 years of age if they participate in a career-design seminar. | Taken by nearly all eligible employees |
| Bullet train commuting | This could shorten commute time and eliminate for those living remote areas the need to live apart from their families. | Used by 76 employees |
| Childcare leave / family care leave / volunteer leave | Employees may take childcare leave until the child is two years of age, family care leave for a cumulative total of 1 year per family member, and volunteer leave for up to a cumulative total of three years. | Childcare leave: 43 employees (cumulative total 428); Family care leave: 3 employees (cumulative total 30) Volunteer leave: 0 employees (cumulative total 7) |
| Flextime / discretionary work system / de facto working system | Employees can enjoy their work and be better contributors because of a creative approach to job particulars and time allotment. | De facto working system implemented at all regional head offices and pharmaceutical divisions, and discretionary work system implemented at laboratories |

Improved childcare support program

One of the keys to making Kirin a great place to work is helping each employee achieve a balance between work and private life. Kirin Brewery had already adopted a childcare support program that exceeded the level required by the law, but with the aim of making Kirin an even better place to work, we gathered the opinions of a wide range of female employees who had experience in raising children on what kind of support was needed in order to enable other employees who wish to keep working to balance childcare and other aspects of their private lives with their work. We then studied this matter repeatedly with the labor union. As a result, we found that from the perspective of employees who wanted to keep working, there were some new needs that we hadn't envisioned when we first introduced the program, including the possibility that it would be difficult to return to work after taking childcare leave too long, and the fact that there are still concerns over childcare even after the child has entered elementary school. In order to respond to these concerns expressed by our employees, we fundamentally revised the program for the first time in 15 years.



Status of employment

(As of 31 December 2005)

| | | | |
|--|-------------------------|---------------------------------------|--------------------------------------|
| Employees in management positions | Men: 1,267 Women: 22 | Average number of years worked | 16.4 years |
| | | Average yearly compensation | ¥8,854,017 |
| Average age | 40.5 years old | Disabled employees | 134 (percentage of workforce: 2.04%) |

The group is united in its commitment to raise awareness of human rights

Companies interact with many different customers and employees both through its day-to-day external activities and in the workplace and private life. One of the most important requirements for customers and employees to lead healthy and happy lives is a respect for human rights. The 21st century has been called the century of human rights. The Kirin Group is committed to raising awareness of human rights among employees in the belief that our philosophy of respect for people will lead to corporate activities based on a sense of human rights. At Kirin Brewery, head-office and workplace Human Rights Awareness Committees lead initiatives in defining the Human Rights Awareness Guideline, based on the three core principles of promotion of human-rights-related trainings, fair employment, and creation of a cheerful workplace. All employees undergo human-rights-related trainings every year, with a new topic selected each year. Trainings were conducted under the theme of "Human rights close to our daily life" in 2003; "Workplace harassment" in 2004; and "What is gender?" in 2005. In addition to these basic trainings, we also provide trainings for specific job positions (newly hired employees, newly appointed managers, and directors/general managers). We practice fair employment by always attempting to conduct objective

assessment of applicants' skills and appropriateness. We believe that getting our employees to rethink human relations surrounding them through these trainings and activities will lead to the creation of a cheerful workplace.

At the end of each training session, participants are given a questionnaire, and the feedback from them is analyzed for future program design.

Our ideal is for everyone in the Kirin Group as well as in the supply chain to work jointly to raise awareness of human rights.



Yoshiko Horikawa
Personnel Dept.

Kazunori Ito
Personnel Dept.

Enhancing our human-resource development program to achieve management with particular focus on on people

In order to further increase the value of the Kirin brand and continue to earn the trust of our customers, it is vital to improve the capabilities of employees and organizations. Kirin Brewery believes that without self-understanding and self-development, each individual cannot grow. For this reason, we are focused on enhancing our human-resource development program. We also aim to grow as a company and improve the quality of our business processes by identifying learning and development as the foundation for all our activities.

Specifically, we support self-development through the acquisition of greater expertise and creativity in order for each employee to achieve their personal goals. Our support includes the Challenge Program,

which targets all ambitious and skilled employees, and the self-development system. We also have programs for all job positions, from newly employed, in order to develop human resources in the mid- and long-term.

We run the Kirin Executive School, Kirin Management School, New Manager Boot Camp, and other programs in order to develop the next generation of leaders.

We also hold career design seminars that support self-directed careers for employees in the year they turn 30, 40, and 50, while supporting lifelong education planning after retirement, and operating a number of other programs related to human rights, compliance, mental health and the like.

Protecting employee health and preventing work-related accidents through the creation of a safe working environment

Based on the Corporate Code of Conduct stating, "We are committed to creating a comfortable working environment that ensures employee safety and health", we strive to create a healthy and safe workplace for our employees.

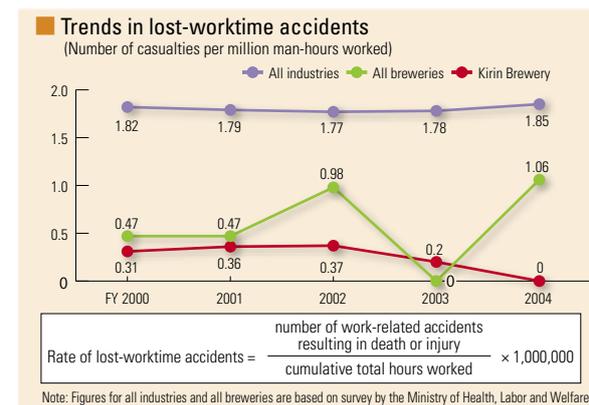
Each plant systematically implements equipment safety measures in accordance with the Ministry of Health, Labor and Welfare's Guidelines for Comprehensive Safety Standards of Machinery, with particular focus on measures to avoid sources of danger.

Occupational Health and Safety Management System

After obtaining international standard OHSAS18001 certification at our Toride Plant in 2000, we have been operating the Occupational Health and Safety Management System based on the Ministry of Health, Labor and Welfare's guidelines at all breweries since 2002. Since 2003, we have obtained Central Industrial Accident Prevention Association OSHMS standard certifications at our facilities, and plan to obtain third-party certification at all plants by the end of fiscal 2006. Following these efforts, we received the Central Industrial Accident Prevention Association Award in fiscal 2005.

Future challenges

While we will continue to reform our human-resources system in order to make Kirin a great place to work, we always have to take the following challenges into consideration in the reform process: taking advantage of a



Ensuring health management for a vibrant company

The physical and mental health of the employees is the basis of a vibrant company. For this reason, we ensure that all employees undergo periodic health checkups and take necessary follow-up actions. We are also actively committed to reducing overtime hours and improving employees' mental health. For mental health in particular, we take the position that giving consideration and paying attention to subordinates is a requirement for a manager. Thus, we encourage managers to track the physical and mental health of their subordinates, recognize and respond quickly to possible issues in the training course for managers.

wide range of diversity in our corporate activities; and providing corporate support to enable employees to think of their own careers and take action. Workplace managers are the keys to overcoming these challenges, and we thus believe that leader development is a crucial factor for our systemic reforms.

Partnership with the Community

As a corporate citizen that coexists with communities, we are committed to actively and voluntarily involving in and building stronger partnerships with them. To this end, we are conducting a number of activities, with a focus on such social contributions as international exchange and social welfare, cultural activities including the support for sports and the arts, and the diffusion and promotion of the culture of beer.

Support for resolving food issues in developing countries

Established in 1993, the United Nations University (UNU)-Kirin Fellowship Program supports food-related research and development in order to enable developing countries to resolve their own food-supply issues. Each year, we provide support to five researchers, recommended by the UNU, at research institutes, mainly in other Asian countries. As of March 2006, we have supported 63 fellows from 9 countries. The aim of this program is for fellows to conduct food-related research for one year, and then disseminate the acquired knowledge and technologies in each country. We also offer monetary assistance, for instance, for R&D



Fiscal 2005
UNU-Kirin Fellows

and other expenses for two years after the fellows return to their countries. Thus, a feature of this program is that it contributes to exchanges between Japan and other Asian nations that are beyond the field of scholarly research.

We are committed to a wide range of activities to help create a better society

The Kirin Welfare Foundation was founded in 1981 with a donation from Kirin Brewery. It provides support in areas that public welfare organizations do not easily go into, with a focus on the following four areas: exchange activities for family caregivers; improvement in the self-reliance and welfare of disabled people; sound upbringing of youth; and aid for public offering community welfare activities. Since 1994, the Kirin Group has been operating the Hello Mickey! Program each year. Under this program, an in-house book sale is held to sell books donated by employees, and the proceeds are used to take children in orphanages to Disneyland, with employees providing support for a full day. As of 2005, we have run this program 39 times, inviting a cumulative total of 1,998 children. An accumulated total of

445 employees have participated in this program.

Another program to support employees' volunteer activities is the Kirin Collaboration Club, which was started in January 2003. When employees' volunteer activities are reported, points are awarded and accumulated (those activities that are conducted as part of business activities are not subject of this program). Each year, volunteers can trade in their points for prizes or charitable donations. The company will help employees and their family members take interest in volunteer activities and continue such activities while maintaining a good relationship with society.

| | FY 2004 | 2005 |
|----------------------|---------|--------|
| Participants | 2,329 | 2,656 |
| Collaboration points | 69,440 | 85,020 |

Note: A volunteer receives 10 collaboration points for each activity. Figures for 2005 include all group-company employees



Employee volunteers supporting Hello Mickey! Program

Along with the introduction of health-insurance card in February 2006, the Kirin Brewery Health Insurance Association created an organ donor checkbox on the backs of the card. (Marking the checkbox is completely voluntary.)



Organ-donor checkbox on back of insurance card

Support for Japanese teams competing internationally in soccer and other sports

Kirin Brewery has been supporting the Japanese national soccer team since 1978, and since 1998 has been assisting Japanese soccer together with Kirin Beverage Corporation as official sponsors of the Japanese team. As part of the Kirin World Challenge national soccer team support action plan, we are supporting the Japanese team playoff matches in 2006 at the 27th Kirin Cup Soccer and Kirin Challenge Cup. In order to increase the popularity of soccer, we organize a number of events, including futsal events as well as communication events targeting supporters and fans of the Japanese team.

Other ways we buck up Japanese teams competing on the world stage

include a support for the Japanese men's basketball team and support for the Japanese Olympic Committee (JOC) as an official partner for the Beijing 2008 Olympic Games.



2005 Kirin Challenge Cup vs. Angola, Nov. 16
© J. LEAGUE PHOTOS

Supporting modern arts, dance, and other familiar artistic and cultural activities

Kirin Brewery supports creative and highly individual artistic programs while offering opportunities for as many customers as possible to become familiar with the arts and culture. Through our support for modern art and modern dance, we organize exhibitions such as the Kirin Art Project, whose goal is to discover and nurture new artists, and the Kirin Dance Network, which provides opportunities to recognize the best modern dance productions nationwide. The year 2006 marked

the 22nd Kirin New Year Concert, which has been held every year with the purpose of providing a welcoming and familiar atmosphere to enjoy classical music.



Kirin New Year Concert

Creating new value through research into the culture of beer

Five Thousand Years of Beer History project

Having started in 2001, this project aims at recreating old beers that are considered to hold historical importance, and showcasing lifestyles of the times when they were commonly consumed. As of 2004, we faithfully recreated ancient Egyptian beer and medieval gruit beer. In 2005, we presented the roots of beer in Japan, getting a glimpse of how beer had been perceived and accepted in Japan as one of the symbol of Western culture. We continue to communicate the richness of life with beer through research into a variety of historical and cultural contexts involving beer and communication activities in order to enable as many customers as possible to sense the depth and attractive features the culture of beer.



Three varieties of beer recreated as the roots of Japanese beer

Brewery tours

We currently offer tours of all 11 of our breweries nationwide to the general public. In addition to a tour of the manufacturing process, visitors can go on an Eco-brewery Tour where they have opportunities to learn about environmental issues and enjoy a wide range of cultural events. Our facilities serve as a base of communications with local communities and customers. In 2005, a total of more than a million people visited all the breweries.

We have also brewed beers at a microbrewery set up in Kirin Plaza Osaka (KPO), offering original beers that can only be enjoyed at the microbrewery.

Brewery tours and beer seminars were also conducted.



Brewery tour

We present environmental information for a broad audience

Ecojiro, Kirin Brewery's environmental mascot

Kirin Brewery's environmental mascot, Ecojiro, was fashioned from forms on a glass of beer, with the aim of communicating Kirin's environmental initiatives in an easily understandable manner.

We use him to enable a broad range of people, from children to adults, to have fun while learning about the environment. He features in Ecojiro's Environment Table, and tree-planting at sources of water, and the like.

- Ecojiro's Environment Table

<http://ecojiro.jp>



Planting trees with Ecojiro

Presentations at environmental exhibitions

Kirin Brewery showcases our environmental initiatives to a broader range of customers by participating in environmental exhibitions and local events. In 2005, we exhibited at the 17th Nationwide Lifelong Learning Festival in Tottori Prefecture (Manabipia Tottori 2005), creating a multi-faceted dialog with visitors by presenting the Kirin Group's initiatives as well as our environmental protection and education activities in partnership with NPOs and government agencies.



Exhibition at Manabipia Tottori 2005

Relations with local communities

Support for zero waste to landfill effort in Yakushima

Yakushima Island was the first location in Japan to be registered as a World Natural Heritage Site. Since 1999, we have supported a Yakushima's zero waste to landfill plan, donating a portion of our beer sales on the island. Additionally, employee volunteers participate each year in an island-wide cleanup.



Cleanup on Yakushima Island

Flowers Are Our Friends campaign

Since 2004, we have continuously implemented an initiative to coexist with and beautify local communities by donating Kirin Green and Flower's flower seedlings to welfare and recreation facilities, elementary and junior high schools, and others around Kirin Brewery's places of business and jointly growing flowers, with the aim of improving our local community environments.



Planting petunia seedlings with students at a recipient elementary school



Future challenges

Saiko Tsukamoto
Social Communications Group
CSR & Corporate Communications Division

As a corporate citizen, our goal is to improve the quality of our communication in the unique Kirin style, while developing a multi-faceted dialogue with each of our stakeholders.

As a coordinator for activities related to

beer culture, my job is to communicate the enjoyment and richness of experience of beer, and learn from various perspectives on how to bring this unique culture into the future and maintain it.

Promoting global environmental protection



The Kirin Group Environmental Report ①

The Kirin Group's Environmental Philosophy

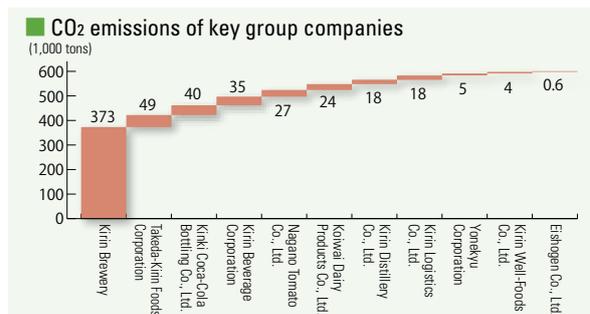
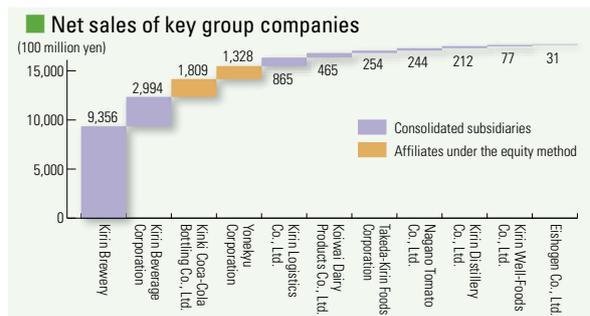
Beer is made by a natural process of fermentation from nature's bounties including barley, hops and water. For Kirin Brewery, the natural environment is thus crucially important and environmental protection is one of the critical management issues.

The Kirin Group's environmental impact

The Kirin Group consists of 273 companies, and companies whose business activities have a significant environmental impact are designated as key Kirin Group companies. Specifically, the following 10 manufacturing and distribution facilities in Japan have been so designated:

- Kirin Beverage Corporation
 - Kirin Beverage Corporation
 - Kirin Logistics Co., Ltd.
 - Koiwai Dairy Products Co., Ltd.
 - Takeda-Kirin Foods Corporation
 - Kinki Coca-Cola Bottling Co., Ltd.
 - Kirin Beverage Corporation
 - Kirin Beverage Corporation
 - Kirin Distillery Co., Ltd.
 - Eishogen Co., Ltd.
 - Kirin Well-Foods Co., Ltd.
 - Yonekyu Corporation
- Consolidated subsidiary ■ Affiliates under the equity method:

The graphs to the right show the net sales and CO₂ emissions of these key Kirin Group companies. The graphs show that Kirin Brewery accounts for a large proportion of both net sales and CO₂ emissions. While the Kirin Group recognizes the necessity of reducing the environmental impact of the group as a whole, Kirin Brewery's initiatives to reduce environmental impact are mainly listed in this report, because reduction



of the Kirin Brewery's environmental impact (on a non-consolidated basis) has a major impact on the group as a whole.

The Kirin Group's Environmental Philosophy

In July 1991, the Kirin Brewery fundamental policy for initiatives on global environmental problems was laid out, and efforts have been made to conduct environmental protection activities ever since.

In order to push forward with environmental management, in August 1999 we completely revised the fundamental principles and standards of conduct we had used up until then, and established the Environmental Philosophy and Basic Policy in order to further promote the environmental conservation activities. We clearly state our awareness towards a sustainable society in the Environmental Philosophy, and strive to protect the environment in all aspects of our business activities.

Environmental Philosophy

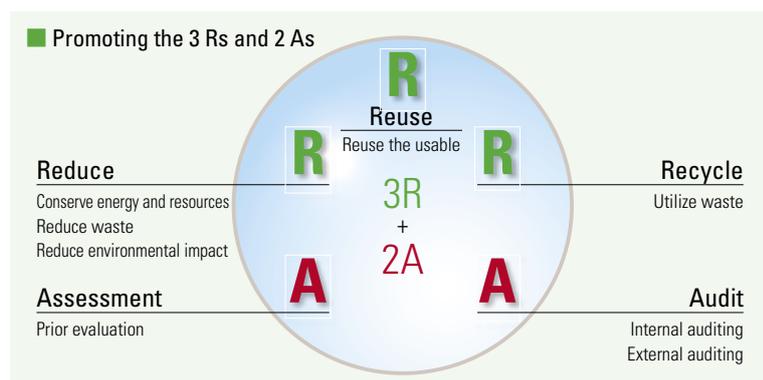
The Kirin Group recognizes the conservation of the global environment as one of its most important tasks. In an effort to establish a sustainable society, we will continuously promote efforts to integrate environmental protection measures into every part of our business activities.

The Kirin Group's Basic Environmental Policy

We are determined to promote environmental measures according to the following policy, which is based on the 3 'R's (Reduce, Reuse and Recycle) and the 2 'A's (Assessment and Audit).

The Kirin Group's Basic Environmental Policy

- 1 Develop products and technologies, and procure materials and equipment with careful consideration for environmental impact in each stage of the life cycle of production, logistics and marketing, consumption, recycling and reusing, and disposal.
- 2 Set environmental objectives and goals, and review them regularly to continually improve the quality of our environmental protection with careful consideration for affects on the environment.
- 3 Establish self-management standards to further promote environmental protection that complies with environment-related laws, regulations and agreements.
- 4 Reduce global environmental impact by conserving energy and resources, reducing waste, emissions of ozone depleting substances, substances causing global warming, and toxic substances, and promoting recycling.
- 5 Conduct environmental audits, and disclose information in environmental reports that include our environmental policies and necessary costs for environmental protection.
- 6 Carry out awareness-raising programs on environmental issues in order for all employees to understand environmental policies through in-house environmental education and publication. We also work positively on outside environmental activities to improve awareness of the importance of environmental issues.
- 7 Support NGOs dealing with recycling and environmental protection and take a leading role, participating in a wide range of social activities.
- 8 Take full consideration of environmental protection in our overseas activities.



EcoBalance

In the process of making beer, Kirin Brewery uses various resources and discharges various substances. In order to achieve business operations with small environmental burden, we are attempting to understand the environmental impacts from a life-cycle perspective.

The process of beer manufacturing

Would you like to know how beer is brewed? If you visited a brewery, you might be surprised by the rapid speed at which the production line operates. But no matter how highly automated beer production has become, some aspects of the beer-making process always remain the same.

With the use of bounties of nature as the raw materials, beer is manufactured through the natural process of fermentation. In addition, beer goes through the process of preparation, fermentation, storage, filtration and packaging before it can be delivered to customers. Energy is used in the beer manufacturing process as the raw materials and the products are heated and cooled, the production lines are operated, washed and sterilized, and wastewater is treated.

Environmental protection measures undertaken by Kirin Brewery in the process of manufacturing beer include minimizing the use of energy and water, purifying used water before returning it to nature, using packaging that causes the least environmental impact, and so on.

Kirin Brewery's EcoBalance

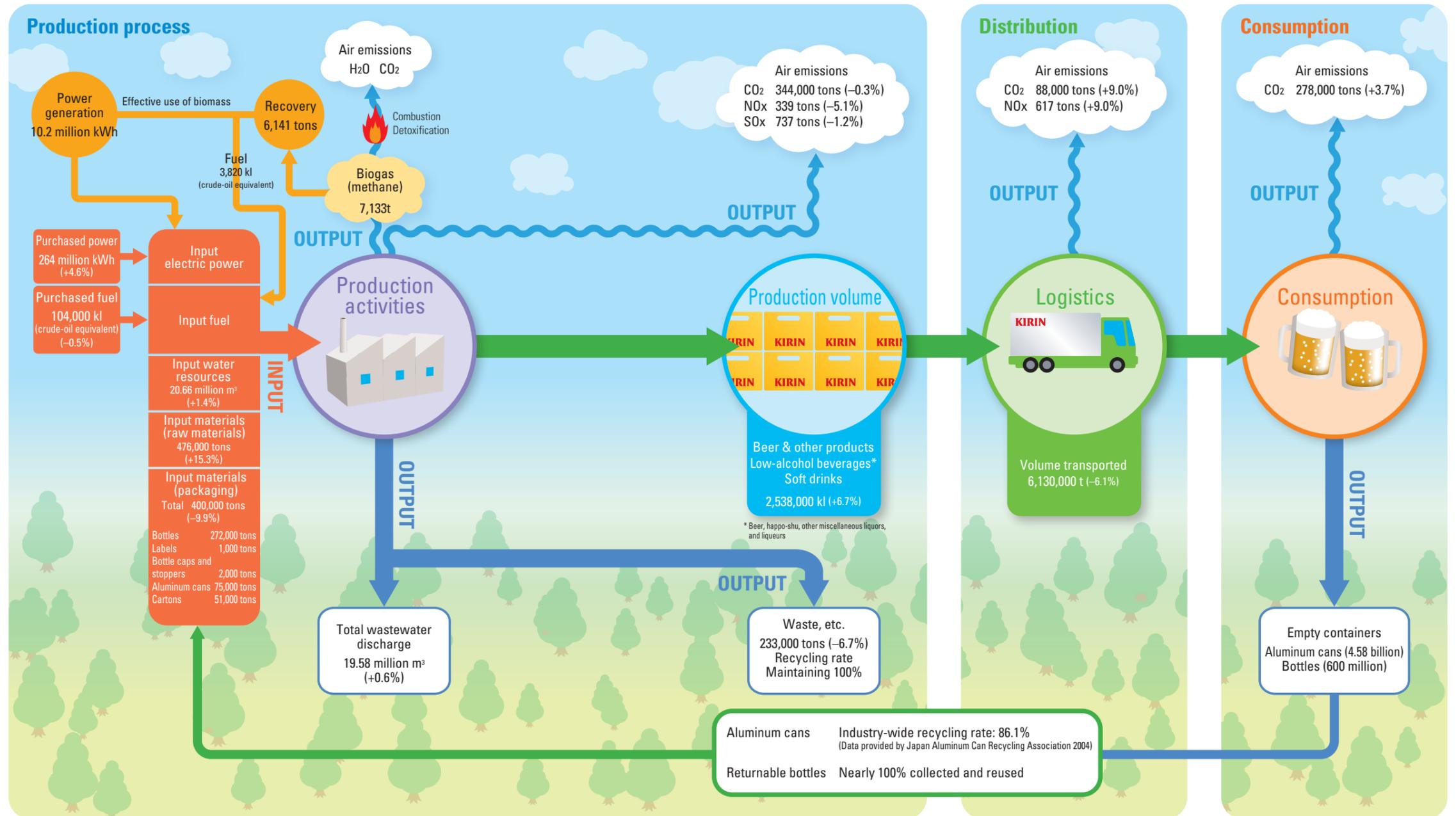
The chart below is EcoBalance that shows the environmental burden in terms of material flows at each of the stages of beer production, logistics, consumption, and waste discharge. It shows the inputs of raw material and the outputs to the environment for each process.

In the beer production process, the brewery uses large amounts of energy in the form of electricity and fuel, and generates wastewater and gas emissions. In order to minimize the amount of electric power and fuel we purchase from outside sources, Kirin Brewery has introduced anaerobic wastewater processing equipment at its wastewater treatment facility, recovering biogas from biomass, and using it effectively as fuel for our boilers and in-house power generators.

As for solid waste discharged from our plants, attempts have been made to reduce environmental impacts by maintaining a recycling rate of 100%. During the distribution process, our trucks emit CO₂ and NO_x. In the consumption process (where the customer drinks the product), the body breaks down the alcohol, emitting CO₂. And after the product has been consumed, the empty container (bottle or can) is discarded. Nearly 100% of beer bottles are collected and reused, and aluminum cans are also collected and recycled.

Thus, Kirin Brewery carries out a wide range of measures, with particular focus on CO₂ emission reduction efforts during the production and distribution processes, and handling of empty containers after consumption, both of which have large environmental impacts.

■ Kirin Brewery material flow (figures in parentheses () show year-on-year change)



Targets and Results

At the Kirin Group we have established a three-year environmental management plan as part of the 2004 Medium-Term Management Plan. Each fiscal year we have evaluated our performance and reflected the results in the operational plan for the following year.

Environmental management plan (targets) and results

| Area | Main theme | 2005 targets | Results for 2005 | Assessment | 2006 targets |
|-----------------------------|---|--|---|------------|--|
| Production and operations | Efficient use of water and energy | <ul style="list-style-type: none"> Water: -19% from 1990 levels (per unit production*) (-1.8% from 2004) ★ 2010 target for total usage (-15% from 1990 levels) has already been reached | <ul style="list-style-type: none"> Water: -20.9% from 1990 levels (per unit production) (-4.1% from 2004 (per unit production)) | | <ul style="list-style-type: none"> Water: -6.2% from 2005 (per unit production) |
| | | <ul style="list-style-type: none"> Electricity: +0.8% from 1990 levels (per unit production) (-3.7% from 2004 (per unit production)) ★ 2010 target for total usage (-5% from 1990 levels) has already been reached | <ul style="list-style-type: none"> Electricity: -0.1% from 1990 levels (per unit production) (-4.6% from 2004 (per unit production)) | | <ul style="list-style-type: none"> Electricity: -5.3% from 2005 (per unit production) |
| | | <ul style="list-style-type: none"> Fuel: -20.5% from 1990 levels (per unit production) (-3.2% from 2004 (per unit production)) ★ 2010 target for total usage (-15% from 1990 levels) has already been reached | <ul style="list-style-type: none"> Fuel: -25.2% from 1990 levels (per unit production) (-4.3% from 2004 (per unit production)) | | <ul style="list-style-type: none"> Fuel: -2.4% from 2005 (per unit production) |
| | By-products and waste | <ul style="list-style-type: none"> Maintenance of 100% recycling rate at all breweries and head offices | <ul style="list-style-type: none"> Achieved at all breweries and head offices | | <ul style="list-style-type: none"> Continue to maintain 100% recycling rate |
| | Greenhouse gases | <ul style="list-style-type: none"> -17% from 1990 levels (per unit production) (-2% from 2004) ★ 2010 target for total emissions (-25% from 1990 levels) has already been reached | <ul style="list-style-type: none"> -17.9% from 1990 levels (per unit production) (-2.9% from 2004 (per unit production)) | | <ul style="list-style-type: none"> -5.1% from 2005 (per unit production) <Main measures> ● Introduction of biogas power generators (total 3 plants) ● Fuel conversion (total 4 plants) |
| Management | Environmental management system | <ul style="list-style-type: none"> Introduction of EMS at 18 group companies | <ul style="list-style-type: none"> Introduced EMS at 18 group companies | | <ul style="list-style-type: none"> Apply EMS to group companies with low environmental impact |
| | | <ul style="list-style-type: none"> <ISO14001> ● Increase the number of the Kirin Head Office certified site ● Obtain certification at four group-company facilities | <ul style="list-style-type: none"> Shinkawa Head Office Annex was included as a Shinkawa Head Office certified site ● Three group-company facilities obtained certification | | <ul style="list-style-type: none"> Expand Takasaki Pharmaceutical Plant certified sites ● Study the possibility of the application of Kirin Head Office certification to other sites (application to Harajuku Head Office) |
| | | <ul style="list-style-type: none"> <EcoAction 21 (EA21)> ● Obtain certification at Kirin's major laboratories (four total) and three sales offices | <ul style="list-style-type: none"> Kirin's four main laboratories have obtained EA21 by year-end | | <ul style="list-style-type: none"> Obtain certification at two sales offices by year-end |
| | Green procurement | <ul style="list-style-type: none"> ● Introduce at 22 business locations of 15 companies (level 1) | <ul style="list-style-type: none"> 7 business locations of 6 companies (level 1) ● 15 business locations of 11 companies (level 2) | | <ul style="list-style-type: none"> 7 business locations of 6 companies (level 2) ● 15 business locations of 11 companies (level 3) |
| | Green procurement | <ul style="list-style-type: none"> ● Achieve green procurement rate for office supplies of at least 80% (by cost) at all Kirin sites and 8 group companies | <ul style="list-style-type: none"> Results for green procurement rate at Kirin Brewery: ● Breweries and laboratories: 90.6% ● Office supplies at head offices: 93.1% ● Proportion of materials that are reused: 79.1% | | <ul style="list-style-type: none"> ● Achieve green procurement rate for office supplies of at least 80% (by cost) at all Kirin sites and 16 group companies |
| Environmental communication | Protection of the natural environment | <ul style="list-style-type: none"> Plan to carry out tree-planting activities at sources of water at the total of 3 business locations: Nagoya Brewery (southern region of the Kiso River); Hokuriku Brewery (Shiroyama City, Ishikawa Prefecture); and Chitose Brewery (Lake Shikotsu Toho Usakumai National Forest) | <ul style="list-style-type: none"> Carried out tree-planting activities at sources of water at Nagoya Brewery, Hokuriku Brewery, and Chitose Brewery as planned ● The Kirin Group supported Yakushima zero waste to landfill efforts, and employee volunteers participated in island-wide cleanup | | <ul style="list-style-type: none"> ● Plan to carry out tree-planting activities at source of water at Fukuoka Plant ● Plan to carry out tree-planting activities at source of water around Fujisanroku at Kirin Distillery Co., Ltd.'s Fuji Gotemba Distillery |
| | Environmental report Environmental publicity | <ul style="list-style-type: none"> Continually produce and issue public-relations materials relating to the environment | <ul style="list-style-type: none"> Began soliciting click donations for nationwide forest conservation on our Website Yearly results: About 2,760,000 clicks (1 click = 1 yen) ● Gave presentations at environmental exhibitions at various locations, showcasing Kirin's efforts to tackle environmental issues | | <ul style="list-style-type: none"> ● Give presentations at environmental exhibitions, and continue to support environmental conservation activities |

<About our targets and assessments>

The standards used to evaluate the results with regard to our targets are shown to the right.

: Ahead of plan : According to plan : Behind plan

Note: The unit per production refers to the amounts of water or energy needed to manufacture 1 kl of beer, happo-shu, or other miscellaneous liquors.

FY 2005 results and FY 2006 targets

The Kirin Group is working to achieve environmental management targets set forth in the 2004 Medium-Term Management Plan. The table on the previous page shows the environmental targets and results for fiscal 2005, and the targets for fiscal 2006.

We made good progress towards the targets for efficient use of water and energy in the 2004 Medium-Term Management Plan. In fiscal 2006, we plan to place particular focus on improving the usage of water per unit of production.

We made further efforts to meet the 2004 Medium-Term Management Plan targets for greenhouse gas reduction (reduction of both total emissions and emissions per unit of production by 25% from 1990 levels), a comprehensive index that reflects the extent to business activities, by fiscal 2007. We continue to maintain the 100% recycling rate of by-products and waste at each of our breweries and head offices. We are attempting to introduce environmental management systems at all Kirin Group companies in accordance with the type and size of

their businesses. In fiscal 2005, three group-company business sites obtained ISO 14001 certification, four laboratories obtained EcoAction 21 certification, and two group-company business locations introduced simplified EMS. With regard to green procurement, we have already met the target of the 2004 Medium-Term Management Plan, and are currently working to raise the achievement level.

As part of our environmental communication, we have continued our tree-planting activities at sources of water since 1999. Currently, 10 of our 11 breweries are conducting such activities, and we plan to have the remaining brewery initiate them during fiscal 2006. We have also introduced solar power generation systems at a total of four business locations, as part of our environmental publicity and pioneering efforts to use natural energy. We are also participating in Yokohama's Large-Scale Project for Wind-Power Generation. We plan to strengthen an initiative to prevent global warming in partnership with the government.

Kirin Brewery Company, Limited

| Environmental performance indicators | | Unit | FY 2003 | 2004 | 2005 |
|--------------------------------------|---------------------------------------|-----------------------|---------|-------|-------|
| Input | Total energy input | TJ* | 7,402 | 7,185 | 7,364 |
| | Fuel (crude-oil equivalent) | 10,000 kl | 11.6 | 11.0 | 11.1 |
| | Electricity purchased | 1,000 MWh | 293.9 | 297.1 | 311.8 |
| | Water resources input | 10,000 m ³ | 2,135 | 2,078 | 2,107 |
| Output | Production volume | 10,000 kl | 242.2 | 238.0 | 253.8 |
| | By-products and waste discharged | 10,000 t | 26.8 | 25.0 | 23.4 |
| | Total water discharged | 10,000 m ³ | 1,941 | 1,973 | 1,987 |
| | CO ₂ emissions | 10,000 t | 39.0 | 37.1 | 37.3 |
| | Fossil fuels | 10,000 t | 28.1 | 26.1 | 25.9 |
| | Electricity Purchased | 10,000 t | 10.9 | 11.0 | 11.5 |
| | CO ₂ emissions (logistics) | 10,000 t | 8.0 | 8.1 | 8.8 |
| | NO _x emissions | t | 449 | 363 | 346 |
| | NO _x emissions (logistics) | t | 561 | 566 | 617 |
| | SO _x emissions | t | 875 | 752 | 743 |

Note: See P. 59 for target organizations. The scope of statistics taken differs from that of the EcoBalance (P. 38).

* Terajoule (TJ): J x 10¹²

Kirin Distillery Co., Ltd.

| Environmental performance indicators | | Unit | FY 2003 | 2004 | 2005 |
|--------------------------------------|----------------------------------|-----------------------|---------|------|------|
| Input | Total energy input | TJ* | 304 | 327 | 343 |
| | Fuel (crude-oil equivalent) | 10,000 kl | 0.5 | 0.5 | 0.4 |
| | Electricity purchased | 1,000 MWh | 11.5 | 14.6 | 17.9 |
| | Water resources input | 10,000 m ³ | 86 | 94 | 97 |
| Output | By-products and waste discharged | 10,000 t | 0.3 | 0.3 | 0.3 |
| | Total water discharged | 10,000 m ³ | 34 | 41 | 44 |
| | CO ₂ emissions | 10,000 t | 1.8 | 1.8 | 1.8 |
| | Fossil fuels | 10,000 t | 1.3 | 1.3 | 1.2 |
| | Electricity Purchased | 10,000 t | 0.4 | 0.6 | 0.7 |

* Terajoule (TJ): J x 10¹²

Kirin Beverage Corporation

| Environmental performance indicators | | Unit | FY 2003 | 2004 | 2005 |
|--------------------------------------|----------------------------------|-----------------------|---------|------|------|
| Input | Total energy input | TJ* | 692 | 642 | 716 |
| | Fuel (crude-oil equivalent) | 10,000 kl | 1.0 | 1.0 | 1.3 |
| | Electricity purchased | 1,000 MWh | 30.8 | 27.8 | 23.6 |
| | Water resources input | 10,000 m ³ | 165 | 148 | 157 |
| Output | By-products and waste discharged | 10,000 t | 1.2 | 1.2 | 1.4 |
| | Total water discharged | 10,000 m ³ | 95 | 92 | 101 |
| | CO ₂ emissions | 10,000 t | 3.6 | 3.3 | 3.5 |
| | Fossil fuels | 10,000 t | 2.4 | 2.3 | 2.6 |
| Electricity Purchased | 10,000 t | 1.2 | 1.0 | 0.9 | |

* Terajoule (TJ): J x 10¹²

Nagano Tomato Co., Ltd.

| Environmental performance indicators | | Unit | FY 2003 | 2004 | 2005 |
|--------------------------------------|----------------------------------|-----------------------|---------|------|------|
| Input | Total energy input | TJ* | 421 | 466 | 488 |
| | Fuel (crude-oil equivalent) | 10,000 kl | 0.6 | 0.6 | 0.7 |
| | Electricity purchased | 1,000 MWh | 19.8 | 23.0 | 23.7 |
| | Water resources input | 10,000 m ³ | 131 | 157 | 153 |
| Output | By-products and waste discharged | 10,000 t | 0.7 | 0.7 | 0.8 |
| | Total water discharged | 10,000 m ³ | 64 | 75 | 75 |
| | CO ₂ emissions | 10,000 t | 2.3 | 2.5 | 2.7 |
| | Fossil fuels | 10,000 t | 1.6 | 1.7 | 1.8 |
| Electricity Purchased | 10,000 t | 0.7 | 0.9 | 0.9 | |

* Terajoule (TJ): J x 10¹²

Management of chemical substances discharged and transferred

| Name of business sites | Target sites | Substance | Air | Water | Transfer | Use |
|---|--------------------------------------|-------------------------------------|------------|--------|------------|-------------|
| Breweries | Nagoya Brewery | 2,2-dichloro-1,1,1-trifluoromethane | 1.1t | 0 | 0 | Refrigerant |
| | Nagoya Brewery, Shiga Plant | Dioxins | 0.15mg-TEQ | 0 | 0 | |
| Pharmaceutical plants & research laboratories | Takasaki Pharmaceutical Plant | Acetonitrile | 0 | 0 | 1.3t | Analysis |
| | Pharmaceutical Research Laboratories | Chloroform | 0.3t | 0.002t | 1.2t | Analysis |
| Kirin Beverage Corporation | Shonan Plant | Dioxins | 1.7mg-TEQ | 0 | 0.45mg-TEQ | |

Promoting Environmental Management

In order to be a sustainable corporation and contribute to building a sustainable society, the Kirin Group recognizes that it is imperative to work towards the conservation of the global environment. We believe that environmental management means seeking optimal efficiency with due considerations to the financial imperatives.

Establishment and promotion of environmental management systems

Led by the ISO 14001 Environmental Committee of the Shinkawa Head Office, the Kirin Group is working to implement and firmly establish environmental management systems at our brewery, research laboratory, sales office of Kirin Brewery, and our group companies.

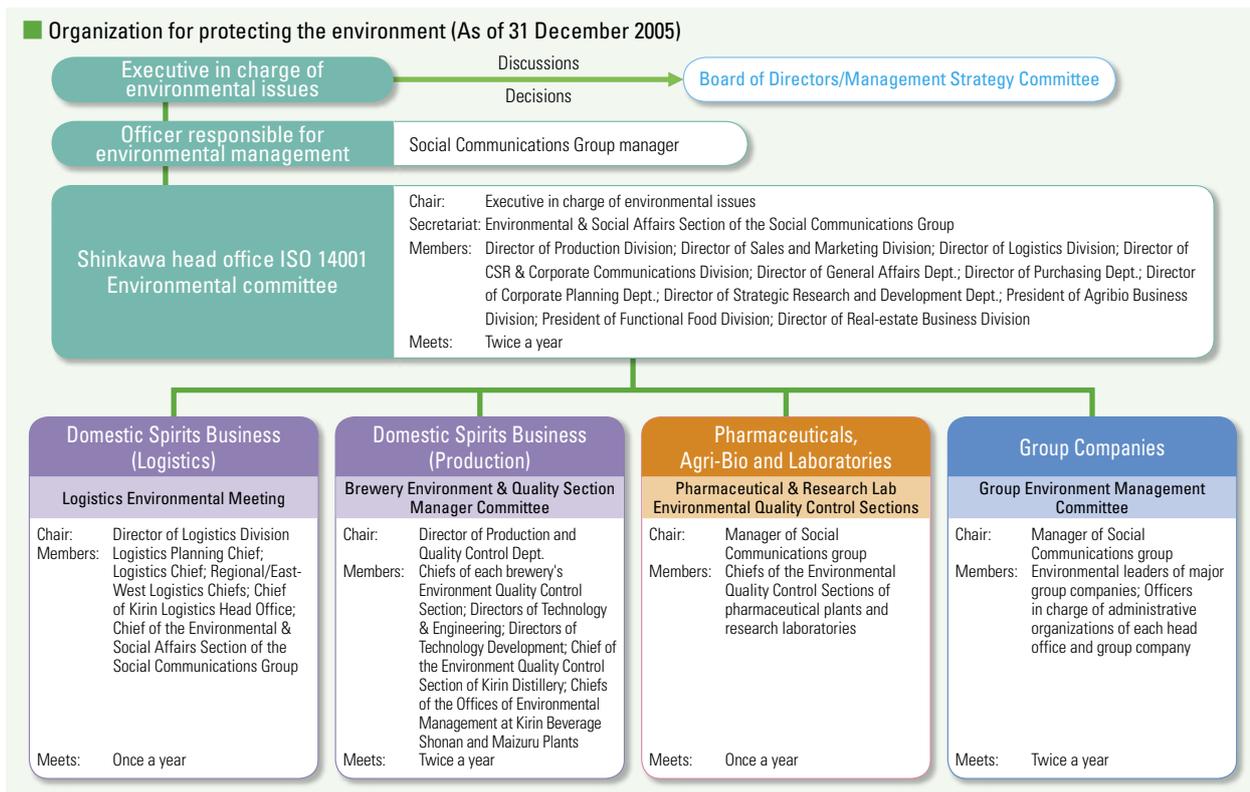
Each business location selects and introduces one of four systems – ISO 14001, EA21, simplified EMS, and green management certification – in accordance with its type(s) of business, scale, and other factors.

*EA21: Eco Action 21 is an environmental management system supported by the Ministry of the Environment.

Promotion of four management systems

At production facilities with large environmental impacts, we have been introducing ISO 14001. In 1997, the Kirin Brewery Hokuriku Plant became the first in the food industry to obtain ISO 14001 certification. Since then, certification has been obtained at all Kirin Brewery's production facilities and 14 group companies' production facilities. At business sites with comparatively smaller environmental impacts, we have introduced EcoAction 21 (EA21). As of the present, we have obtained

certification for EA21 at six of our business sites, mainly research laboratories. At business sites with small environmental impacts, we have introduced simplified EMS, which is a unique standard created by Kirin Brewery, and we plan to promote further application of this system in the future. At our main logistics companies, we have introduced green management certification (the Foundation for Promoting Personal Mobility and Ecological Transportation).



Environmental Accounting

Kirin Brewery conducts environmental management with consideration to a balance between environmental conservation effect and financial imperatives in order to carry out our business activities while contributing to a sustainable society. In fiscal 2005, ¥965 million was earmarked for environmental investments, and environmental conservation activities were conducted with an environmental expense of ¥8,489 million.

Kirin Brewery's environmental management indicators

In order to promote environmental management continuously, it is necessary for the company to increase the added value* while reducing its environmental impact. Kirin Brewery uses "environmental impact intensity" as its environmental management indicator.

Our goal is to lower the environmental impact intensity and improve environmental efficiency, and an effective means to accomplish this goal is to increase added value and lower environmental impact.

* Added value: Operating income + labor costs + depreciation expenses

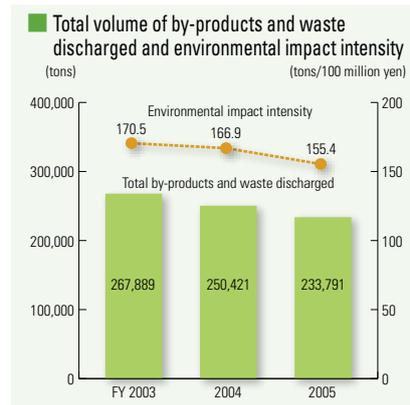
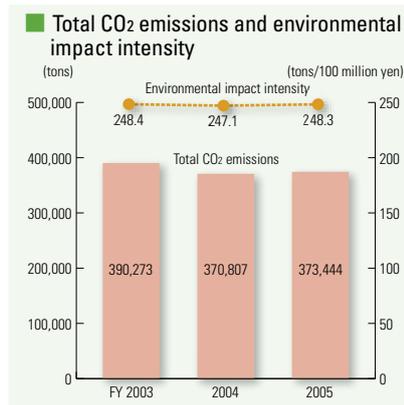
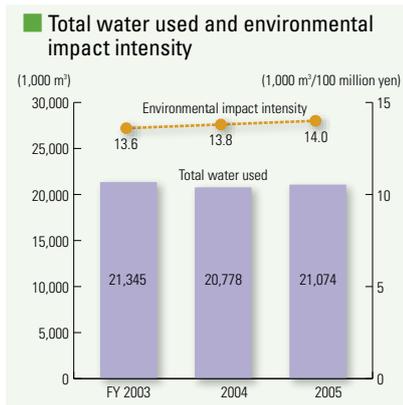
■ Definition of environmental management indicator

| Environmental management indicator | Calculation method |
|--|--|
| Environmental impact intensity (Water, CO ₂ , by-products and waste) | This indicates the environmental impact (inputs and outputs) to earn ¥100 million of added value created by our corporate activities, and it is calculated as [the amount of discharged and used substances with environmental impacts ÷ added value]. |
| Material effects (water, energy, CO ₂) Economic effects (water, energy) | These effects show the environmental-impact reduction effect for water, energy, and CO ₂ compared to the previous fiscal year. It calculates business activity effect that affects the level of environmental impact through fluctuations in manufacturing volumes, and per unit production effect as a result of our environmental protection efforts. |

■ Environmental conservation cost (investment and cost)

(millions of yen)

| Category | Investment | | | Cost | | |
|--|--------------|--------------|------------|--------------|--------------|--------------|
| | FY 2003 | 2004 | 2005 | FY 2003 | 2004 | 2005 |
| (1) Business area cost | 1,991 | 1,360 | 935 | 5,707 | 7,914 | 7,459 |
| i. Pollution prevention cost | 1,198 | 1,015 | 500 | 1,204 | 3,458 | 3,218 |
| ii. Global environmental conservation cost | 436 | 254 | 191 | 1,609 | 1,505 | 1,273 |
| iii. Resource circulation cost | 357 | 91 | 244 | 2,894 | 2,950 | 2,968 |
| (2) Upstream/downstream cost | — | — | — | 51 | 51 | 36 |
| (3) Administrative cost | — | — | — | 273 | 300 | 283 |
| (4) R&D cost | — | — | — | 222 | 192 | 105 |
| (5) Social activity cost | 16 | 10 | 30 | 666 | 637 | 606 |
| (6) Environmental remediation cost | — | — | — | — | — | — |
| (7) Other environmental conservation cost | — | — | — | — | — | — |
| Total | 2,007 | 1,370 | 965 | 6,919 | 9,094 | 8,489 |



Scope: All breweries, head offices, pharmaceutical plants & research laboratories

Added value

(Unit: 100 millions yen)

| | FY 2003 | 2004 | 2005 |
|-------------|---------|-------|-------|
| Added value | 1,571 | 1,501 | 1,504 |

Scope: Kirin Brewery (non-consolidated)

Measuring material and economic effects

It is not possible to completely eliminate the environmental impact of business activities. Breweries in particular use water and agricultural products, and their impact increases as the business expands.

Therefore, we are committed to improving efficiency in order to reduce the amounts of raw materials, energy, and water used, and by-products

and waste produced necessary to manufacture one unit of our product.

We divide the reduced environmental impact into 2 categories:

the effect of changes in our business activities, and the effects of

environmental-conservation efforts (on a per-unit-of-production basis).

Material effects from environmental conservation measures

| Item | FY 2003 | | | | FY 2004 | | | | FY 2005 | | | |
|-----------------------------|----------|-------------------------------------|--|--------------------|----------|-------------------------------------|--|--------------------|----------|-------------------------------------|--|--------------------|
| | FY total | Breweries | | Head offices et al | FY total | Breweries | | Head offices et al | FY total | Breweries | | Head offices et al |
| | | Material effect per unit production | Material effect from business activities | Material effect | | Material effect per unit production | Material effect from business activities | Material effect | | Material effect per unit production | Material effect from business activities | Material effect |
| Water (1,000 m³) | 3,297 | 1,175 | 2,100 | 22 | 567 | ▲140 | 672 | 34 | ▲296 | 249 | ▲543 | ▲1 |
| Energy (GJ) | 711,609 | 63,487 | 651,223 | ▲3,101 | 216,632 | 94,522 | 218,108 | ▲95,998 | ▲178,471 | 77,817 | ▲172,613 | ▲83,674 |
| Breakdown: Electricity (GJ) | 334,464 | 89,219 | 244,154 | 1,090 | ▲31,821 | ▲81,620 | 79,668 | ▲29,869 | ▲144,384 | ▲47,450 | ▲66,150 | ▲30,784 |
| Breakdown: Fuel (GJ) | 377,145 | ▲25,732 | 407,068 | ▲4,191 | 248,453 | 176,143 | 138,440 | ▲66,129 | ▲34,087 | 125,267 | ▲106,463 | ▲52,890 |
| CO2 (1,000 tons) | 38 | 4 | 35 | ▲1 | 19 | 8 | 11 | ▲1 | ▲3 | 10 | ▲9 | ▲4 |

Economic effects from environmental conservation measures

| Item | FY 2003 | | | | FY 2004 | | | | FY 2005 | | | |
|-------------------------------------|----------|-------------------------------------|--|--------------------|----------|-------------------------------------|--|--------------------|----------|-------------------------------------|--|--------------------|
| | FY total | Breweries | | Head offices et al | FY total | Breweries | | Head offices et al | FY total | Breweries | | Head offices et al |
| | | Economic effect per unit production | Economic effect from business activities | Economic effect | | Economic effect per unit production | Economic effect from business activities | Economic effect | | Economic effect per unit production | Economic effect from business activities | Economic effect |
| Water (¥1 million) | 376 | 134 | 239 | 2 | 72 | ▲18 | 85 | 4 | ▲38 | 32 | ▲70 | ▲0 |
| Energy (¥1 million) | 720 | 106 | 616 | ▲1 | 146 | 22 | 216 | ▲92 | ▲224 | 36 | ▲175 | ▲84 |
| Breakdown: Electricity (¥1 million) | 463 | 124 | 338 | 2 | ▲44 | ▲113 | 110 | ▲41 | ▲196 | ▲64 | ▲90 | ▲42 |
| Breakdown: Fuel (¥1 million) | 257 | ▲18 | 278 | ▲3 | 190 | 135 | 106 | ▲51 | ▲27 | 101 | ▲86 | ▲42 |
| Total (¥1 million) | 1,096 | 240 | 855 | 1 | 218 | 4 | 301 | ▲88 | ▲262 | 68 | ▲245 | ▲84 |

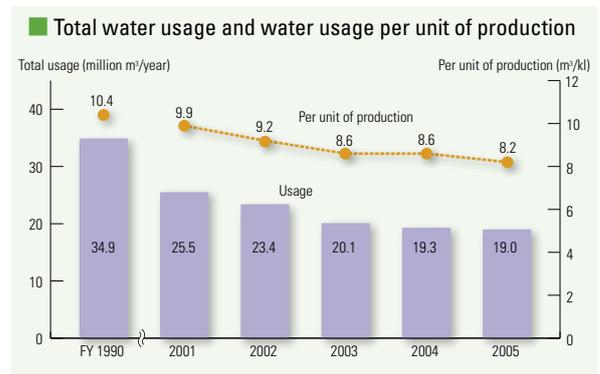
Initiatives for Water Resources

Water is a precious natural resource that is essential for the Kirin Group in the manufacturing of beer and other alcoholic beverages and soft drinks. For this reason, we are actively committed to conserving and recycling water at our plants, and nurturing forests that produce clean, pure water.

Saving water leads to energy saving

In the beer manufacturing process, more water is used to clean the tanks and pipes than as an ingredient in the beer. Saving water helps reduce electricity used for sending water through the pumps and energy used for heating water.

Kirin Brewery has succeeded in reducing the total water usage by 45.6% from 1990 levels and the water usage per unit of production by 20.9%.

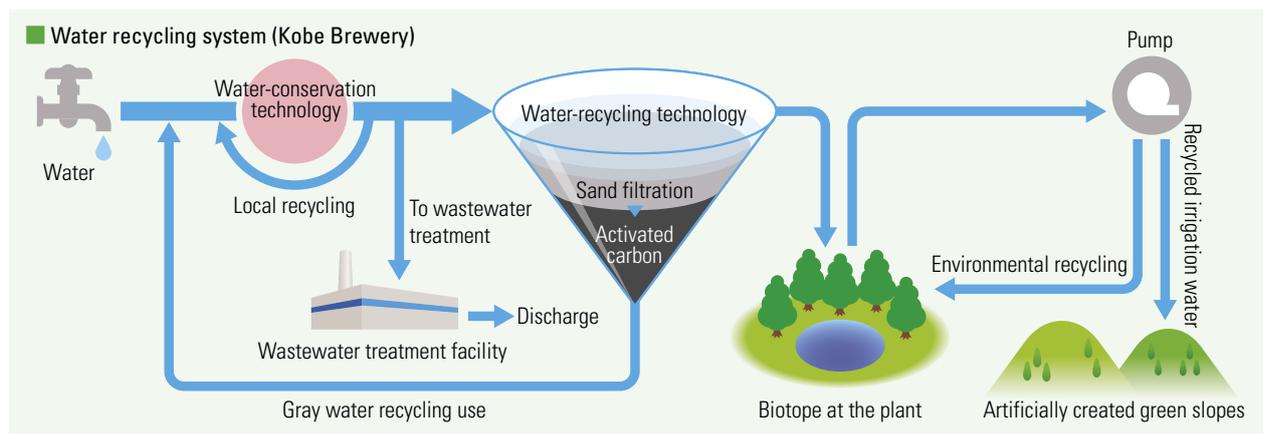


We strive to recycle and reuse water

Efforts are made at Kirin Brewery to recycle water after it has been used in order to reduce the total usage. The Kobe Brewery has introduced a full-scale water recycling system that utilizes the final rinse water used in the equipment cleaning process as cleaning water utilized in the pre-washing process. As a result, we succeeded in nearly halving the amount of water needed for beer production (compared to the average amount of water used at our plants in 1990).

We also purify wastewater by using filters and other water-processing techniques while making the effective use of the purified water for

our brewery biotopes (wildlife habitats) and irrigation of artificially created green slopes. At our group companies, since 2004 Kirin Beverage Corporation's Maizuru Plant has been recycling the cooling water for its bottling vats that sterilize coffee and green tea at high temperatures. Specifically, it has introduced a recycling system in its filtration equipment, and in 2005 reduced its water usage by about 14% from 2003 levels, or a yearly reduction of 73,000 tons. Other group companies are also working on their own water-conservation and water-recycling initiatives.



Activities to protect water and biodiversity

It is impossible to make delicious beer without clean and pure water, and forests play a vital role in obtaining such water.

In the forest, microorganisms and small animals that break down fallen leaves, and the creatures that in turn feed on them exist in harmony, forming an ecosystem. The trees in the forest are nurtured by the nutrients created by this natural process, and by the water from rain and snow that is absorbed into the earth. In this process, the forest gives us clean, pure water as nature's bounty.

Kirin Brewery runs a tree-planting program called *Kirin Brewery Suigen no Mori-zukuri*, to protect the water sources of breweries nationwide in partnership with local communities. This program is aimed at protecting the forests that give us this irreplaceable resource, and enable us to continue to make delicious beer into the future.

Started in 1999, this program has been applied to 10 breweries nationwide by 2005. In 2006 we plan to apply the program to our Fukuoka Plant, putting the program in operation at all of our 11 breweries nationwide. Additionally, in January 2005 we signed the Biwako Shinrinzukuri Partner Kyotei (Lake Biwa afforestation partnership agreement) with the Otaki Forestry Association to plant roughly 820 ha of trees, with the Prefecture of Shiga bearing witness. Lake Biwa is one of the main sources of water in Western Japan. In 2006, we also plan to begin an initiative to plant trees around Fujisanroku, which is the water source of Kirin Distillery Co., Ltd.'s Gotemba Distillery, and one of the main sources of water in Eastern Japan. Through efforts like the *Kirin Brewery Suigen no Mori-zukuri* program, we are contributing to afforestation nationwide by donating to the Green Fund of the National Land Afforestation Promotion Organization. In November 2005, we received a letter of appreciation from the Minister of Agriculture, Forestry and Fisheries for our efforts.



Commemorative plaque for Biwako Shinrinzukuri Partner Kyotei (Lake Biwa afforestation partnership agreement)

Click Fund

The Environmental Section of the Kirin Brewery Website has a "Click Fund," which collects a donation of one yen each time it is clicked. When we signed the Biwako Shinrinzukuri Partner Kyotei (Lake Biwa afforestation partnership agreement) in 2005, it was clicked more than 1,130,000 times over about three months. The similar initiative was launched again when a tree-planting program at sources of water at Chitose Brewery was carried out, and the fund collected more than 1,630,000 clicks over about three months.

The money raised at this Click Fund was also donated to the Green Fund for nationwide afforestation and others.



Click Fund on Environmental Section of Kirin Brewery Website
<http://www.kirin.co.jp/active/env/mizunomegumi/click.html>

Tree-planting at sources of water at Hokuriku Brewery

The ninth *Kirin Brewery Suigen no Mori-zukuri* tree-planting activity at a source of water was implemented on May 28, 2005 at the Kirin Brewery Hokuriku Plant. About 1 ha of trees was planted at Shiroyama, located in the Shiramine district, which is the brewery's water source. A total of about 340 people participated in the activity including employees and their families from the Hokuriku Brewery, the Hokuriku Regional Head Office, and the Kirin Group as well as members of the local community. Under the guidance of a volunteer group, the participants planted about 700 saplings including beech, mountain ash, alder, and water oak.



Planting trees near Shiroyama in the Shiramine district (the Hokuriku Brewery's water source)

Tree-planting at sources of water at Chitose Brewery

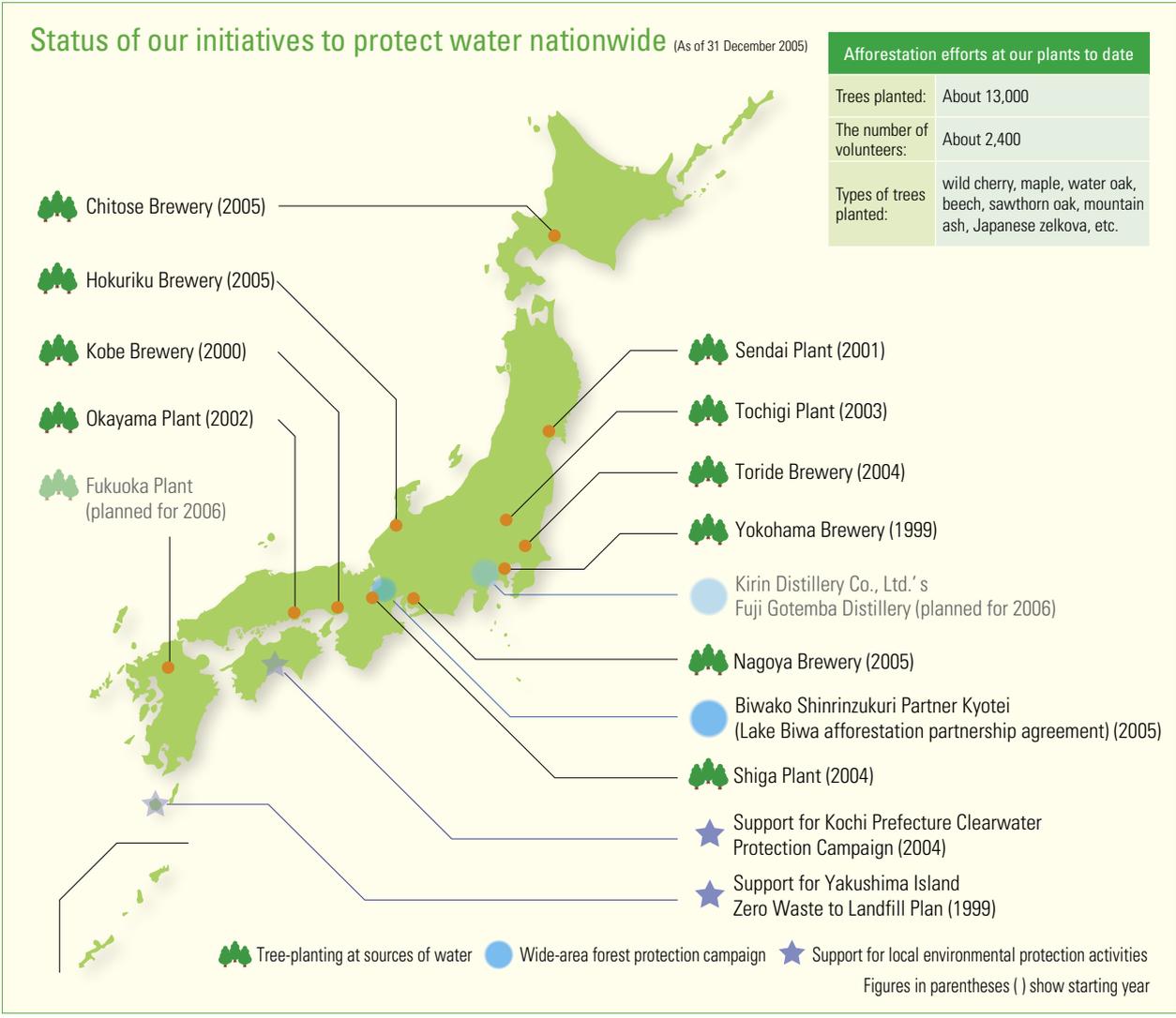
On October 8, 2005, the tenth *Kirin Brewery Suigen no Mori-zukuri* activity was conducted at the Kirin Brewery Chitose Plant, where about 1.13 ha of trees was planted at the Usakumai National Forest, located in Lake Shikotsu Toho. A wide area here had been damaged by a typhoon in 2004 that fell down many trees. This made afforestation an urgent matter to be addressed in the area. A total of about 250 people participated in the activity, including employees and their families from the Chitose Brewery, the Hokkaido Regional Head Office, and the Kirin Group, as well as members of the local community including the Green Youth Group. Under the guidance of a volunteer group, the participants planted about 1,200 trees including spruce, ash, and birch. They also enjoyed experimental activities such as tree branch trimming and wooden coaster making.



Volunteers tried their hand at tree trimming in the Usakumai National Forest (the Chitose Brewery's source of water)

Local activities

We support many local efforts to protect precious water sources. One example is the zero waste to landfill plan on the island of Yakushima, located in Kagoshima Prefecture, which is registered as a World Natural Heritage Site. Another example is the Kochi Prefecture Clearwater Protection Campaign.



Initiatives for Packaging

We are pushing forward with the 3R's (Reduce, Reuse, and Recycle) in order to contribute to a sustainable and recycling-based society. The entire lifecycle of our containers have some impacts on the environment, from their manufacturing, to their shipment, disposal, and recycling. Kirin Brewery is committed to developing lighter, sturdier containers, while maintaining the quality and safety of our products.

Commitment to designing environmentally friendly containers and packaging

In 1998, Kirin Brewery created the Guidelines for Designing Environmentally Friendly Containers, Packaging and Others in order to further advance the initiatives to conserve global resources and reduce environmental impact. We work in partnership with our suppliers to develop containers, packaging, and other materials with lower environmental impact. We are also extending our efforts to our sales-promotion tools.

We decide on which containers to be used based on life-cycle assessment (LCA) and the way in which our customers actually consume our products

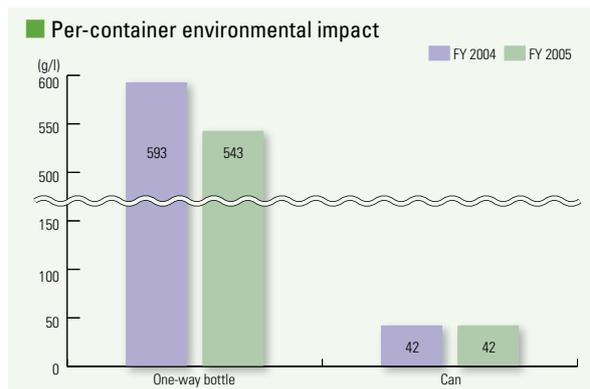
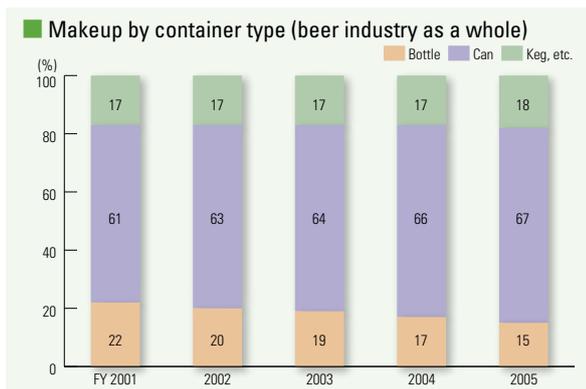
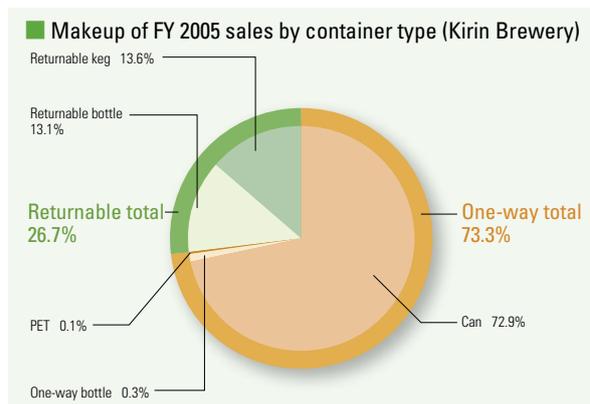
We decide on container materials and distribution format after comprehensively studying various factors, such as life-cycle assessment (LCA)*, the nature of our products, the envisioned ways and places where they are actually consumed, the units purchased by customers, the types of their main retailers, and the prospects of empty container collection.

* A method to quantitatively analyze and assess the environmental impact over product's entire life cycle from collection of resources to disposal.

Changes in containers of purchased products

A can accounts for about two thirds of all containers used in the beer industry as a whole. Although the usage of returnable keg has grown slightly, the usage of bottle has been on the decline.

In fiscal 2005, about 73% of all containers used for Kirin Brewery's beer, happo-shu (low-malt beer), new genre, and can chu-hi product sales was the so-called one-way container (mainly aluminum can). The per-container environmental impact (volume of material used per liter of product sold) was as follows: 543 g for one-way bottle (-50 g from 2004) and 42 g for one-way can (same as 2004).



Reduce initiatives

Making bottles lighter (1) Making returnable bottles lighter by 21%

We reduced the weight of large glass bottle by coating the outside of the bottle with ceramic. The bottle's weight (475 g) is 21% lighter than that of a conventional large bottle (605 g). In 1993, we introduced this lighter bottle in the Hokkaido region, and subsequently phased it in elsewhere, completing a 100% changeover in June 2003.



Full view and cross section of conventional bottle (left) and lightweight bottle (right)

Making bottles lighter (2) Using lighter bottles for chilled beer

We currently sell four different chilled products, which are directly transported from brewery to retailer at below 10°C. As it is difficult for shop owners to collect empty bottles of these products which are mainly sold individually, we regard them as one-way bottles, and thus made them as light as possible. While a returnable bottle with nearly the same capacity weighs 351 g, a weight of this bottle is about half of that, just 170 g.



From left to right: Maroyaka Kobo, Hojyun, Golden Hop, and Ichibanshibori Non-filtered (draft)

Making cans lighter (1) Making cans lighter by adopting smaller-diameter top

As demand for canned beer increases, making cans lighter has become a key to reducing environmental impact. With focus on the barrel of cans as well as the top, we succeeded in reducing the weight of can by 26% by shortening the diameter of can's top. This reduction allowed us to save enough electricity to power all the homes in the Tokyo

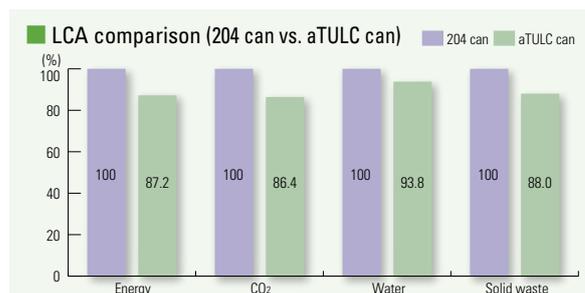


metropolitan region for 4.9 days, and conserve about 270,000 tons of aluminum per year in the aluminum can manufacturing process.



Making cans lighter (2) Introduction of eco-friendly aTULC cans

Kirin Lager Beer, Kirin Classic Lager, and Gokunama (happo-shu) 350-ml and 500-ml cans are sold in environmental friendly aTULC cans. Developed by Toyo Seikan Kaisha, Ltd., Kirin Brewery was the first company in the world to use this type of can commercially. Both the inside and outside of the cans are laminated with polyester film in order to keep the cans strong. This allowed the cans to be formed without using water, and eliminated the generation of solid waste as well. The lifecycle assessment showed that this practice resulted in an approximately 14% reduction of CO₂ emissions, 6% reduction of water discharged, and 12% reduction of solid waste. The aTULC can is certified by the Japan Environmental Management Association For Industry to bear the "EcoLeaf" the type III environmental label.



Promoting separation sales of canned beer

The 24-can cardboard cases of 350-ml and 500-ml cans come in two types: 24 cans bulk-packed in a cardboard case, and four 6-packs wrapped by paperboard containers. When customers purchase beer by the case, they do not need the 6-pack paperboard containers, and so the resources used to make them end up in the garbage as waste. We thus put up posters and other means to convince customers to buy the bulk 24-pack type when purchasing by the case.

Reuse initiatives

Most of our products with a consumer support, including large, medium, and small bottles of Kirin Lager Beer and Kirin Ichiban Shibori, come in returnable bottles, which are collected, washed, and reused. Under this system, the consumer pays a 5-yen deposit on the container when purchasing the product, and the deposit is then returned by the retailer when the container is returned. Lately, however, returnable containers sold individually are often seen in municipal trash stations



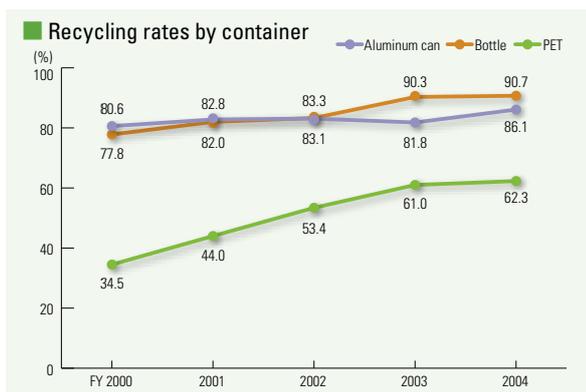
along with one-way bottles, rather than being returned to the retailer. A reason why returnable bottles have lower environmental impact than other containers is because the empty containers are returned to the retailer and reused. For this reason, we continue to encourage customers to return empty containers to retailers in order to take advantage of the characteristic associated with returnable bottles.



Recycling initiatives

Recycling containers in partnership with local communities

Products for which the use of returnable containers is not feasible one-way containers are used, such as cans and PET bottles. We work in partnership with local communities, however, to recycle the containers rather than discarding them after use.



Promoting recycling in the industry as a whole

We are actively committed to various challenges that must be tackled by the industry as a whole, such as the improvement of recycling quality of all types of containers used and the development of a recycled products market by joining recycling associations as a committee member.

[Member organizations]

- Glass Bottle Recycling Promoter Association
<http://www.glass-recycle-as.gr.jp>
- Japan Aluminum Can Recycling Association
<http://www.alumi-can.or.jp>
- Council for PET Bottle Recycling
<http://www.petbottle-rec.gr.jp/top.html>
- Japan Distiller's PET Bottle Recycle Association

Working to prevent littering of drink containers and beautify communities

For more than 30 years, we have been active in a number of initiatives aimed at preventing littering of drink containers as a member of the Beverage Industry Environment Beautification Association, which consists of six beverage organizations, including the Japan Soft Drink Association and Brewers Association of Japan. In particular, we are making good strides in increasing popularity of the environment beautification "Adoption Program" based on agreements with local governments and volunteer organizations. About 260 local governments, 8,500 volunteer organizations, and 500,000 people are involved in the program. In the Kirin Group, the Torihide Brewery, Sendai Plant, and Kirin Beverage's Maizuru Plant are also involved.

- Beverage Industry Environment Beautification Association
<http://www.kankyobika.or.jp>

Initiatives to Prevent Global Warming

The Kirin Group is committed to preventing global warming through energy conservation activities in order to contribute to a sustainable society. In fiscal 2005, we have already achieved the 2010 targets for CO₂ emissions, both in absolute and unit terms due to the introduction of biogas engine cogeneration systems, fuel conversion, and other measures in our breweries.

Reducing energy usage and CO₂ emissions

At the Kirin Group, we are committed to conserving energy from the standpoint that energy is a limited resource.

First, at the beginning of the fiscal year we have set yearly targets and concrete initiatives linked to the targets specified in the Medium-Term Management Plan, and periodically checked and followed up on the status of implementation and activities. Each business site has an energy conservation committee, which steers various energy-conservation efforts.

Starting with a daily commitment by each employee to conserve energy, we are active in reducing CO₂ emissions. Additionally, we joined the national "Team Minus 6 Percent" Global Warming Campaign in May 2005, launching a CoolBiz and WarmBiz initiative and rolling out energy-conservation efforts to each Kirin Group company.

In fiscal 2005, total CO₂ emissions of our breweries deriving from purchased electric power and fossil fuels decreased 0.3% (total emissions) and 2.9% (per unit production) against fiscal 2004, fuel usage was down by 1.7% (total usage) and 4.3% (per unit production) against fiscal 2004; and electricity usage was reduced by 2.1% (total usage) and 4.6% (per unit production) as compared to fiscal 2004.



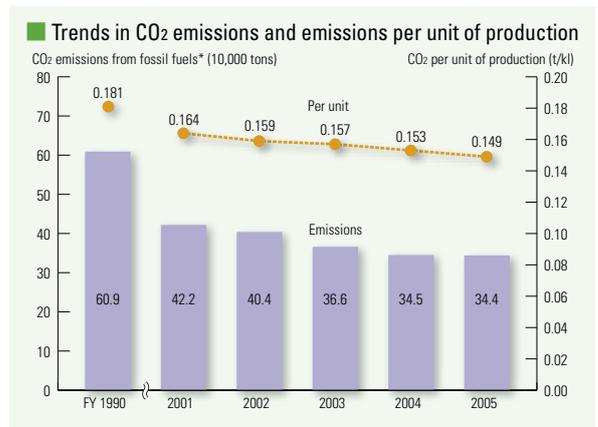
Employee awareness-raising Ecojiro pin



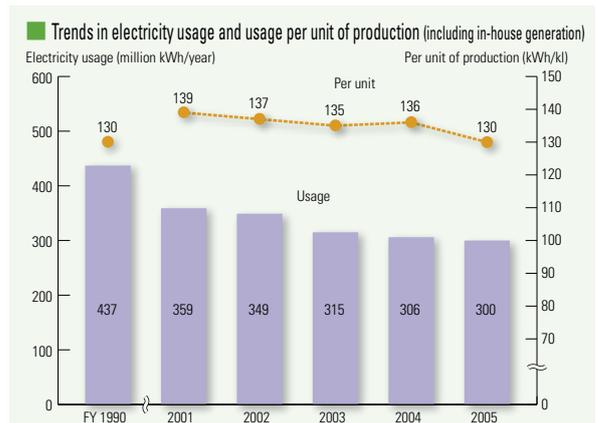
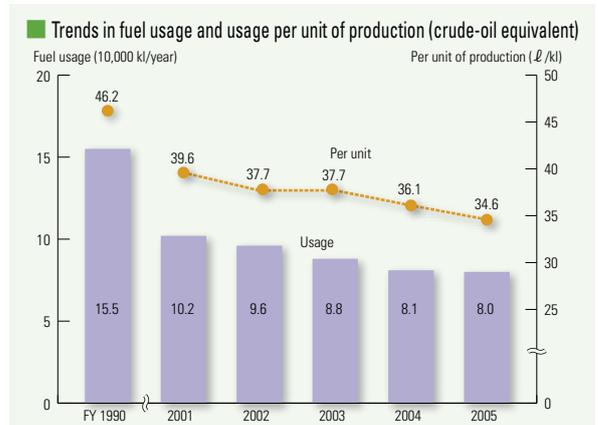
Employees in a CoolBiz style with no necktie



Customer guide sign (Shinkawa Head Office)



* CO₂ emissions from fossil fuels: Sum of CO₂ arising from fossil fuel and purchased electric power. CO₂ emissions arising from purchased electric power are calculated based on emission coefficient provided by each electric power company.



The Kirin Group's commitment

Kirin Brewery is committed to achieving its 2010 CO₂ emission reduction target by 2007 ahead of schedule. Main initiatives include energy conservation, fuel conversion, and effective use of biogas. We recognize that energy conservation is one of the top priorities for the production process. We are working to revise the way energy is used by reviewing the beer manufacturing process. At the beginning of each year, we set quantitative targets, and share the activities of each business location in order to enable an integrated company-wide commitment.

Each business site convenes an energy conservation committee each month. The members of the committee are selected from each division. The committee reports on the results of activities in each division, and confirms the status of target achievement. The Kirin Brewery Toride Plant implements several initiatives to meet the targets with a focus on the reduction of water use through a revision of the cleaning process, reduction of electricity usage in the water-treatment process, and reduction of steam volume through periodic maintenance of steam equipment.



An energy conservation committee meeting at a plant (Toride Plant)

Fuel conversion

"Fuel conversion" refers to the switchover from crude oil – the main fuel used at breweries – to natural gas with low global warming potential. Of our 11 breweries in Japan, 9 have switched over to natural gas for fuel (the remaining 2 do not have gas lines nearby). Currently, 7 plants have switched over completely to natural gas (Chiba, Chitose, Sendai, Yokohama, Toride, Nagoya, and Kobe), and the other three (Shiga, Okayama, and Fukuoka) plan to perform fuel conversion by 2007.

Reducing use of fossil fuels through use of biogas

Kirin Brewery has introduced anaerobic treatment facility in order to treat the wastewater produced in the manufacturing process. Anaerobic treatment is characterized by low environmental impact, use of less electricity and reduction of the amount of excess sludge. In addition, biogas, whose main component is methane, can be recovered from this process as a by-product. Kirin Brewery has introduced a cogeneration system in order to take maximum advantage of this biogas. Energy is recovered as more useful electricity, and the waste heat from electricity generation is also effectively used to generate steam. It is thus possible to reduce the amount of electricity purchased and fossil fuels used, while reducing CO₂ emissions. Ten of our breweries in Japan carry out anaerobic processes, and three breweries have introduced high-efficiency cogeneration systems that use biogas. We have identified the use of biogas as a key environmental initiative, and we plan to introduce this system at four more breweries between 2006 and 2007.

[Introductions to date and future plans]

Performance

- Kobe Plant (730 kW: introduced in 2002)
- Toride Plant (250 kW: introduced in 2003)*
- Yokohama Plant (920 kW: introduced in 2004)

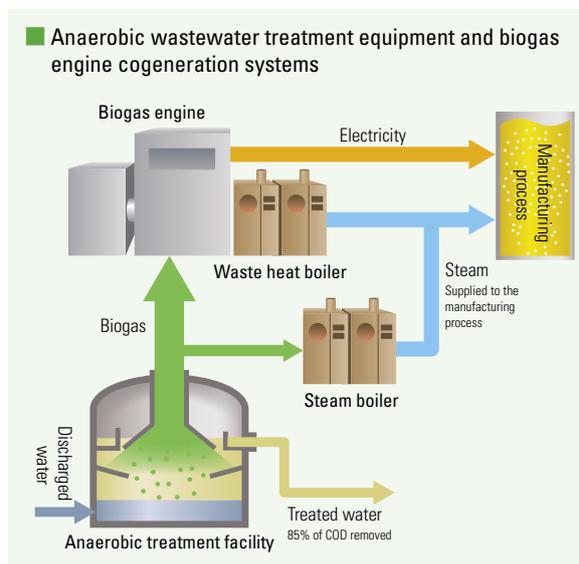
* The Toride Plant has introduced a fuel cell

Future: Introduction planned in 2006

- Sendai Plant (about 900 kW)
- Toride Plant (about 900 kW)
- Fukuoka Plant (about 5,000 kW; mixed with city gas)

Introduction planned in 2007

- Okayama Plant (about 2,500 kW; mixed with city gas)



Deploying onsite generation

In addition to promoting fuel conversion at our breweries, we are making our energy supply more efficient by outsourcing fuel procurement and on-site* power generation to outside companies. We plan to begin the on-site power generation at our Yokohama Plant in 2007, and we plan to efficiently harness electricity generated at our Yokohama Plant as well as other Kirin Group companies. By creating a power supply and demand at the group level, energy consumption and environmental impact could be further reduced.

Since we do not own equipment for the on-site power generation, we are able to reduce the initial investment required, which would have been quite large. We are also able to reduce the running costs by outsourcing all equipment procurement and maintenance to our on-site providers, while harnessing their expertise to achieve flexible fuel procurement, contributing to the reduction of energy costs.

* A system whereby a third-party provider installs its equipment on the site of the company (such as Kirin Brewery), procures fuel, and sells the company electricity, steam, and other utilities.

Making use of natural energy

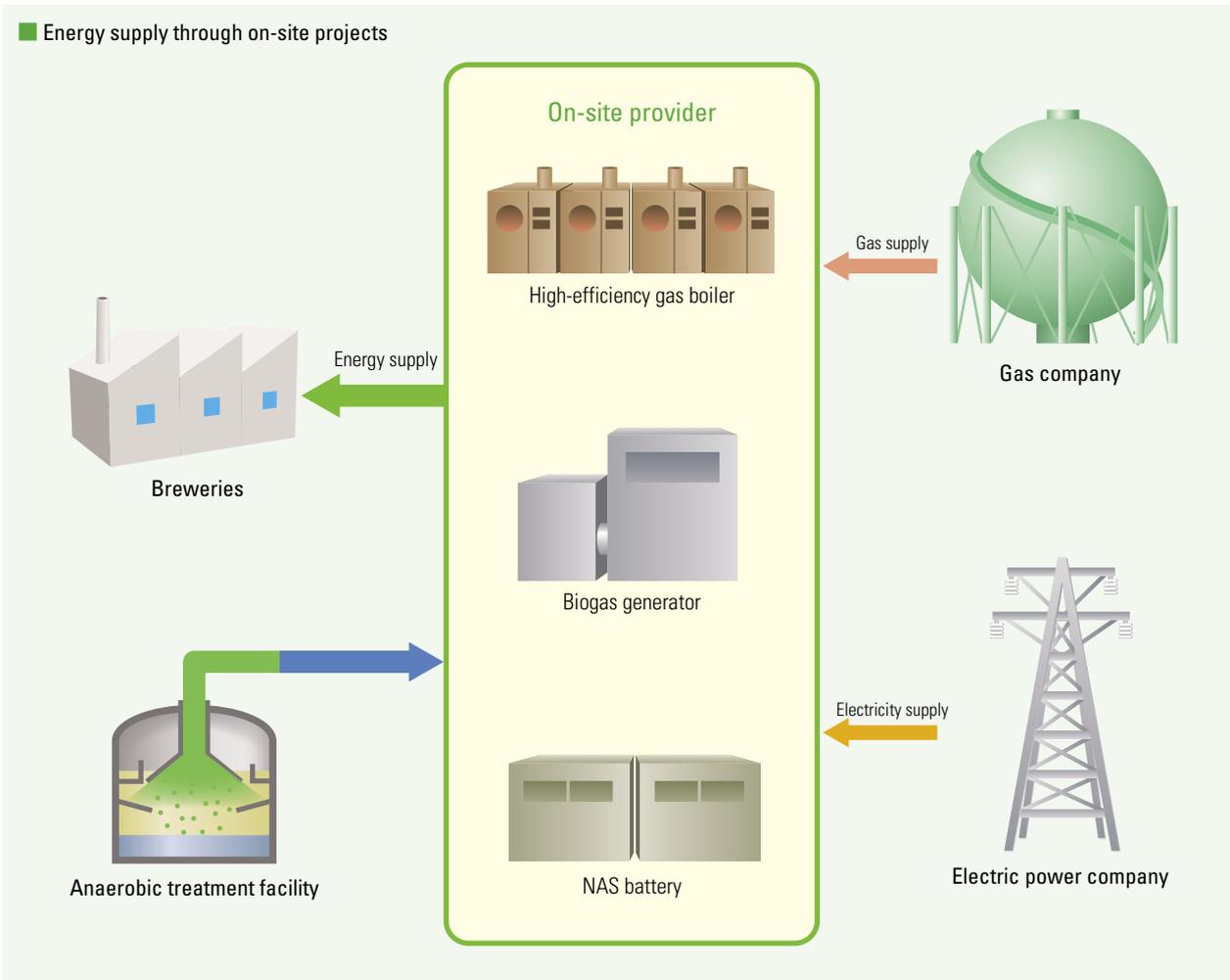
As part of our efforts to prevent global warming, we make use of natural energy. We are introducing solar power generation at each of our breweries, and we plan to purchase 1 million kWh of green electricity per year through a participation in Yokohama's Large-Scale Project for Wind-Power Generation.

List of business sites with solar-power generation equipment

| Business site | Completion | Rated output (kW) |
|--|------------|-------------------|
| Kobe Plant | Jun. 2005 | 20 |
| Fukuoka Plant | Feb. 2006 | 20 |
| Hiroshima Brewery | Mar. 2006 | 10 |
| Yokohama Plant | Mar. 2006 | 20 |
| Shonan Plant of Kirin Beverage Corporation | Mar. 2006 | 60 |



Solar power generation system (Fukuoka Plant)



Initiatives to conserve energy in logistics

Kirin Brewery is working to reduce CO₂ emissions by switching from 20-ton trucks to 25-ton trucks. Using larger trucks allows us to reduce the total number of vehicles on the road, which leads to the reduction of CO₂ emissions. In 2005, we changed a total of 57 trucks with the larger 25-ton size (cumulative total of 298). As a result, a switchover rate has increased up to 95%. We plan to continue the practice in 2006.

We are also enhancing environmental efforts in the logistics divisions. We have been certified under the Green Management Auditing System (certifying/registering authority: the Foundation for Promoting Personal Mobility and Ecological Transportation), which is an environmental management system for transportation companies. Additionally, we

are conducting a modal shift that involves a shift from truck transport to rail container transport in order to further reduce the CO₂ emissions produced in the logistics operations.

Initiatives to conserve energy in sales

As part of our commitment to the environment, Kirin Brewery has been shifting its fleet of sales vehicles to light vehicles since January 2003. As of December 2005, our nationwide sales fleet consists of 2,289 vehicles, of which 1,311 are standard-sized vehicles, and 978 are light vehicles. In principle, all future increases in the fleet or replacement of vehicles will be made with light vehicles as a way to mitigate environmental impacts. We are also introducing hybrid vehicles as appropriate. Presently, we own 23 such vehicles.

Typical energy conservation equipment and status of introduction at each brewery

| Division | Energy conservation equipment | Effect such as energy conservation, etc. | Chitose | Sendai | Tochigi | Toride | Yokohama | Nagoya | Hokuriku | Shiga | Kobe | Okayama | Fukuoka |
|----------|--|---|---------|--------|---------|--------|----------|--------|----------|-------|------|---------|---------|
| Mashing | Vapor recompression system (VRC) | This is a type of heat-pump system with high heat efficiency. It mechanically compresses the low-pressure steam generated from mashing, then re-uses it as high-pressure steam. | ● | | | | | | | | ● | ● | ● |
| | Collection of fermentation CO ₂ | The CO ₂ gas generated in the fermentation process by yeast metabolism is collected, refined, liquefied, and used in packaging processes and the like. CO ₂ emissions are reduced as a result. | | ● | ● | ● | ● | ● | | ● | ● | ● | ● |
| Energy | Anaerobic wastewater treatment facility | This wastewater treatment facility harnesses the metabolic activation of anaerobic bacteria. This system efficiently breaks down organic material and purifies water without generating excess sludge, and with a small amount of energy. | ● | ● | ● | ● | ● | ● | ● | | ● | ● | ● |
| | Biogas boiler | A boiler that uses the biogas including methane as a fuel produced by anaerobic wastewater treatment facility. It reduces fossil fuel consumption. | ● | ● | ● | ● | ● | ● | ● | | ● | ● | ● |
| | Biogas engine cogeneration system | A system that generates electricity with an engine using methane or other biogas as a fuel, and utilizes electricity generated. | | ○ | △ | ○ | ● | △ | | | ● | ○ | ○ |
| | Cogeneration system (other than the above) | A system that simultaneously supplies heat and electricity. The system produces electricity by burning fuel to rotate turbines and engines. Since the system uses the exhaust heat, the combined efficiency rises to about 80%. | | | ● | | ● | ● | | | | | |
| | Thermal storage refrigeration system | Using electricity during the nighttime, this facility stores ice and cold water for use during the daytime, when the refrigeration load is high. Electric consumption is thus flattened over a 24-hour period. | | | | | | | | | | ● | |
| | Ammonia refrigeration system | Refrigeration equipment using ammonia refrigerant instead of CFCs with have high global warming potential | | | ● | | | | | | ● | ● | ● |
| | Fuel cell | A system for efficiently generating electricity through the electrochemical reaction of hydrogen and oxygen extracted from biogas. There are also fuel cells that use such fuels as phosphoric acid and molten carbonate. | | | | ● | | | | | | | |

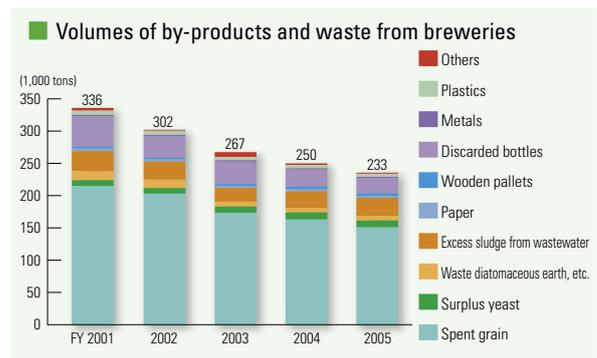
● : Working ○ : Under construction △ : Planning

Initiatives for Resource Recovery

In order to use valuable and finite resources as long as possible, the Kirin Group makes effective use of the by-products and waste materials generated in the manufacturing process as resources.

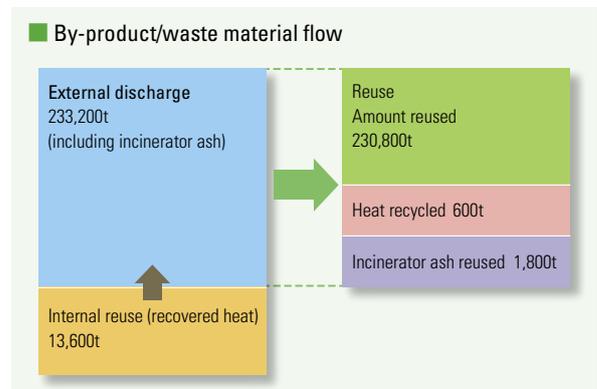
Seeking to manufacture beer without generating waste

Waste is produced as we make our lives. Similarly, the beer-making process generates by-products and waste such as spent grain and paper scrap. At Kirin Brewery, we are making efforts not to produce waste in the first place, but as for some by-products and waste, we have worked to recycle them rather than send them to landfills. As a result, we achieved a 100% recycling rate at all of our breweries in 1998, and we still maintain it.



By-products and waste are integrally managed until final disposal

In order to properly process and recycle the by-products and waste generated by breweries, we have introduced a by-product/waste management computer system that centrally manages resources from their input to final disposal. The introduction of the system allows us to accurately monitor the types and amounts of by-products and waste generated by each plant, and properly manage costs and the suppliers.



We are committed to developing better recycling applications

The Kirin Group utilizes the by-products generated in the beer manufacturing process for various ways. As part of our environmental efforts, we have been researching ways to convert the raw ingredients and by-products of beer into high value-added materials since 1993. The products we have developed to date include: Gen-kinoko, nutrients for mushroom beds made from spent grain; Ogamalt, water-retention improving agent for mushroom beds; and Germinated Barley Foodstuff (GBF), a food approved by the Ministry of Health, Labor and Welfare for patients with ulcerous colitis.

With the miniature-scale cultivation technique we built up in the

development of Gen-kinoko, we succeeded in the cultivation of *mycoleptodonoides aitchisonii* (breech oyster mushrooms) in 1998. *Mycoleptodonoides aitchisonii* is a fan-shaped edible mushroom that grows profusely on fallen beech trees and the like. Functional research on wild mushrooms requires large quantities of samples, which made it difficult to achieve such cultivation in the past. Following a great deal of research, however, we were able to cultivate the mushroom. It has also been found that a hot-water extract of *mycoleptodonoides aitchisonii* could lower blood pressure, and we have commercialized it as a special health food product.

Minimizing the generation of waste and proper disposal

We minimize the amount of waste generated, while properly managing it in the process of sorting, storage, and disposal. We work particularly hard to fulfill our responsibility as waste producers by addressing the issue of illegal dumping. When we outsource waste management to

outside contractors, we sign appropriate contract agreements and manage manifests, and also take other measures as necessary to ensure proper handling including on-site checks of the contractor's operations.

We have established a system for waste sorting

At Kirin Brewery, we are promoting waste sorting by displaying pictures and samples of waste in front of the collection boxes so that everyone can have an idea of how to dispose of waste. At our Shinkawa and Harajuku Head Offices, we place emphasis on educating employees on the key points of sorting and recycling. The education session is repeated as employees are transferred.



Sorting trash at Shinkawa Head Office

Promoting waste recycling with new equipment

Since human efforts alone have a limited effect in achieving a 100% recycling rate for various waste produced in brewery, Kirin Brewery is introducing equipment in our quest for recycling many substances generated from breweries. The breweries are now equipped with compacting systems for, among other things, rolling up packaging film and crushing cans.

Sorting



■ Sorting cans

Cans that are discarded as waste are separated into aluminum and steel and then compressed. This simplifies recycling.



■ Piling rejected bottles

Bottles that cannot be used as returnable because of breakage or scratches are separated and processed into glass cullets (bottle scrap).

Recycling



■ Truck-oil recycler

This device collects old truck oil for recycling.

Preprocessing



■ Dehydration equipment

Excess sludge from wastewater is reused as fertilizer or for soil conditioning. Dehydration simplifies storage, handling and transport.



■ Drying equipment

Drying the recovered yeast makes it keep longer and improves efficiency of storage and handling.

Compacting



■ Rolling up film

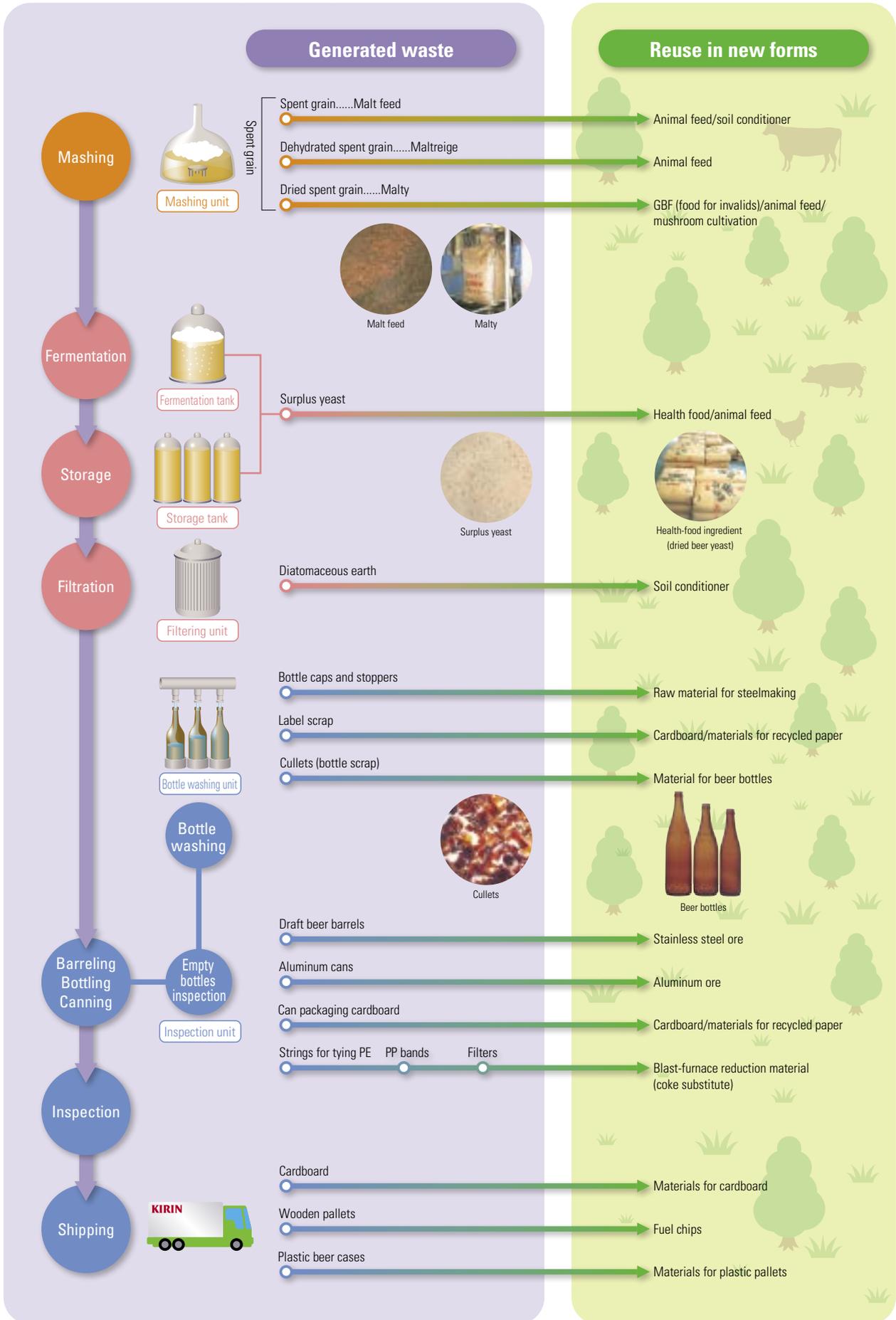
For reuse, we roll up plastic film that has been used for packaging and stabilizing cargo. Compacting makes it easier to store and improves efficiency of storage and handling.



■ Crusher

Bottles that can no longer be used as returnable because of breakage or scratches are pulverized and reused as cullets.

Waste products from beer-making and how they are reused



Independent Verification of Environmental Report



Maho Yao
 Manager
 Certified Public Accountant
 AZSA Sustainability Co., Ltd.

The Kirin Group's environmental management is implemented based on one of the four systems (ISO 14001, EcoAction 21, simplified EMS, and green management), depending on the type and size of the business and other factors. As for environmental conservation activities conducted outside the factories of Kirin Brewery, step-by-step efforts have been made to introduce the environmental management systems. The results of these efforts are described on the "Targets and results" page of the 2006 report, as EMS introduction results. Because no specific details are listed, however, it has been difficult to learn about the initiatives conducted in fiscal 2005 and the results. I hope the

initiatives and results will appear in the CSR Report 2007 that reports the activities in fiscal 2006, the final year of the Medium-Term Management Plan. Additionally, following the publication of the CSR Report 2005, the number of pages assigned to report environmental aspects has decreased. Although the report states "we are doing such and such", I believe that your company's attitude and stance have become less clear than in your environmental reports that had been published up until 2004. Since the volume of environmental information disclosed has also decreased, it would be preferable to put more detailed information on your Website so that interested readers can refer to it.

Future challenges



Yoshiyuki Yamamura
 Manager, Environmental & Social Affairs Section
 Social Communications Group
 CSR & Corporate Communications Division

We began environmental management in the beer manufacturing division, and are currently applying it for the sales division and other business divisions, while taking into account the characteristics of each of the four management systems. As for the Head Office, we have expanded the scope of our commitment, starting to treat environmental issues as part of daily business activities – including planning and management processes. We plan to extend similar efforts to companies with relatively low environmental impacts. As we move ahead with our environmental-protection initiatives, I recognize that we still face challenges. For

example, as we attempt to make group-wide efforts to reduce environmental impacts, it is important to ensure that the targets and results of each company are solidly linked to those of the group, rolling of target revisions is performed according to the rules, and our guidelines and policies are made in accordance with these. We tackle these challenges in 2006, the final year of the current three-year Medium-Term Management Plan, which began in 2004, while drawing up a new plan for 2007. We also intend to make available information on our Website that is not in the report due to space limitations.

Standards for computing environmental performance and for environmental accounting

1. Period covered

January 1, 2005 to December 31, 2005 Note: Disclosure of information for chemical discharge levels and transfer control is the reporting period under the PRTR Law (April 2004 to March 2005).

2. Covered institutions

Kirin Brewery Company, Limited: All breweries, Takasaki Pharmaceutical Plant, Pharmaceutical Research Laboratory, Pharmaceutical Development Laboratories, Plant Laboratory, Frontier Technologies Research Laboratories, Head Offices

Kirin Beverage Corporation: Shonan Plant, Maizuru Plant

Kirin Distillery Co., Ltd.; Nagano Tomato Co., Ltd. (note, however, that some environmental performance indicators and environmental accounting are not included for group companies)

3. Standards for computing environmental performance

We have used as a reference the FY 2003 version of the Ministry of the Environment's Environmental Reporting Guidelines and the Global Reporting Initiative's (GRI) FY 2002 version of the Sustainability Reporting Guidelines.

| Environmental performance indicators | Units | Computation method | |
|--------------------------------------|--|---|--|
| Inputs | Total energy input | TJ Yearly electric consumption (kWh) x unit input heat quantity*1 + \sum [yearly consumption of each fuel x each unit heat generated*2] *1: 9.83 MJ/kWh from Enforcement Regulations for the Law Concerning the Rational Use of Energy (amended December 27, 2002) *2: As per units of heat release classified by energy source, Agency for Natural Resources and Energy Heavy oil A: 39.1 GJ/kg; heavy oil C: 41.7 GJ/kg; kerosene: 36.7 GJ/kg; city gas (12A/13A): 45.9 MJ/m ³ N; LPG: 50.2 GJ/t; Light oil: 38.2 GJ/kg | |
| | Breakdown | Fuel utilization (crude-oil equivalent) | 10,000 kl \sum [yearly consumption of each fuel x fuel crude oil conversion factor at each facility*] *: As per crude oil conversion factor, the Law Concerning the Rational Use of Energy Heavy oil A: 1.01 kl/kg, heavy oil C: 1.06 kl/kg, kerosene: 0.96 kl/kg, city gas: 0.00119 kl/m ³ N, LPG: 1.30 kl/t; Light oil: 0.99 kl/kg |
| | | Electricity purchased | 1,000 MWh Yearly electric consumption (1,000,000 kWh) |
| | Total materials input | 10,000 t Yearly input of raw and packaging materials (10,000 t) | |
| | Water resources input | 10,000 m ³ Yearly consumption of municipal, well and industrial water (10,000 m ³) | |
| Outputs | Production volume | 10,000 kl Yearly production volume of beer, happo-shu, other miscellaneous liquors, liqueurs, and soft drinks (10,000 kl) | |
| | By-products and waste generated | 10,000 t Yearly total discharge* (10,000 t) = valuable resources (10,000 t) + waste (10,000 t) (excluding industrial waste subject to special control) *: Emissions when carried out at the place of business (10,000 t) | |
| | Total water discharge | 10,000 m ³ Yearly water discharge (10,000 m ³) | |
| | CO ₂ emissions | Fossil fuels | 10,000 t \sum [yearly consumption of each fuel x CO ₂ emission factor of each fossil fuel*] *: As per the Enforcement Regulations for the Law concerning the promotion of the Measures to Cope with Global Warming (amended December 2002) Heavy oil A: 2.710 t-CO ₂ /kl, heavy oil C: 2.982 t-CO ₂ /kl, kerosene: 2.489 t-CO ₂ /kl, LPG: 3.000t-CO ₂ /t; Light oil: 2.619 t-CO ₂ /kl City gas (2.188 kg-CO ₂ /m ³ N): calculated according to unit heat release classified by energy source, Agency for Natural Resources and Energy and C emissions factor from the enforcement regulation |
| | | Electricity purchased | 10,000 t Yearly electricity consumption (10,000 kWh) x emissions factor* x 10 ⁻³ *: Emissions factor for each electric power company (except Kirin Brewery Head Offices, Takasaki Pharmaceutical Plant and Laboratories and group companies, for which emission factor for general electric power suppliers (0.378 kg-CO ₂ /kWh)) |
| | | Logistics | 10,000 t Total transportation CO ₂ emissions for Kirin Brewery (10,000 t) = Emissions of vehicles owned by each Kirin Logistics group company (t)*1 x (total transportation distance of each Kirin Logistics Group company (km) / transportation distance of vehicles owned by each Kirin Logistics group company (km)) x (total transported volume for Kirin Brewery of each Kirin Logistics group company (t) / transported volume of each Kirin Logistics group company (t)) x 10 ⁻⁴ *1: CO ₂ emissions of vehicles owned by each Kirin Logistics group company (t) = Fuel (light oil fuel) consumption (kl) x CO ₂ emission factor*2 *2: CO ₂ emission factor is light oil fuel subject to the "fuel usage" category: 2.619 t-CO ₂ /kl |
| | Total nitrogen oxide emissions | Fossil fuels | tons \sum [nitrogen oxide emissions for each target facility (t)] Nitrogen oxide emissions for each target facility (t) = (1/number of nitrogen oxide measurements) x \sum [nitrogen oxide concentration (ppm) at each site x dry emitted gas at each site (m ³ /h) / fuel consumption per unit at the time of nitrogen oxide measurement (fuel consumption per hour)] x yearly fuel consumption x (46/22.4) |
| | | Logistics | tons Total nitrogen oxide emitted in all transportation for Kirin Brewery (t) = nitrogen oxide emissions of vehicles owned by each Kirin Logistics group company (t)*1 x (total transportation distance of each Kirin Logistics Group company (km) / transportation distance of vehicles owned by each Kirin Logistics group company (km)) x (total transported volume for Kirin Brewery of each Kirin Logistics group company (t) / transported volume of each Kirin Logistics group company (t)) *1: Nitrogen oxide emissions of vehicles owned by each Kirin Logistics group company (t) = Fuel (light oil fuel) consumption (kl) x nitrogen oxide emission factor*2 x 10 ⁻³ *2: Nitrogen oxide emission factor is from Ministry of the Environment's Environmental Activity Evaluation Program (March 2001) Light oil: 18.3kg/kl |
| | Total SO _x emissions | tons \sum [fuel consumption of each fossil fuel (l) x density (g/cm ³) x sulfur content (wt%) / 100 x 64/32 (SO ₂ /S) x 10 ⁻³] However, emissions from fluidized bed boilers are calculated as follows: \sum [fuel consumption at each site (kg) x solid content (wt%) / 100 x sulfur content (wt%) / 100 x 64/32 (SO ₂ /S) x 10 ⁻³] | |
| | Chemical substances releases and transfers | tons Emissions and displacement of applicable chemical substances in offices that must report according to the "Law Concerning Reporting, etc. of Releases to the Environment of Specific Chemical Substances and Promoting Improvement in Their Management (PRTR Law)," in (t) | |

4. Standards for environmental accounting

(1) Environmental accounting concepts

We compute and disclose costs and impacts according to the concepts found in the Ministry of the Environment's "Environmental Accounting Guidelines (2005 Edition)."

(2) Environmental protection cost (investment) concepts

In breweries, we have instituted environmental protection departments that perform only environmental protection duties. We accept the capital outlay for these departments as 100% allocated to environmental protection and recognize that amount as environmental protection costs (investments).

For departments other than environmental protection departments, we have specified "environmental facilities" which contribute directly to environmental protection and set 100% of the investments in these facilities as environmental protection costs (investments).

(3) Environmental protection cost (expense) concepts

- Costs associated with maintenance of specified facilities
- Depreciation of specified facilities
- Cost of labor for the environmental protection division and activities such as environmental education, and cost of personnel assigned to tasks for which the objective is environmental protection.

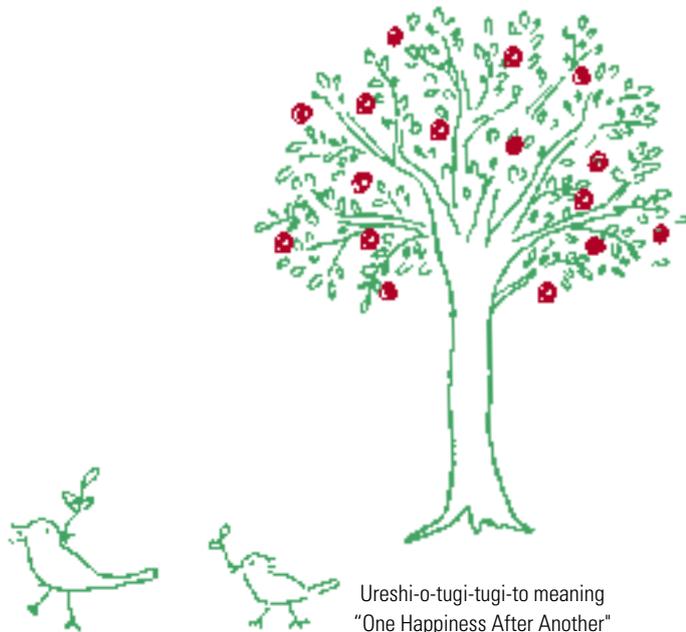
- Research and development costs divided proportionately using simple rule of thumb based on subject of research.

(4) Method for computing environmental impact intensity

This shows the environmental impact of creating 100 million yen of added value.
Environmental impact intensity = amount of substances with environmental impact emitted and consumed ÷ added value
Added value = operating income + labor costs + depreciation

(5) Method for computing environmental protection effect

- We calculate the material effect per unit production, which shows efforts to reduce environmental impact per unit of production, and material effect from business activities, which indicates the reduction of environmental impact through the increase or decrease in business activities. The material effect is calculated as the sum of these two figures.
- We calculate the economic effect per unit production by multiplying the material effect per unit production by the prior year's unit, and calculate the economic effect from business activities by multiplying the material effect from business activities by the prior year's unit. The sum of these two figures is the economic effect.



Ureshi-o-tugi-tugi-to meaning
"One Happiness After Another"

KIRIN

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You must be over 20 years old to consume alcohol.
Drink responsibly and in moderation.
Consuming alcohol while pregnant or nursing could harm the
development of the fetus or infant.



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