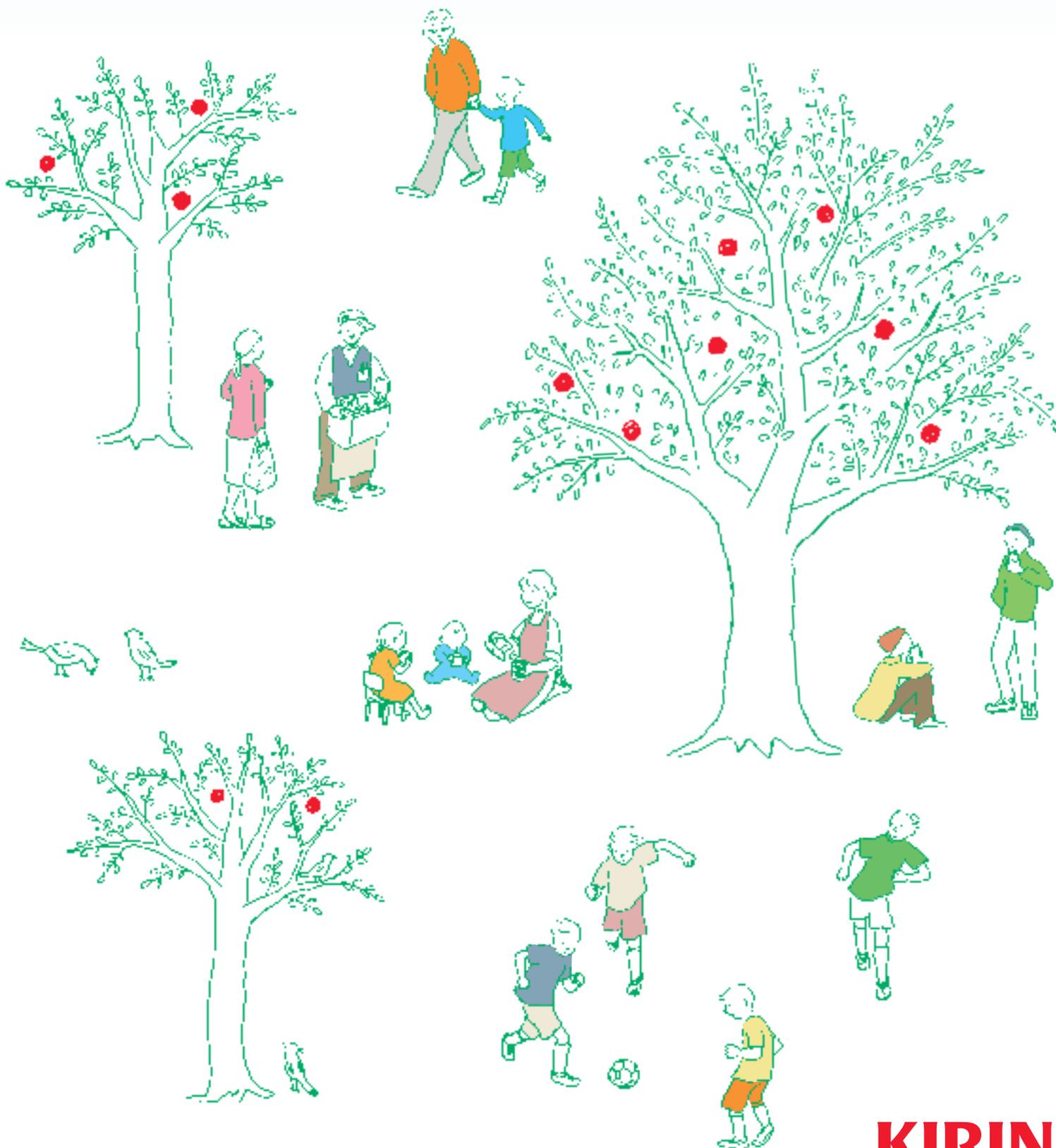


# The Kirin Group CSR Report

The Kirin Group Corporate Social Responsibility Report

## 2007



**KIRIN**

# Company Profile

Trade Name	Kirin Brewery Company, Limited	Main Businesses	Production and marketing of alcoholic beverages, soft drinks, pharmaceuticals and other goods
Date of Incorporation	February 23, 1907	Business Locations	Head office, 6 regional headquarters, 32 branches, 33 branch offices, 12 plants (11 breweries, 1 pharmaceutical plant), 8 research laboratories, 1 hop management center, 9 pharmaceutical branch offices
Location of Head Office	2-10-1 Shinkawa, Chuo-ku, Tokyo 104-8288, Japan	Number of Employees	5,040
Telephone	+81-3-5540-3411 (information desk)	Consolidated Group Companies	Consolidated subsidiaries: 272 Affiliates under the equity method: 19
President and CEO	Kazuyasu Kato		
Paid-in Capital	102,045 million yen		

(as of December 31, 2006)

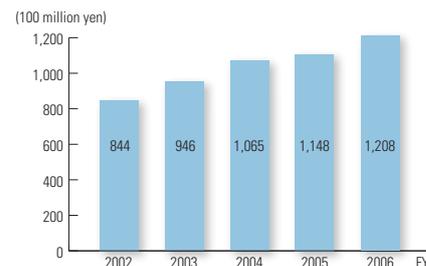
## Sales



## Number of employees



## Ordinary income (consolidated)



## Domestic Alcoholic Beverage Business



As an integrated manufacturer of alcoholic beverages, we produce and sell a wide variety of alcoholic beverages, including the popular Kirin Ichiban Shibori Draft Beer and Kirin Lager Beer, as well as Kirin Tanrei Nama, Kirin Nodogoshi Nama, Kirin Chu-hi Hyoketsu, and more. We are actively expanding and strengthening our business domains, including a business and capital tie-up with Mercian Corporation in 2006.

Companies include:

- Kirin Brewery Co., Ltd.
- Mercian Corporation
- Kirin Communication Stage Co., Ltd.
- Kirin Logistics Co., Ltd. etc.

## International Alcoholic Beverage Business



We operate an integrated alcoholic beverages business internationally, producing and selling beer, whisky, wine, and other products. We aim to be a leading company in Asia and Oceania: In addition to advancing our partnerships with affiliates Lion Nathan Limited (Australia) and San Miguel Corporation (Philippines), we are actively expanding our business in the growth market of China.

Companies include:

- Lion Nathan Limited
- San Miguel Corporation
- Kirin (China) Investment Co., Ltd.
- Four Roses Distillery LLC
- Raymond Vineyard & Cellar, Inc.
- Kirin Europe GmbH etc.

## Soft Drink Business



We are working to strengthen the foundation of our soft-drink businesses, with a focus on Kirin Beverage Corporation, which has such core brands as Kirin Nama-cha (green tea), Kirin Fire (coffee), Kirin Gogono-Kocha (tea), and Kirin Alkali-ron-no Mizu (water). We are expanding our business in this area; although our domestic soft-drink business forms the core of our business in this area, we are also actively expanding our international soft-drink and domestic foods businesses.

Companies include:

- Kirin Beverage Corporation
- Koiwai Dairy Products Co., Ltd.
- The Coca-Cola Bottling Company of Northern New England, Inc.
- Shanghai Jin Jiang Kirin Beverage & Food Co., Ltd. etc.

## Pharmaceuticals Business



We continue to expand our pharmaceuticals business based on the biotechnologies we have cultivated through beer, with core domains of kidneys, cancer (including blood-related fields), and immunity/infection. We are committed to strengthening our sales capabilities in Japan and building up our business base in Asia, centered on our renal anemia drug ESPO and our leucopenia drug GRAN. We are also advancing research and development in such globally leading-edge fields as antibody and cellular drugs.

Companies include:

- Kirin-Amgen, Inc.
- Gemini Science, Inc.
- Jeil-Kirin Pharm. Inc. etc.

## Nutrient Food Business



Our nutrient food business is led by Kirin Yakult NextStage, a joint venture between Kirin Brewery and Yakult Honsha incorporated in October 2006. We continue to expand our product lineup, with a focus on highly unique products like BBcube, developed jointly by the Kirin and Yakult groups.

Companies include:

- Kirin Yakult NextStage Co., Ltd. etc.

## Seasoning Business



Kirin Food-Tech leads our group's production and sale of seasoning ingredients (such as Ino Ichiban), food additives, and functional foods.

Companies include:

- Kirin Food-Tech Co., Ltd. etc.

## Agribio Business



Led by Kirin Agribio, we operate an international agribio business that includes seeds and potatoes.

Companies include:

- Kirin Agribio Co., Ltd.
- Japan Potato Corp. etc.

## Foods and Services Business

Companies include:

- Nagano Tomato Co., Ltd. etc.

## Editorial Policy

The purpose of the Kirin Group CSR Report is to report our goals and commitments, in order to earn the trust of our many stakeholders, including our customers, buyers, suppliers, local communities, shareholders, and employees. This publication follows the following editorial policies.

(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 2006." (The comparison table for the GRI Sustainability Reporting Guidelines 2006 is scheduled to be available on our Website.)
- Although the reporting period is from January to December 2006, we have also included some activities and initiatives taken in 2007.
- The boundary for this report covers Kirin Brewery Company, Limited and its main affiliates.
- Starting in July 2007, we will convert to a pure holding company system. Some of the text in this publication reflects this new system.
- 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 2007 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
■ Editorial Policy / Contents .....	3
■ Commitment of Top Management .....	4
■ Kirin Brewery's 100th Anniversary .....	6
■ The Kirin Group's CSR .....	8

### Highlights

■ Commitment to Products .....	10
■ Water Protection .....	12
■ A Diverse and Lively Work Environment .....	14

### Governance

■ Corporate Governance .....	18
■ Risk Management / Compliance .....	20

### Economic Report

■ Financial Highlights of the Kirin Group .....	24
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### Social Report

■ Targets and Results .....	26
■ Relations with Customers and Clients .....	27
■ Commitment to Quality .....	30
■ Our Responsibilities as a Maker of Alcoholic Beverages .....	32
■ Relations with Shareholders and Investors .....	34
■ Relations with Suppliers .....	35
■ Initiatives for Making Kirin a Great Place to Work .....	36
■ Relations with Society .....	39

### Environmental Report

■ The Kirin Group's Environmental Philosophy .....	42
■ Targets and Results .....	44
■ EcoBalance .....	46
■ Promotion of Environmental Management .....	48
■ Environmental Accounting .....	49
■ Initiatives for Greenhouse Gas Emissions Reduction and for Energy .....	50
■ Initiatives for Water Resources .....	53
■ Initiatives for Resource Recovery .....	54
■ Initiatives for Packaging .....	56
■ Environmental Communication .....	59
■ Independent Verification of CSR Report .....	60



## Commitment of Top Management

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**Committed to earning  
the trust of the  
generations to come**

## The past 100 years, and the 100 years to come

In 2007, Kirin Brewery marked the 100th anniversary of its founding. Looking back over the past 100 years, there are principles we have held to steadfastly since our founding. The first is a customer-focused approach: accurately grasping our customers' needs, and offering new solutions that meet those needs; the second is a steady focus on quality: a commitment to making safe, delicious, high-quality products while continuously pursuing quality without compromise; and the third principle is Sound Management: maintaining a steadfast sincerity in the face of change. We are committed to following these principles over the next 100 years to earn a high degree of trust from society.

Meanwhile, in addition to trust, we will also aim to make progress a key concept for our operations. Our goal is to become a company that offers a fun, exciting and encouraging approach. In order to accomplish this, we must acquire a completely new way of thinking. We will offer a wide range of attractive solutions using new ways of thinking not tied to existing approaches, just as we have changed from a price-based to a value-based sales approach.

## Contributing to society in the fields of food and health

In May 2006, we announced Kirin Group Vision 2015, the group's long-term business framework for the year 2015. This represents the ideal Kirin Group as we strive to achieve significant growth and enhance corporate value, while establishing new group management down the road. By combining the capabilities we have cultivated to date, including product engineering, fermentation and biotechnology, and our communication skills for learning our customers' needs, we will contribute to society in the fields of food and health.

In our business activities, we use the Global Compact, which we joined in 2005, as one of our guiding principles, while defining CSR as efforts to win the trust of society. We proactively play a societal role by taking full account of social and environmental aspects not only in the area of environmental conservation, but also in the procurement of raw materials, where the public's interest is growing. We are committed to winning even greater trust as a corporate group by offering solutions that benefit society as well as products.

## Making Kirin a great place to work

It is the power of all of us that drives business activities. If each of our employees does not feel that Kirin is a great place to work, then we cannot contribute to society. My goal is to create a diverse and lively workplace, where people with many creative ideas and lifestyles can act and grow to their full potential, based on the philosophy that the company and its employees are equal partners. As one initiative for achieving this goal, we have started a program called Kirin Positive Action, which focuses on women. We have already introduced several programs, including improvements to our childcare-leave program, but introducing programs alone is not sufficient. For example, in the case of our childcare-leave program, some employees don't feel comfortable utilizing it. In consideration of factors such as concerns about their jobs after returning from leave, I believe it is vital to introduce interlocking systems. Naturally, the people using the programs must also be motivated to grow. My goal is for Kirin to support people who have a desire to improve themselves. As a starting point for initiatives in this area, we will help each female employee take a more active role, and aim at making Kirin a great place to work.

This document outlines initiatives aimed at winning the trust of society for the Kirin Group. Please let us know your views and opinions. Communication with our stakeholders is vital as we advance our CSR efforts.



*Kazuyasu Kato*

Kazuyasu Kato  
President and CEO  
Kirin Brewery Company, Limited

# Kirin Brewery's 100th Anniversary

In 2007, Kirin Brewery marked the 100th anniversary of its founding. Since our founding, we have steadfastly maintained the two most important values: Customer-focused Approach and Steady Focus on Quality. Here, we will highlight some of the many initiatives that Kirin Brewery has carried out over the past 100 years to meet the expectations of society.

## A look back over the past 100 years

Kirin Brewery was founded in 1907, taking over the business of Japan Brewery Company, which had inherited the land and buildings of Spring Valley Brewery, a brewery started in Yamate, Yokohama by American William Copeland in 1870. With the support of our many stakeholders, Kirin Brewery marked its 100th anniversary in 2007.

Looking back over this time, we have aimed to make Kirin Beer a genuine German-style lager since we first launched sales of this brand. Throughout this time, we have insisted on maintaining the finest quality, including importing all ingredients and equipment from Germany. In 1928, we launched sales of Kirin Lemon. At the time, it was difficult to keep cold soft drinks colorless, but we used a clear bottle for this product; something that was rare at the time. This was possible because we were absolutely confident in our quality.

In 1965, we became the first in the industry to start using plastic carrying crates for our beer. Plastic crates are highly safe, have long lifetimes, and are easy to wash.

In the 1980s, we began developing containers aimed at conserving

resources and energy, and introduced a lightweight aluminum can with a smaller top. In the 1990s, we introduced lightweight returnable bottles, and successfully reduced our CO<sub>2</sub> emissions and transportation costs.

In 1996, our Hokuiku Plant obtained ISO 9002 quality assurance management system certification. The following year (1997), it became the first site in the domestic food industry to obtain ISO 14001 environmental management system certification. Following these achievements, by 1999 all our breweries completed both ISO 9002 and ISO 14001 certification. Today, we remain actively committed to quality assurance and environmental conservation.

We have also been committed to supporting sports, the arts, and culture. We have been a proud supporter of the Japan National Football Team for nearly three decades since 1978. Over the past 100 years, we have continuously worked to meet the expectations of society. We have committed to the two most important values since our founding: Customer-focused Approach and Steady Focus on Quality.

## Our pledge for the next 100 years

For the next 100 years as well, Kirin Brewery will continue to offer valuable products and services to all our customers, leveraging our outstanding technical capabilities and strong customer relations in the fields of food and health, including our alcoholic beverages business, soft drink business, and pharmaceuticals business, as well as our

nutrient food business. We also remain committed to meeting the expectations of society as the brand of trust and progress, both through initiatives in our core businesses, and through a redoubled commitment to such unique Kirin initiatives as food safety, food-culture promotion, protection of the global environment, and support for sports.

Throughout the past 100 years, our corporate activities have always placed high value on offering our customers high-quality products. Nearly all ingredients for Kirin Brewery products are obtained from the bounty of the Earth. We thus appreciate nature and are committed to protecting the global environment. We will also continue to deal with the public in good faith.

We are committed to strengthening the trust in our company by valuing and maintaining this attitude, and maintaining communication with all our stakeholders.

Hideo Mori  
Managing Executive Officer and  
General Manager  
CSR & Corporate Communications Dept.  
Kirin Brewery Company, Limited



## History of the Kirin Beer labels



1888  
The label used on 'Kirin Beer' when launched.



1907  
Kirin Brewery Company, Limited is founded, taking over the business of Japan Brewery. The company name on the label also changed.



1949  
This is the label immediately after the rationing system ended, and trademarks were restored.



1957  
This label returns to multicolor printing. The text in the middle band changed to 'Kirin Beer.'

1850

**1870** William Copeland, the father of Japan's beer industry, establishes Spring Valley Brewery in Yamate, Yokohama.

**1885** Japan Brewery incorporated.

**1888** First sales of 'Kirin Beer.'

1900

**1907** Kirin Brewery Company, Limited is founded, taking over the business of Japan Brewery.

**1923** Wastewater treatment equipment introduced (Amagasaki Plant).

**1928** First sales of 'Kirin Lemon.'



1907  
Yamate, Yokohama brewery at Kirin's founding

1950

**1958** Unification of Kirin Lemon pure-sugar products.



1928  
Poster from time when 'Kirin Lemon' first went on sale

**1965**

- Introduction of industry's first plastic carrying crates.
- Full-scale introduction of wastewater treatment facilities using activated sludge method.

1965  
Some of the first plastic crates introduced



1975

**1973** Introduction of 209-mm diameter cans for canned beer.

**1974** Start of container-deposit system for beer bottles and plastic crates.

**1978** Start of support for Japan National Football Team.

**1981** Kirin Foundation established.

**1984** Corporate Identity system introduced.

**1985** Introduction of 206-mm diameter cans for canned beer.

**1993** Trial introduction of large lightweight returnable bottles in Hokkaido region.

**1994** Introduction of 204-mm diameter cans for canned beer (26% lighter than conventional product).



Poster for lightweight bottles

**1996** Hokuiku Plant obtains company's first ISO 9002 certification.

**1997** Hokuiku Plant becomes first facility in domestic food industry to obtain ISO 14001 environmental management system certification.

**1998**

- 100% recycling rate achieved at all breweries.
- Begins support of Japanese soccer together with Kirin Beverage, as official sponsors of the Japan National Football team.

**1999**

- All breweries (11 nationwide) obtain ISO 14001 certification.
- Kirin Brewery *Suigen no Mori-zukuri* program, which protects the sources of water at all breweries nationwide, begun at the Yokohama Plant

2000

**2000** Unify quality assurance management system throughout the company.

**2002** aTULC cans, which have low environmental impact during their production, used for Gokunama.

**2003** Complete switchover to lightweight large returnable bottles.

**2004** Introduction of Kirin's Corner Cut Carton begun.

**2006**

- Announcement of Kirin Group Vision 2015, stating the Kirin Group's long-term business framework.
- *Suigen no Mori-zukuri* program carried out at the Fukuoka Plant, completing the program at all 11 breweries nationwide.
- The first *Suigen no Mori-zukuri* program among the Kirin Group companies begun in the water-source region of Kirin Distillery Co., Ltd.'s Fuji-Gotemba Distillery.

# The Kirin Group's CSR

In January 2007, the Kirin Group announced a new Corporate Philosophy, defining the goals of the Kirin Group over the next 100 years. We have also re-organized our philosophy into two statements: **The Kirin Way**, which defines the basic values and conduct of individual executives and employees; and **Group Conduct Declaration**, which states the pledges that the Kirin Group makes to our stakeholders (our former CSR Declaration is now combined with our **Group Conduct Declaration**).

Based on these philosophy statements, we are committed to making all employees aware of the importance of CSR, and putting CSR into practice in our day-to-day activities.

## Kirin Group Identity Statement

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

### THE KIRIN WAY

#### Values

The things we each hold important

#### A customer-focused approach

Striving to understand our customers better than any competitor; remembering the importance of communication with customers to better meet their hopes and expectations

#### A steady focus on quality

Relentlessly pursuing quality while perfecting our own unique technology with uncompromising attention to detail

#### Innovation

Thinking freely and with vision to generate new, exciting ideas; having the courage to actively propose new value

#### Integrity

Maintaining a fair-minded and earnest stance toward all business activities

#### Basic Action Stance

The "3Cs" that govern the actions of all Kirin employees

#### Challenge

Taking individual initiative without fearing the results; responding with change and innovation

#### Commitment

Giving serious thought to all matters to see their true nature; assuming responsibility for meeting goals and fulfilling the roles assigned to us

#### Collaboration

Working together as a team; joining forces to cooperate and connect

### Group Action Declaration

#### Customers

To use Kirin's own technology to provide safe, high-quality products and services that offer value and assurance to customers (Creation of value for customers)

#### Employees

To create a workplace in which each employee can exhibit his or her independence and creativity, taking pride in the job and enjoying a sense of meaning and purpose (Respect for human nature)

#### Shareholders

To fulfill our responsibility to shareholders from a long-term, global perspective, continuously striving to elevate our corporate value (Increased value for shareholders)

#### Society

To contribute to the sustainable development of society while carrying out business activities in an environmentally-conscious manner; to contribute to a better quality of life for people around the world. (Contributing to society; concern for the environment)

The Kirin Group sees CSR as a commitment to winning the trust of society and implements the following three efforts.

- (1) An effort to strengthen the foundation of our company, addressing compliance, quality assurance, and alcohol-related problems
- (2) An effort to improve communication with society, such as protection of the global environment, promotion of food culture, and support for sports
- (3) An effort to enhance our coexistence with society, such as contributions to society and support for volunteer work

The Kirin Group will continue to implement CSR efforts that contribute to a sustainable society by communicating with our stakeholders—including our customers who constantly support us—and playing a leading role in society to protect the global environment and other areas as a corporate group whose business is based on the bounty of nature.



# Commitment to Products

## Beer production

Our steady focus on quality manages every process in our business, starting from product development, procuring ingredients, production, sales and distribution. In the following sections, we would like to introduce a brief overview of the Kirin Group's commitment to delivering our safe and tasty products, with examples of our brewing process.



"I would like many people to take delight in the products I have been involved with."

Mayura Mochizuki Research Laboratories for Brewing



"Our responsibility is to build a relationship of mutual trust with our suppliers and to procure high-quality ingredients that are suitable for brewing Kirin beer."

Tomohiro Miyazaki Production and Quality Control Dept.  
Second from right

### Research and Development

Kirin's long history of technological expertise coupled with its research and development activities have brought about various new ideas for products. In particular, our yeast-related technologies are amongst the most sophisticated in the market. Mayura Mochizuki of Kirin's Research Laboratories for Brewing is responsible for using Kirin's unique technologies to select the best beer-brewing yeast. "I select yeast varieties that are highly active and create the desired taste from our 'yeast bank.' In order to do this, I perform brewing experiments varying all sorts of parameters, such as combinations with other ingredients, number of days of fermentation, and temperature. It's hardly the most thrilling process, but I feel well rewarded when the yeast I selected is used in a product." This tireless and demanding experimentation underpins one of the foundations of beer production.



### Ingredients

Kirin beer is only produced with safe, high-quality malt, hops, and other ingredients that meet all of our unique standards. "Communication with our domestic and international suppliers is important," says Tomohiro Miyazaki, who is responsible for quality control at our domestic breweries. "In addition to exchanging information about each year's harvest and quality, we also check up on their traceability systems. In order to further improve the safety of our ingredients, we visit production sites regularly, and perform 'technical surveys' and the like in order to check the status of process control for production of malt, hops, and other ingredients, as well as their production facilities, from the perspective of our users." Naturally, it is our strong relationship of trust with our suppliers that makes this possible. Miyazaki puts this philosophy into practice in his work: "Our goal is to build an equal relationship rather than unilaterally imposing our demands on our suppliers, while incorporating their needs," he emphasizes.



### Production

Once the carefully selected ingredients arrive at our breweries, they undergo another quality check before they are brought to our production lines. Although all tasks—from preparation to fermentation, aging, and filtration—are computer controlled, Masao Funatsu, who

has more than 30 years' experience in brewing beer, believes the human senses are still a vital part of the process. "I check the safety and taste of our products using all five senses," he says. "I listen to the sound the machines make, and check the flavor and smell. This is no less important now than it was in the early days [of brewing beer]." "We only use bottles, cans, and other containers that meet our strict safety standards," says Hiroshi Matsumoto, who is in charge of the packaging process at Kirin. "Our job is to ship beer from the brewery with the same refreshing taste as when it was first brewed, but considerations for environmental impact and employee safety are also very important."



## Logistics

The Logistics Division delivers the final product to our sites throughout Japan. "I give careful attention to quality control, so that we can deliver products to our customers with the same refreshing taste as the moment they came off the production line," says Kiyoshi Sato, who is in charge of product storage and transport at Kirin Logistics. "Over the past few years, we have been working especially hard to reduce our environmental impact during the shipping process," says Sato. "As well as ensuring our drivers never leave their trucks idling, we use low-emission vehicles and large trucks which enable more efficient transport. We also strive to reduce the number of our trucks on the road by adjusting shipping volumes. Our job is not just to transport products, but also to deliver the pleasure of drinking tasty beer to our customers." Sato remains committed to meeting the challenges of his job today and into the future.



## Sales and Marketing

Our Sales and Marketing Division covers the last leg of our products' journey, delivering our products directly to our customers. Kenichi Masuda of Kirin Communication Stage is responsible for in-store product displays. "Communication with volume retailers is essential for product displays that facilitate the choosing and purchasing of our products," says Masuda. Sometimes volume retailers ask him for advice on setting up product displays. "I try to give sellers suggestions on how to give their customers a sense of added value, such as displaying foods that go well with beer alongside our products. My greatest pleasure is seeing customers purchase Kirin products first hand," he says with a smile.

Our goal is to make beer so tasty that one sip puts a smile on the face of whoever drinks it, and to bring joy and pleasure to the lives of our customers. These commitments are shared by everyone involved with brewing beer at Kirin, and are the driving force for ensuring that Kirin Beer is both safe and delicious.



"In order to produce safe and delicious beer, it is important to visit the production site often, rather than having an over-reliance on numerical data."

Left: Masao Funatsu Yokohama Plant  
Right: Hiroshi Matsumoto Yokohama Plant



"We have already reduced our environmental impact quite a bit, but I am committed to maintaining and improving on these reductions."

Kiyoshi Sato Kirin Logistics Co., Ltd.



"I would like to create product displays that induce as many people as possible to buy our products. One way to do this is to communicate to our customers the dedication of the many people involved in brewing beer."

Kenichi Masuda Kirin Communication Stage, Inc.

# Water Protection

We are committed to conserving our bountiful natural environment for future generations, while continuing to create delicious beer. As part of this commitment, Kirin Brewery works actively to protect precious water-source regions throughout Japan.

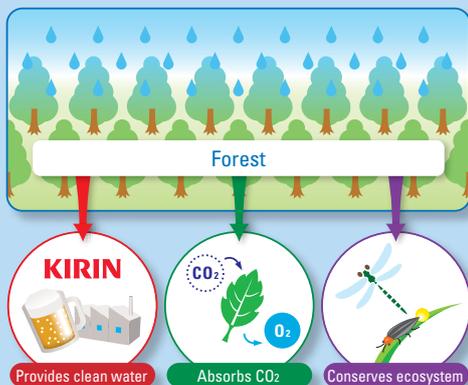
## Because we all need clean, pure water —Our policy and philosophy for protecting water sources

Forests provide us with the bounty of nature in many different ways. Rain falling in the forest seeps into the soil, and slowly flows into the rivers over time. Water quality is essential for our communities, for the functioning of living creatures, as well as to make delicious beer; and rich healthy forests are necessary in order to create this water. Kirin Brewery plants trees and protects forests through our *Kirin Brewery Suigen no Mori-zukuri* program. The aim of this program is to protect the source of our valuable water resources, so that we can keep making delicious beer 100 years from now. Since starting this program at our Yokohama Plant in 1999, we have expanded it to our breweries nationwide. Employees and their families, as well as volunteers from the local communities, work together to plant saplings and tend the forests in water-source regions near our breweries. We decide on which varieties of tree to plant—and when to plant them—after receiving advice from experts in forest conservation. As of 2006, about 3,000 people have planted roughly 15,000 saplings.

## Planting trees and tending the forests on the foothills of Mount Fuji —Highlights of fiscal 2006 efforts

Every year, we have planted trees at the water sources of each brewery plant throughout Japan. In fiscal 2006, we planted trees at our 11th location, the water source of our Fukuoka Plant. With this, we have instituted the *Suigen no Mori-zukuri* program at all of our plants. A typhoon had damaged the upper basin of the Koishihara River, which is the water source for our Fukuoka Plant; on November 18, 2006, we replanted about 0.4 ha of damaged forest there with 1,200 broad-leaf trees, including Japanese zelkova trees and mountain cherry blossoms. All told, 265 people participated in the effort, including employees and their families, the local forest association, volunteers from the community, and local elementary-school students.

We have also expanded this effort to the water-source region of Kirin Distillery Co., Ltd.'s Fuji-Gotemba Distillery, whose products include Kirin Whiskey Fujisanroku. Utilizing the Corporate Forest program, we signed the *Kirin Suigen no Mori-zukuri Kyotei for Fuji-Sanroku* (Agreement for forest protection of water sources at the foothills of Mount Fuji) with the Shizuoka Forest Management Office of the National Land Afforestation Promotion Organization. Under this agreement, we pledged to support the cultivation and



We play an active role in protecting the forests that create our water sources. This helps provide good clean water to our breweries and the local communities, absorbs CO<sub>2</sub>, and preserves the ecosystem.

development of woods at water sources in an approximately 43-ha region of the foothills of Mount Fuji, over a 30-year period. On October 21, 2006, a total of 240 people, including employees, their families, suppliers, and a group called "Green Youth Group," formed by local elementary-school children, participated in a tree-planting effort. Lead by the Shizuoka Forest Management Office and local volunteers, we have planted 500 Japanese maples and stewartia trees along the roadside. The children helped by using hoes and shovels to dig holes for the trees, while a group of adults turned their hands to tending the forest, pruning trees, and clearing underbrush. They cleared trees that were growing poorly, in order to let in more sunlight for the other trees and create a brighter forest. In 2005, we signed the *Biwako Shinrinzukuri Partner Kyotei* (Lake Biwa afforestation partnership agreement) to protect the forest serving as the water source for our Shiga Plant (approximately 820 ha on the eastern side of Lake Biwa). These two agreements enabled our activities to cover some of the most important water sources in Japan. In addition to these forest-conservation efforts, we also run an "Ecojiro Click Fund" on the Kirin Brewery Website. For each click, Kirin Brewery donates one yen to the Green Fund for nationwide afforestation and others. Between June 2005 and December 2006, we donated a cumulative total of 8,056,003 yen.

## Protecting the bounty of water throughout the community

### —The Team Ecojiro Program

Since 2007 marks the centennial anniversary of Kirin Brewery's founding, we would like to take this opportunity to express our appreciation to all those customers who have supported us. To commemorate this event, we are promoting volunteer efforts by our employees throughout Japan, with a focus on the Team Ecojiro Program to protect water sources in partnership with the community.

Starting with Kirin Brewery plants, we will continue our *Suigen no Mori-zukuri* program by Kirin Brewery's and our employees, and actively participate in local forest-conservation programs and cleanup efforts.

We remain committed to these activities to protect water in partnership with the community and our customers, with the aim of communicating, and sharing the importance of protecting the forests with them.



"It's fantastic to see children volunteer in our activities. When they grow up, I hope they still remember planting trees here. I am retired from the Forest Management Office, and have been doing this for 42 years now. Over the past few years, I have noticed that more people are paying attention to environmental issues, and the public has begun to understand the true value of protecting the forests. I think that people's awareness today is very different from what it was in the past. I believe this may have been one of the factors that led Kirin Brewery and other corporations to start focusing their efforts on forest conservation."

Isamu Itagaki One of our instructors, and former worker at the Forest Management Office

- ➡ See page 31 for information about our quality control for water used in our products.
- ➡ See page 53 for information about the water recycling system used in our production business activities.



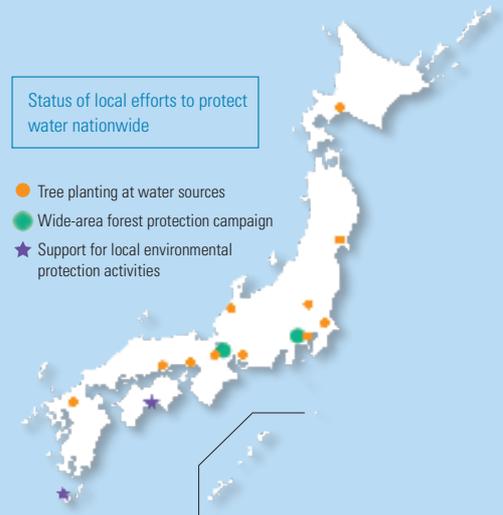
Forest-protection program in the foothills of Mount Fuji



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

Status of local efforts to protect water nationwide

- Tree planting at water sources
- Wide-area forest protection campaign
- ★ Support for local environmental protection activities



# A Diverse and Lively Work Environment

At Kirin Brewery, we advance a wide range of initiatives aimed at creating a diverse and cheerful workplace. One of these initiatives is Kirin Positive Action, which encourages involvement by women. On January 24, 2007, we held a conference to discuss what was most important for creating a diverse and lively work environment. The conference brought together Kirin employees with a wide variety of perspectives, including members of the Positive Action Steering Committee, female managers, male employees, and people in charge of hiring, as well as experts and opinion leaders from outside the company.



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## Employee diversity is a key concept for corporate management

In the past, our employee makeup was relatively mono-cultural, exhibiting the pattern of hiring men straight out of school, and not having employees 60 or over, that is common in large Japanese corporations. As the values of our stakeholders grow increasingly diverse, however, we believe that encouraging employee diversity will improve our corporate competitiveness, and help us fulfill our corporate social responsibility as well. Kirin Positive Action is the first step in our effort to advance employee diversity. Kirin Positive Action is an initiative aimed at enabling the 20% of our employees who are women to better harness their capabilities. Our final goal, of course, is to respect all kinds of diversity, including gender diversity as well as diversity of age, nationality, and disability, and create a corporate group where each employee can work to his or her full potential.

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## Kirin Positive Action promotes female involvement

Kirin Positive Action studies programs and management styles that prevent life events like marriage and childbirth from having a negative impact on careers. It also strives to motivate female employees, and promote understanding by male employees. As one measure of the program's success, we have set the goal of increasing the number of female executives from 31 as of March 2006 to 100 by the end of 2015. The Kirin Women's Network Steering Committee leads initiatives to make policy proposals, which our Personnel Dept. uses to introduce and operate new systems and programs. The Kirin Women's Network Steering Committee consists of eight women of diverse professional backgrounds, ages, family make-ups, and other attributes. The committee was recruited through a public call for members.

## What are the challenges for promoting involvement by women?

**Kurakata** Kirin Brewery has increased the proportion of women in its new-graduate hires to 40%, but women in the management track have a high rate of turnover. Within five years of hire, about 50% of management-track women have left the company; within 10 years, about 60 to 70% have left. Additionally, while employees in the non-management tracks have a 90% satisfaction level toward the company, job satisfaction is comparatively low.

**Shimazu** Many of the women who started working at the same time as me have quit due to marriage, their husbands' work transfers, or their own transfers. In some cases, however, they did not leave the company for these kinds of "physical" reasons. As women marry and have children, the proportion of their lives occupied by work changes. When women weigh work against their private lives and find a high value to their job, they will probably find a way to stay in their jobs. Some women, however, are not able to find this value.

**Kono** There have been two times when I thought about quitting. During those times, I was asking myself if I wanted to keep working here forever—if I wanted to do this job for the rest of my life. One reason I felt uncertain about the future was that I did not have any role models whose example I could follow. But I managed to get past those times thanks to a lot of advice from my boss and coworkers.

**Tagashira** I have raised three children while working at Kirin. Since getting support from my parents was not an option, I took a cumulative total of four years of childcare leave, and after returning to work, I used the reduced-hours program. I feel like I have been very lucky, because Kirin has better childcare leave and other programs than other companies. I had a lot of conflicting feelings, though. For example, my boss and coworkers did not always seem understanding; since there were no working mothers around me I worried about whether I could really make it; and since my working hours were short, I had self doubts about whether I was really making a contribution to the company, whether I really had a place here.

**Sado** I think the biggest problem in Japanese companies as a whole is the lack of role models. Also, even if companies have programs, many times the corporate culture prevents employees from taking advantage of those programs. These types of programs do not make much headway unless top management makes a clear commitment to them, and everyone down to the management ranks states publicly that the company can't grow without women. Kirin Brewery hires lots of women, and has good programs in place; the challenge now is to change the corporate culture and consciousness, don't you think? By the way, why do women have low job satisfaction?

**Makihara** I think one reason, which is common to men and women, is that employees are not always able to work in the jobs they want. I understand the company's policy of giving employees experience in a wide range of jobs, but sometimes there is a gap between employees' current jobs and the jobs they wanted to do when they joined the company, and I think that sometimes they become uncertain whether they will ever be able to do the jobs they want.

**Mune** It's assumed that men will keep working, so I think they tend to look at their jobs over a span of about 20 years, rather than just the immediate future. In contrast, it seems to me that women tend to set goals over spans of about 5 years, in consideration for their lifestyles.



**Ann Sado**  
NPO GEWEL

After a career including marketing and general manager at a foreign-owned firm, she is currently vice president of the NPO Global Enhancement of Women's Executive Leadership (GEWEL).



**Tomohiro Mune**  
Managing Director



**Mayako Kono**  
Human Resources Development  
Section, Personnel Dept.



**Yuki Kanzaki**  
Brewing Group, Yokohama Plant



**Akiyoshi Mochizuki**  
National Sales Planning Dept.



**Yuko Tagashira**  
Metropolitan Administration Dept.



**Kei Shimazu**  
Market Research Section,  
Strategy Planning Dept.



**Tataro Makihara**  
Supply Chain Management Dept.



**Yasuhiko Kurakata**  
Planning Section, Personnel Dept.



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## What is the ideal that Kirin Brewery should strive for?

**Kanzaki** It would be nice if employees could work in a way that suits their lifestyles, and progress naturally in their careers and abilities. I would like to make Kirin a company that can help us to improve our motivation and grow as members of a family and society. Both women and men should gain a deeper understanding of the need for the systems and policies proposed by the Kirin Women's Network Steering Committee, and we should have a corporate culture for maintaining good relations between the company and employees take root through the committee. I feel that the more choices both men and women have, the more choices they will make, and the more systems and policies will be developed.

**Shimazu** The ideal is for each employee to be satisfied with his or her job and career plan. In order to accomplish this, I feel we should create an environment that enables more people to become involved with the jobs they want to do.

**Mochizuki** My ideal is to be able to do the job I want, take advantage of my abilities, and work under a boss who helps me to grow. You also need a kind of safety margin: being able to take annual vacation every year without fail, and keeping both my family and I healthy.

**Makihara** We are also expanding our business into Asia and Oceania; it would be nice to become a company that people in those regions want to work for as well.

**Kono** My ideal is a company where people can recognize each other's diversity. Although Kirin Brewery has a lot of hard-working, honest employees, it still lacks in the areas of pioneering and innovation. Employee-awareness surveys show a tendency to fear failure. We should rethink the way we work, accept new things, and achieve a work-life balance. I believe that changing awareness by female employees will trigger a change in corporate culture.

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## What should Kirin do to achieve the ideal?

**Tagashira** I would like for both men and women to have choices, to be able to balance their jobs with what is going on in their lives at a given time, like enabling them to slow down the pace temporarily to raise children or care for aging parents. For example, couldn't we consider a telecommuting system? I think it would also be useful to have a re-employment system for people who quit their jobs for marriage, childbirth, and so on.

**Kurakata** Any employee can be subject to limitations due to raising children or the need to care for an ailing family member. It is therefore important to create an environment that allows people to continue working under these kinds of limitations. In order to change overall awareness, I think we should think about systems for men as well.

**Mune** We need freedom in work styles. But if you ask people, "Do you want to care for your ill parents at home so much that you're willing to take a pay cut," quite a few people are not willing to go that far. I think this is because there is a general feeling that if you slow down the pace of promotions and your career, you're finished. Unless we change the



corporate culture so that people can recognize and accept when people slow down the pace to raise children or care for relatives, even if we have such a program it won't take hold.

**Mochizuki** I think we also need opportunities for leaders and team members to talk about long-term careers.

**Tagashira** In order for that to happen, I think the company should also work harder on leaders who have female employees. I have heard that there is a big difference in awareness of this issue among the leaders.

**Sado** Role-playing is also a good way to learn. You think up a bunch of hypothetical situations, and everybody talks over the dialog and reactions. Afterward, you can turn it into a manual, and use it as a textbook.

**Makihara** The lack of female role models was mentioned. How about if we actively introduce case studies from other companies?

**Shimazu** It would also be nice to have an organization we could go to for career advice, like assigning career advisors.

**Makihara** I think it would be interesting to have something like an in-house "free agent" system, where if you do well at your job, you can apply to work in the department you want.

**Mune** We need to acquire a more cosmopolitan way of thinking, so it is important to have a wide range of work experience, including experience at our group companies internationally and in Japan.

**Shimazu** How about revising policies on personnel transfers and career development? I would like to see a system where employees can take the lead in their own transfers. For example, we could let them communicate with the Personnel Department: when they request to be transferred somewhere, let personnel tell them, "No, because that position is filled," or "In order to work here, you need this and that skill." In order for this to happen, you have to make information publicly available, like "we have these jobs in our group" or "we need these kinds of skills." Maybe we could even create a group intern system. I think we should have a system where both the company and the employee have choices.

**Kono** We have heard several thoughts on establishing a career-support system. I think the most important thing for such a system is to get a commitment from our immediate superiors, and the understanding of our coworkers.

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## The first step toward a better company

**Sado** If the company shows a commitment, such as by setting out specific numerical targets and a vision for the next 10 to 15 years, and stating how it will change the corporate culture, and if it shows that it respects diversity, then I think that more people will want to work at Kirin.

**Mune** Today's discussion showed me that we all have a lot of different ideas on what we need to do in order to create active employee diversity. I believe that if we can spread the idea of valuing diversity, we can help resolve the issues currently facing the company. Also, leaders are not always the best listeners; so I think we should focus even more on training, and improving communication between leaders and team members. I hope we will all continue to work together to help each of Kirin employees actively grow.



# Transparent and fair management practices



## The Kirin Group's Governance ①

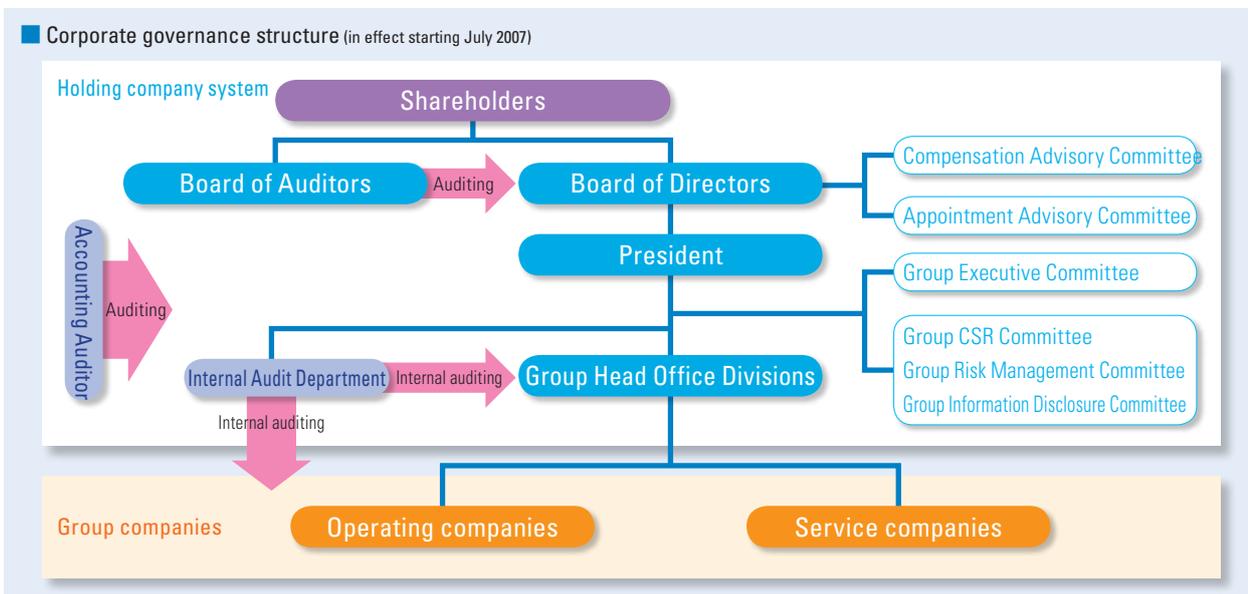
# Corporate Governance

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

In July 2007, the Kirin Group will introduce a holding-group system. Each of our operating companies, including our domestic alcoholic beverage business, soft drink business, and pharmaceuticals business, as well as our service companies, will have equal standing in the group hierarchy, and we will build an organizational structure suited to the promotion of growth strategies. With the aim of achieving the dramatic growth stated in Kirin Group Vision

2015 (the long-term business framework for the Kirin Group), we will make a corporate governance structure that clarifies the roles and responsibility of each business and the group head office (holding company); improves the autonomy and agility of our businesses; and promotes dramatic growth led by our holding company and the creation of a group premium. Under this structure, we will maximize the corporate value of the group by speeding and enhancing decision making, and making management more transparent and sound.



## The Kirin Group CSR management system

The Group CSR Committee was created in 2005 in order to promote CSR initiatives for the group as a whole. Following the introduction of a holding company system in July 2007, we will also create a new CSR management system for the group.

The Group CSR Committee will control CSR activities for the group as a whole; it will consist of the president of the holding company and the other directors, and the heads of the CSR-related divisions, as well as the presidents of our major group companies.

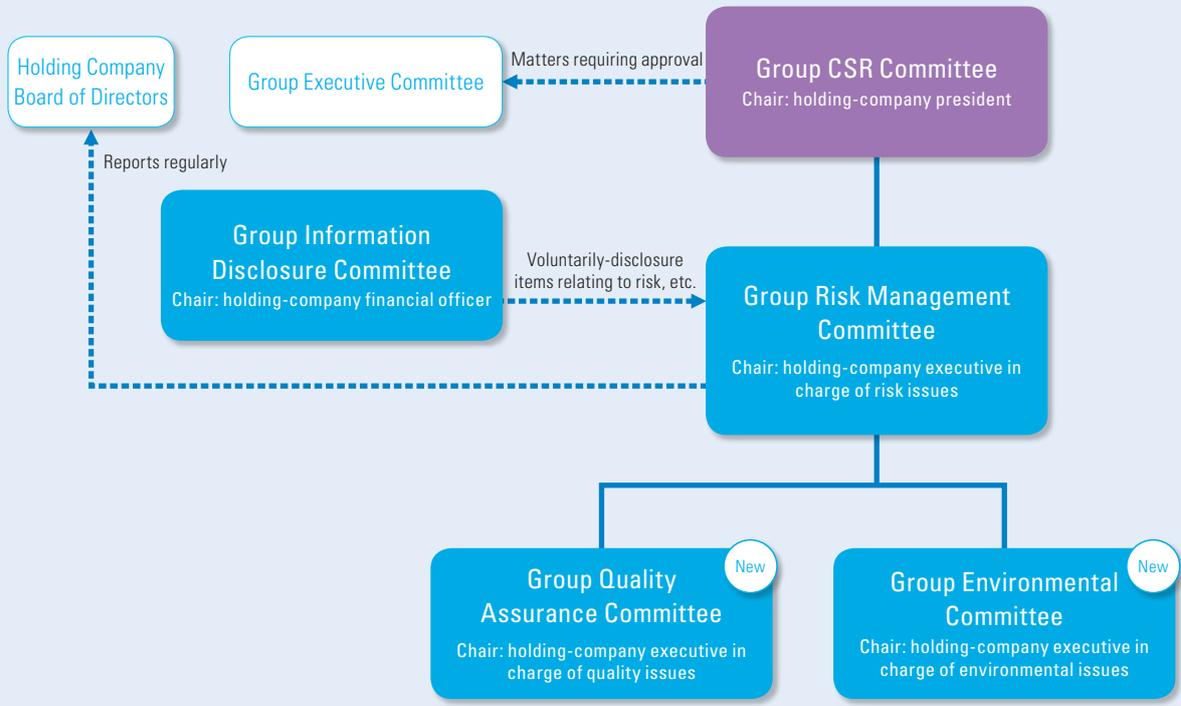
The Risk Management Committee will be renamed the Group Risk Management Committee. It will be responsible for initiatives forming the foundation of the Kirin Group's CSR—risk management, compliance,

and information security—as a committee related to the Group CSR Committee. We will also create two new committees—the Group Quality Assurance Committee and Group Environmental Committee—which will be responsible for initiatives in their respective areas.

The role of the Information Disclosure Committee, which was created in 2006, will be expanded to include the information disclosure of the group as a whole. This committee will also collaborate with the Group Risk Management Committee on some matters.

Meantime, the Advisory Group created in 2006 will continue under the new system, providing views of outside experts and opinion leaders on the Kirin Group's CSR, and reflecting them in our activities.

■ The Kirin Group CSR management system (in effect starting July 2007)



- The Group CSR Committee will consist of the president of the holding company, officers in charge of CSR, directors, corporate auditors, and presidents of major business companies.
- The Group CSR Committee will discuss risk management and other key CSR-related issues for the group as a whole. It will be chaired by the president of the holding company, who has the final responsibility for the group as a whole.
- The Group Quality Assurance Committee and Group Environmental Committee will be created within the holding company.
- As a rule, the Information Disclosure Committee's function will be separate from those of CSR-related committees, but it will collaborate with the Group Risk Management Committee on certain matters, such as those pertaining to risk.

# Risk Management / Compliance

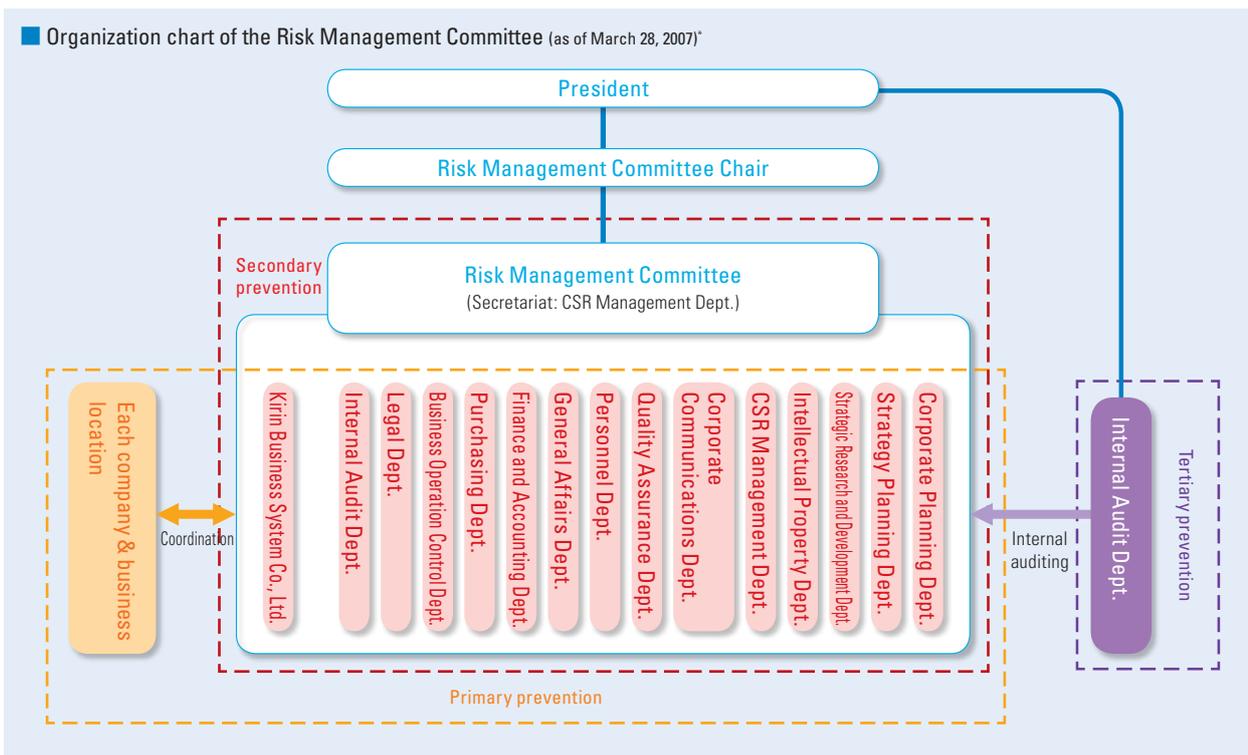
We are committed to improving the level of our core CSR initiatives through the promotion of risk management based on compliance.

## Our approach to risk management

In 2003, Kirin Brewery strengthened its risk-management structure, with approach that places importance on preventing risk in addition to responding after a crisis has occurred. We have created a Risk Management Committee, and established group risk-management regulations. Additionally, we have built a risk-management structure with company-wide 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 the internal auditing, plays a tertiary role in risk prevention. Actual risk management is performed in accordance with the Risk Management System Manual. Each division identifies potential risk using a risk model consisting of three categories: external

environmental risk, strategic (decision-making) risk, and process risk. Each year, the division evaluates the importance (occurrence × potential impact) of each risk, and revises the response priority. Each division incorporates a separate response to each risk into its business planning in order to prevent and minimize risks. The secretariat checks the state of each division's risk response at PDCA (Plan, Do, Check, Action) meetings, and reports to the Board of Directors each year. 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.

■ Organization chart of the Risk Management Committee (as of March 28, 2007)\*



\* Scheduled to convert into a new system in July, 2007

## 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 impact 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.

We have also created a Business Continuity Plan (BCP) in order to prepare for the possible dysfunction of our head office in the event of a major earthquake in the Tokyo metropolitan area. We then edited and recompiled our existing earthquake measures into the Head Office Disaster Preparedness Manual.

We are also building crisis-response system in our group companies, with a focus on companies that have introduced risk-management systems.

### 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.

## Initiatives by group companies

In 2006, 22 of our group companies have introduced risk-management systems. These companies implement risk management in accordance with the Kirin Group Risk Management System Manual for group companies.

We will build a risk-management system that functions at the entire group level by 2009. In order to accomplish this, we plan to expand the scope of our system with a focus on consolidated group, introduce risk-management systems and implement the PDCA cycle.

## Preventing crises from re-occurring

Although we strive to prevent crises, a number of crises regrettably occurred over the past year, including the loss of personal information and errors on the product labels and other displays etc. We are deeply sorry to all those affected by these incidents. We disclosed information about each crisis, investigated the causes, and took measures to prevent them from occurring again. We have taken particularly strong measures to protect privacy: in July 2006, we held an emergency meeting, and ensured all employees protect private information by checking the rules for handling personal information at each workplace. We also held a workplace meeting for crisis prevention in February 2007, using case studies to discuss issues at each workplace. We remain committed to preventing crises.



Emergency meeting for privacy protection

## Approach to compliance

The Kirin Group considers compliance to form one of the important foundations of corporate management and conducts a number of compliance-related initiatives. As part of these activities, in 2003 we created the Compliance Guidelines, which provides guidelines for legal compliance, as well as specific actions demanded ethically by society. Our major group companies have also created their own guidelines, using the Compliance Guidelines as a reference. We have also created a handbook titled "The RULE." The goal of this publication is to explain the Compliance Guidelines so that each employee could see how they apply to their own situations, in order to enable each employee to act with an understanding of the guidelines. All employees are given a copy of this handbook, along with a pocket card, "Action Self-Check Sheet."

The Group CSR Committee promotes and oversees initiatives relating to the compliance of the group as a whole. Each division, business location, and group company also manages the initiatives within a PDCA cycle, as part of risk management.



"The RULE" handbook

Pocket card

## Compliance training

The Kirin Group works to enhance its compliance training on the belief that it is vital for each employee to practice compliance and improve his or her awareness of compliance.

In 2004, we created a compliance training system, introducing 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; that both positive and negative information must be swiftly and accurately reported; and that we must act in a fair and open manner—as well as sensitivity to changes in society.

In 2006, we developed a new program based on the results of the compliance awareness survey we conducted at the beginning of

the year, and conducted training at all business locations. We also conducted training at our major group companies. We will continue to carry out compliance training annually.

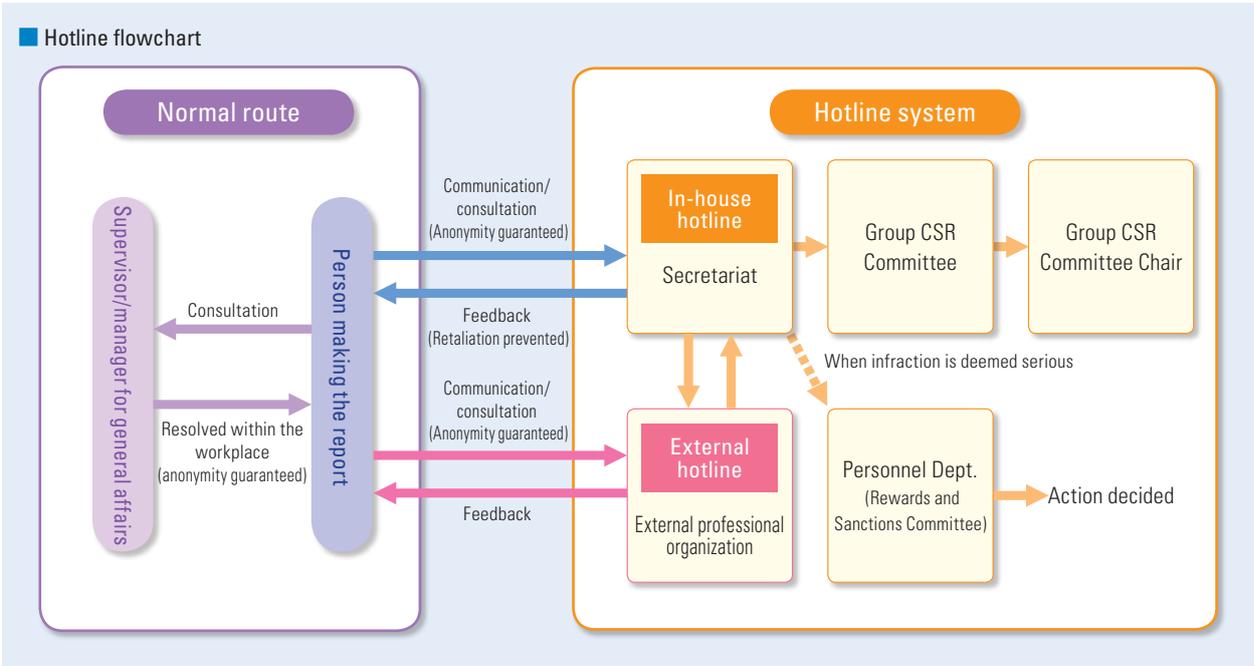


A compliance-training workshop

## Hotline system

Kirin Brewery and the main group companies have hotlines for reporting issues related to compliance. There are two types of hotline: an internal hotline that is staffed from within the company, and an external hotline that is staffed by an independent third party. The external hotline is entrusted to an organization that specializes

in this field. It is aimed at making employees more comfortable with reporting compliance-related issues. Together, the internal and external hotlines were used 16 times in 2004, 12 times in 2005, and 18 times in 2006.



## Future group initiatives

In 2007, the Kirin Group will create the Compliance Guidelines based on the current Compliance Guidelines for Kirin Brewery and will also update and revise the "The RULE" handbook, and distribute it to all group employees. Hotline system will be expanded to more companies with a focus on

the consolidated group and the entire group will operate the common external hotlines. We will also expand our training to include more people. We will manage the efforts of each group company in a PDCA cycle, and work to improve them.

**Comment from a person in charge of risk management**

**We are committed to risk management on a company-wide level**

In the past, our actions have focused on enhancing our crisis-response capabilities based on our own unique crisis-management system. In fiscal 2006, however, we introduced a new risk management system, which incorporates the perspective of prevention. In fiscal 2007, we will introduce more precise mechanisms, and work to improve the level of our risk management. We will increase the thoroughness of risk management as a company-wide initiative, so that our customers can feel more secure about our products.



**Yutaka Kimura**  
General Administration Section  
Corporate Administration Dept.  
Kirin Food-Tech Co., Ltd.

# Continuing sound business activities



## The Kirin Group Economic Report

# Financial Highlights of the Kirin Group

The Kirin Group believes that stable profits based on the domestic alcoholic beverage business, and including each of the other fields as well—the international alcoholic beverage business, soft drink business, and pharmaceutical business—are essential for continued corporate existence.

## FY2006 operating results

In 2006, the final year of the “2004–2006 Kirin Group Medium-Term Management Plan,” the Kirin Group has been committed to continuing to improve its brand value and transformed ourselves into a powerful group whose focus is on development and solutions. We also published Kirin Group Vision 2015, which is the long-term business framework for the Kirin Group, aimed at facilitating the quantum leap in growth not bounded by conventional growth curves.

In the current consolidated accounting period, the overall market for the domestic alcoholic beverages industry shrank, due to such factors as the declining young population, the overall graying of society, the

diversification of tastes, the revision of the alcohol tax, and a cool summer. Meanwhile, the new genre\* market grew by a large amount, now accounting for roughly 20% of the total market (4% growth against fiscal 2005). A new market structure is forming, consisting of three categories: beer, *happo-shu*, and new genre. Kirin Brewery’s consolidated sales and profits both increased, thanks to a year-on-year increase in sales volume in the alcoholic beverages business, especially in the *happo-shu* and new genre products.

\* The new genre indicates “other fermented liquors (*happo-shu*) (i)” and “liqueurs (*happo-shu*) (i)” having a fragrance/taste similar to that of beer.

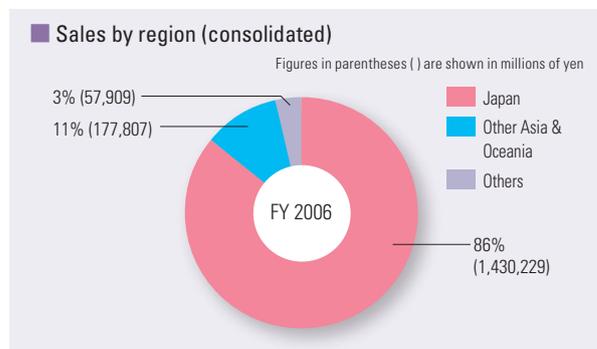
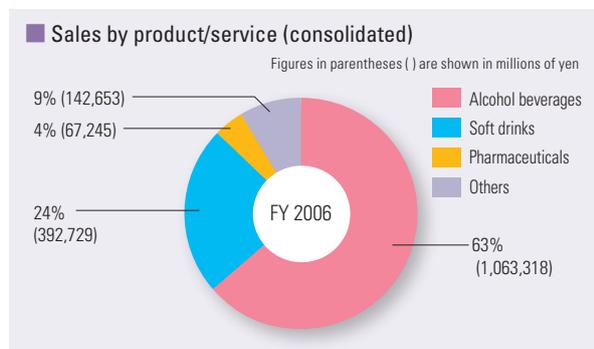
■ FY2006 operating results (unit: 100 million yen)

	Sales	Operating Income	Ordinary Income	Net Income
Consolidated	16,659	1,163	1,208	535
Non-consolidated	9,607	599	881	546

## Creation of economic value added by the Kirin Group

The Kirin Group's main businesses are the production and sale of alcoholic beverages. The group's economic value added is created through the integrated process of procuring raw materials, producing

and selling products and services to customers. The proportions of sales by product/service (i.e. business) and country/region are shown below.



## Distribution of economic value added by the Kirin Group (consolidated)

In the 2007 report, we started our efforts to grasp the distribution status of economic value added to stakeholders by the entire Kirin Group.

Nearly all of the Kirin Group's operating revenues is derived from the sale of alcoholic beverages and soft drinks to the customers. The addition of non-operating revenues and special revenues to this is equivalent to the overall revenues for the Kirin Group.

From the total revenues, 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 the Kirin Group. The economic value added for the 2006 accounting year was about 205 billion yen.

The economic value added is calculated by summing the expenses for the stakeholders, ranging from employees to government, shareholders, creditors, directors and local communities. 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.

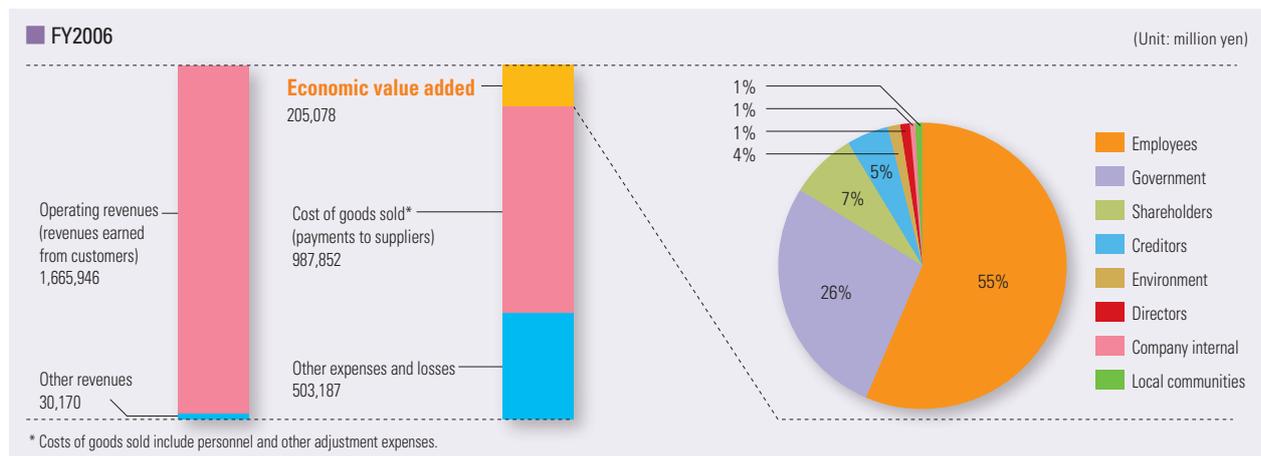
The continuation of such process enables us to bring about a well-balanced distribution for the stakeholders.

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 the economic value added.

### Distribution of economic value added to stakeholders (consolidated)

Distribution	Amount (millions of yen)	Main factors
Employees	111,760	Personnel costs
Government	54,033	Corporate taxes, tax and public dues
Shareholders	14,820	Dividends
Creditors	9,736	Interest paid
Environment	8,803	Environmental conservation costs*
Directors	2,702	Directors' compensation and bonuses, Directors' retirement benefits
Company internal	1,907	Change in balance brought forward
Local communities	1,317	Charitable contributions
<b>Total</b>	<b>205,078</b>	

\* Only amount of Environmental conservation cost is non-consolidated.



# Aiming to coexist with society



## The Kirin Group Social Report 1

# Targets and Results

Starting with this report, we will list the targets and results of our initiatives relating to our social report. We will continue to describe the current status of our initiatives and challenges, helping us to advance our initiatives.

### ■ Targets and results

Area	Targets and challenges for FY 2006	Rating	Targets and challenges for FY 2007	See page
<b>Relations with customers and clients</b>	<ul style="list-style-type: none"> <li>Create "Our Promises to Customers," and publish it on our Website and elsewhere</li> <li>Improve and maintain communication with our clients</li> </ul>	☺☺	<ul style="list-style-type: none"> <li>Use customer feedback to make improvements</li> <li>Continue to improve and maintain communication with our clients</li> </ul>	27
<b>Commitment to quality</b>	<ul style="list-style-type: none"> <li>Create "Quality Incident Reporting Standards"</li> <li>Initiatives to prevent quality incidents</li> </ul>	☺☺	<ul style="list-style-type: none"> <li>Prevent major quality incidents</li> <li>Foment a steady focus on quality</li> <li>Improve QMS of Kirin Group</li> </ul>	30
<b>Our responsibilities as a maker of alcoholic beverages</b>	<ul style="list-style-type: none"> <li>Thorough checks based on voluntary standards by Marketing Ethics Committee</li> <li>Raise awareness of responsible drinking</li> </ul>	☺☺	<ul style="list-style-type: none"> <li>Thorough checks based on voluntary standards by Marketing Ethics Committee</li> <li>Efforts to raise awareness of responsible drinking (e.g. update Website)</li> </ul>	32
<b>Relations with shareholders and investors</b>	<ul style="list-style-type: none"> <li>Promote communication with shareholders and investors (provide more and better information in more ways, and send market feedback to management)</li> </ul>	☺☺	<ul style="list-style-type: none"> <li>Promote communication with shareholders and investors (provide more and better information in more ways, and send market feedback to management)</li> </ul>	34
<b>Relations with suppliers</b>	<ul style="list-style-type: none"> <li>Base procurement activities on Procurement Policy</li> <li>Create CSR Procurement Guideline and publish it on Website and elsewhere</li> </ul>	☺☺	<ul style="list-style-type: none"> <li>Survey suppliers on status of commitment to CSR Procurement Guideline</li> </ul>	35
<b>Making Kirin a great place to work</b>	<ul style="list-style-type: none"> <li>Promote the advancement of women</li> </ul>	☺☺	<ul style="list-style-type: none"> <li>Create Kirin Women's Network (a collaborative network for women who work at Kirin Brewery)</li> <li>Carry out Kirin Positive Action</li> </ul>	36
	<ul style="list-style-type: none"> <li>Expand and enhance training and education programs</li> </ul>	☺☺	<ul style="list-style-type: none"> <li>Expand and enhance training and education programs based on people-centric management</li> </ul>	
	<ul style="list-style-type: none"> <li>Make safe workplaces that are great to work at</li> </ul>	☺☺	<ul style="list-style-type: none"> <li>Further efforts to make safe workplaces that are great to work at</li> </ul>	
	<ul style="list-style-type: none"> <li>Promote awareness of human rights (Conduct human-rights training at 97.3% of workplaces)</li> </ul>	☺☺	<ul style="list-style-type: none"> <li>Promote awareness of human rights (Target: conduct human-rights training at 100% of workplaces)</li> </ul>	
<b>Relations with society</b>	<ul style="list-style-type: none"> <li>Make contributions to society, including support to alleviate food problems in Asia</li> <li>Support sports, and implement cultural programs with focus on food culture promotion</li> </ul>	☺☺	<ul style="list-style-type: none"> <li>Make contributions to society rooted in local communities</li> <li>Expand food-culture programs within the Kirin Group</li> </ul>	39

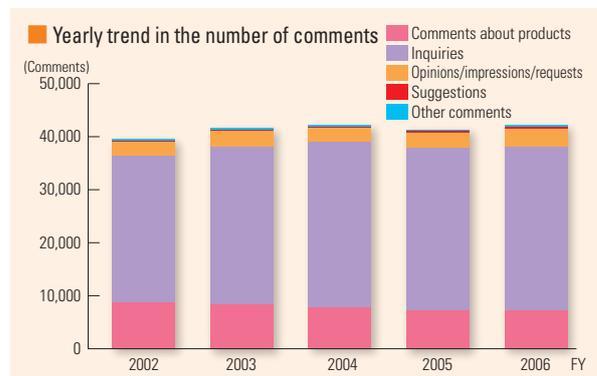
☺☺ : Targets achieved ☺ : Below targets

# Relations with Customers and Clients

We are committed to helping improve the satisfaction of our customers by promoting the two most important values: **Customer-focused Approach** and **Steady Focus on Quality**. In order to accomplish this goal, we value communication with our customers, and reflect feedback from our customers in our corporate activities. We also develop store layouts in collaboration with our clients.

## Fiscal 2006 status

In fiscal 2006, Kirin Brewery's Customer Center received about 41,000 contacts via telephone and email. The total numbers are nearly unchanged from fiscal 2005. Inquiries—mainly concerning information about products and campaigns—accounted for 75% of all contacts; this was nearly the same as the previous year. One distinctive feature about this year's contacts was that feedback regarding views, opinions, and requests toward the Kirin Group grew to 120% compared to the previous year, and this feedback concerned our main product families, as well as our other businesses and operations in general.

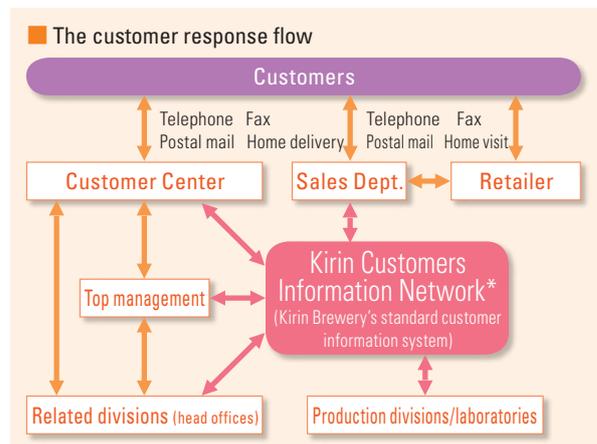


## Our customer-focused approach throughout the group

The Kirin Brewery Customer Center has created a Basic Policy, Guiding Principles for Conduct, and Company Rules, as "Our Promises to Customers." These documents are published on our Website and elsewhere. We are committed to responding to our customers fairly, impartially, quickly, and in good faith.

We investigate all feedback we receive on our products, and report the results. Our goal in doing this is to recover the customer's trust and create products that our customers will feel secure about.

We publish all customer contacts internally, in order to give everyone in the group—from top management to rank-and-file employees—a common awareness, and to share information in order to promote our customer-focused approach.



\* A management system to accumulate customer voices and resolve issues

## Customer satisfaction surveys

We send questionnaires to customers who give us feedback, asking them whether they were satisfied with how their feedback/inquiry was handled, as well as their views. The questionnaire asks the customer to rate Kirin on a five-point scale in the following areas: their treatment by the employee who dealt with them at the desk or when visiting the

customers; the speed with which the results of the investigation were reported; and the content of the report; and intention to purchase our products in the future. There is also a free-response section for comments in general. Our goal is to use the views that we receive as a reference for improving how we interface with our customers in each situation.

## Example of a feedback-driven improvement

We use feedback from our customers in many improvements to our products and services. One example is the paper cartons used to package six cans of beers. Customers told us that it was difficult to take cans out of the carton; that after tearing back the carton, sharp edges remained that hurt customers' hands; and that the sharp corners were dangers because they could cut people. Reflecting this feedback, we made a new, improved version of the paper six-can carton. We added a special design feature making it easier to remove the first can from the carton; we changed the direction of the perforation, so no sharp edges would remain; and we rounded the sharp corners. Through these improvements, we reflected the feedback of our customers, while at the same time reducing our environmental impact by reducing the amount of paper used.



## Policies and approaches for clients

The Kirin Brewery vision states, "Be closer to our customers than anyone, and offer more richness of experience." Based on this vision, we act with empathy for our customers and strive to help overcome the challenges facing them. We value coexistence with society. Rather than simply offering safe and secure products, our aim is to be highly regarded as a company offering valuable solutions in the form

of new ways to enjoy our products, and drawing out their interests. For example, in bars and restaurants we work together with our clients to offer delicious draft beer that make people want another glass, and in stores, we work with our clients to design store layouts that give customers the delight of choosing from a wide range of products.

### Draft Masters School

We operate the Kirin Draft Masters School in order to offer our customers delicious draft beer in the bar and restaurant market. Kirin Draft Masters School teaches people working in bars and restaurants to master the art of draft beer, in order to deliver on our new draft policy of "Amazing Quality." It gives people working in bars and restaurants the necessary knowledge, skills, and quality-control expertise to offer customers delicious draft beer. Over 220,000 people have studied at the school, and Draft Masters deliver the delicious taste, fun, and delight of draft beer nationwide.



A course at the Kirin Draft Masters School

### Kirin Perfect Draft certification Six pledges

-  We offer draft beer from a keg, poured by Draft Masters who have graduated from Kirin Draft Masters School.
-  We clean draft dispensers daily, and pursue the true delicious taste of draft beer.
-  We emphasize freshness in draft beer, and serve beer within two days of tapping the keg.
-  We manage temperature thoroughly, and maintain carbonation at a suitable level.
-  We wash beer mugs separately from other tableware.
-  We always perform a taste test before opening, and offer draft beer of top flavor and quality.

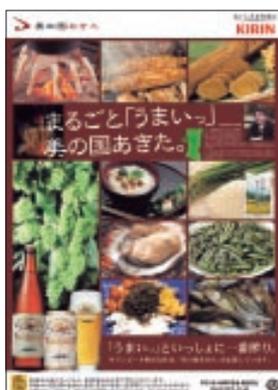
## Initiatives with bars and restaurants

We work in partnership with bars and restaurants to offer ideas for customers to enjoy the combination of beer and delicious food. One of our initiatives in this area is our series of television commercials with the theme “delicious things from around Japan.” The commercials show scenes of fine foods with Kirin Ichiban Shibori beer. One pub owner told us that he wanted to enable his customers to enjoy one of his pub’s specialties—locally grown Hinai chicken—with Ichiban Shibori beer. We proposed an original mouth-watering menu and posters. Customers visiting the pub talked excitedly about the television commercial, while the delicious grilled chicken skewers and Ichiban Shibori drew out many a smile.

We will continue to work together with bars and restaurants to delight our customers.



Meeting with pub owner



Examples of proposed materials



## Initiatives with retailers

Rather than simply relating to customers who come in to shop through the store, we believe that we can communicate with these customers in partnership with retailers. In November 2006, we held wine classes for women at major retailers. The classes were planned shortly before the ban on Beaujolais Nouveau—new Beaujolais wine from Beaujolais, France—was lifted. The classes would teach the basics of wine and give a tasting, allowing the students to experience the marriage of wine with cuisine. We prepared a menu of cuisine using seasonal ingredients, which was to be listed on the fliers at retailers after the release of the new Beaujolais. The students then sampled the cuisine at the wine classes. The hands-on nature of the classes was very popular. Students said they were happy to gain the rare chance to compare different wines, and to learn what kinds of food go well with wine. We will continue to carry out initiatives that bring enjoyment to a wide range of customers. In partnership with retailers, we will develop a wide range of bonds that keep us intimately connected with our customers at all times, and offer the joy of food and health.

## Initiatives with hospitals

The Kirin Brewery Pharmaceutical Division sells medical pharmaceuticals. We believe that quality in the pharmaceuticals business includes outstanding quality of the drugs themselves, as well as offering useful and up-to-date information about those products. Medical Researchers (MR) are specialists whose fundamental attitude is to place the lives of patients first, and provide the information necessary for the appropriate use of pharmaceuticals. With the support of scientific researchers whose job is to collect the latest medical information, MRs provide information to medical institutions as well. We also strive to increase trust by emphasizing the value of communication with medical professionals, including feeding back the latest news from healthcare facilities to the company, and building systems to leverage this information in our research and development.

## Comment from a person in charge of communication

### I always strive to get more customer feedback

We get feedback directly from our customers every day, but these are only a very small portion of the many views people have about the Kirin Group. Naturally, we are sincerely committed to responding to the overt feedback that we receive, but we also feel strongly that in order to promote our customer-focused approach, we must take it a step further, and respond to these “hidden” views.

Yo Kawakami  
Director, Customer Center  
Corporate Communications Dept.  
Kirin Brewery Company, Limited



# Commitment to Quality

The Kirin Group is fully committed to establishing and developing an end-to-end quality-assurance system starting with product planning, in order to offer products that our customers can enjoy with peace of mind. Employees involved with making products and providing services play a leading role in our efforts to improve our quality-assurance capabilities in every aspect.

## Quality management system

Quality assurance is a vital foundation of corporate management. At the end of March, 2006, we created a Quality Assurance Office (re-organized to Quality Assurance Department in March 2007) in the group head office in order to improve our quality-assurance functions, enhancing our capabilities in such areas as creating initial drafts of quality policies for the Kirin Group as a whole, and supporting the development of quality-management systems.

In order to ensure a high level of quality for the Kirin Group's products and services, the group has defined a common group-wide quality policy based on Kirin Brewery's management policies: Customer-focused Approach and Steady Focus on Quality.

Both the Kirin Brewery Quality Assurance Office and each of group companies assess the overall quality management of each company involved in food production. They confirm the current level and identify issues in a PDCA cycle, with the goal of continuously

improving our quality management systems.

Additionally, since 2002 we have evaluated and audited the status of each company using the Quality Management Evaluation (QME) check sheet. We share management case studies within the group, and the Kirin Brewery Quality Assurance Office visits group companies several times a year based on these evaluation criteria, checking the status, issues, and status of improvement of group companies using its own unique evaluation check sheet.

We have also created Quality Incident Reporting Standards in order to share information about incidents, and laterally deploy measures to prevent the occurrence of similar incidents in the future. The results of this incident are collected in a document called Quality Incident Case Studies. Each group company re-inspects the cases listed in this document, and devises and executes measures to prevent similar incidents from occurring.

## 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—Customer-focused Approach

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—Steady Focus 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, to 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.

## Comment from a person in charge of quality

### Our customers' smiles are my motivation

The environment surrounding the foods industry is growing increasingly severe. Our responsibility as a food manufacturer is also growing.

Above all, customers demand products that allow them to have peace of mind. The entire group is united in its commitment to meeting this demand in every aspect of our business, from planning, to sales, to services and information disclosure. Our customers' smiles are my motivation.

Takumi Orishimo  
Quality Assurance Dept.  
Kirin Brewery Company, Limited



## Thorough quality control during the procurement process

### Creating quality-control standards

A food incident triggered the enactment of the Food Safety Basic Law in 2003, in response to which the Food Sanitation Law was greatly revised. On May 29, 2006, the Positive List System\* for chemical residues in foods was enacted, and the required safety levels for food ingredients continue to rise.

We have created the Kirin Group's Quality Guidelines (in two editions: Raw Material/Labeling, and Non-self Production) for eight items with high customer interest: genetically modified foods, allergenic foods, food additives, chemical residues in foods (including livestock drugs and feed additives), endocrine disrupters, beef (BSE), irradiation, and mycotoxins. We review the guideline each year in keeping with changes in the law and the environment.

In fiscal 2007, we are creating a series of quality standards, and improving our quality-assurance level throughout the group.

\* Positive List System: A system to prohibit the distribution of foods that contain above a certain level of agricultural chemicals

### Enhancing the specifications of raw materials and emphasis on quality

We depend on imports for most of our beer ingredients, including malt and hops. Our Domestic Spirits Company stipulates strict quality specifications for these imported raw materials, and also performs acceptance inspections on all shipments in order to ensure that the malt, hops, and other raw materials purchased from our suppliers live up to the quality expectations of Kirin Brewery. We also plan to import from multiple regions in order to ensure a reliable supply of

higher-quality raw materials.

We are committed to ensuring a safe supply of high-quality malt.

We are the only company in the industry with an overseas malt-production subsidiary (Kirin Australia PTY Ltd.). Corn is a secondary raw material of our products, and we use 100% identity-preserved (IP) handling corn.

### Evaluating the safety of raw materials

We have created a Quality Assurance Center in the Quality Assurance Department of our Domestic Spirits Company's Production Division.

This center centralizes all quality-assurance functions relating to our domestic alcoholic beverage business. In order to guarantee high quality and safety of the alcoholic beverages sold by the Kirin Group, the center uses the latest analysis equipment and leading-edge technologies to analyze and evaluate our products. This includes all stages of our products, from goods ready for sale back to their raw materials. We also make use of our domestic and international networks of research institutions to develop and introduce leading-edge analysis methods.

### Commitment to water as a raw material

Water is a vital raw material for the production of beer and a wide variety of other products. Our breweries use water as a product; they also put water to a wide range of uses in our production processes.

We treat this water with activated carbon, and confirm its quality via thorough sensory assessments and analysis. Our Quality Assurance Center also periodically analyzes the safety of our water.

## Quality control in production and shipment processes

Kirin Brewery has built a system integrating all processes from purchase of raw materials, ingredients, and equipment to production, shipment, and customer support. Kirin Brewery is ISO 9001 certified. We also manage our production processes with internal standards compliant with HACCP and other global standards. We operate an assessment system for the prevention of quality incidents in addition to our ordinary quality-assurance system. This system's objective is to envision possible issues and prevent 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 produce 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 production and shipping process management.

# 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 the social responsibility of a corporation that produces and markets alcoholic beverages. We are also committed to in-house education and awareness raising in the Kirin Group as a whole.

## Basic policy and approach for dealing with alcohol-related problems

In order to prevent problem drinking, it is vital to conduct broad-ranging educational activities that spread correct knowledge about the characteristics of alcoholic beverages, and their effects on the body. In order to accomplish this, it is necessary to create a community-wide culture that prevents problem drinking, in partnership with the government, medical, educational, and business sectors. It is also extremely important for parents to make time to talk with their children about underage and other problem drinking. In 2006, there were many tragic drunk-driving accidents. Most of the many types of problem drinking harm the drinker, but driving under the influence of alcohol is an extremely tragic and impermissible type of problem drinking that harms completely innocent people. Kirin Brewery conducts a

wide range of initiatives aimed at preventing driving under the influence of alcohol. We distribute anti-drunk driving and underage drinking stickers and posters to stores selling alcoholic beverages nationwide in Japan; we have stopped holding tasting events for alcoholic beverages at all stores nationwide in Japan; and we warn people that driving under the influence of alcohol is against the law through a variety of advertising media, including television. We have thorough prevention measures for people who come to our plants and breweries for tours, including banners, posters, and badges worn by our operators. Additionally, all our commercial vehicles are equipped with alcohol detectors, as an initiative for our employees. Kirin Brewery is also actively involved in efforts to eradicate drunk driving from society as a whole.

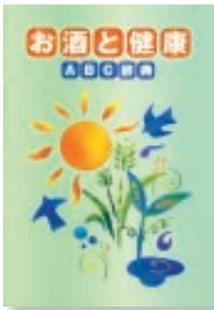
### ■ Kirin Group Basic Policy for Alcohol-Related Problems

<b>Basic Policy</b>	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.
<b>Guiding Principles for Conduct</b>	<ol style="list-style-type: none"> <li>1. 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.</li> <li>2. 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"> <li>• Underage drinking</li> <li>• Driving under the influence of alcohol</li> <li>• Binge drinking</li> </ul> </li> <li>3. 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.</li> <li>4. We will actively support community efforts aimed at preventing inappropriate drinking.</li> <li>5. We have a Moderate Drinking Awareness Month during which the whole company is involved in staff training and self-development.</li> </ol>

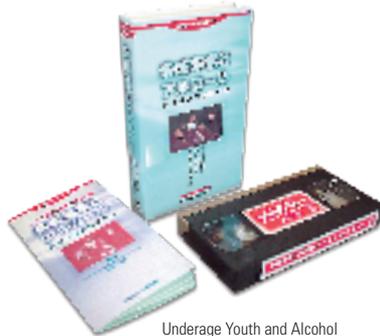
### ■ Awareness raising activities for responsible drinking and the prevention of problem drinking

(as of December 2006)

	Medium	Specifications, etc.	Start of distribution	Intended audience	Cumulative copies distributed
<b>The ABCs of Alcohol and Health</b>	Booklet	A5 (148 x 120 mm), 49 pages	Apr. 1996	General	5,860,000
<b>Drinking and Health (School version)</b>	CD-ROM		Jan. 2000	Junior high schools	182,000
<b>Drinking and Health (General Public version)</b>	CD-ROM		Jan. 2000	General adults	14,000
<b>Underage Youth and Alcohol</b>	VHS video	23 minutes	Feb. 1993	High schools and universities	33,000
<b>Underage Youth and Alcohol: Revised Edition</b>	VHS video	26 minutes	Dec. 2005	Junior high schools	21,000
<b>Underage Youth and Alcohol: Revised Edition</b>	DVD	English, Chinese & Japanese subtitles	Feb. 2006	International/hearing impaired	—
<b>Alcohol and Health Knowledge Base</b>	Internet	Kirin Brewery Website <a href="http://www.kirin.co.jp/about/knowledge/health">http://www.kirin.co.jp/about/knowledge/health</a>	Dec. 2002	General	—



The ABCs of Alcohol and Health Booklet



Underage Youth and Alcohol



Alcohol and Health Knowledge Base

## Complying with voluntary standards in marketing and advertising

As the responsibility to society of a company in the alcoholic-beverages industry, Kirin Brewery sets strict voluntary standards for advertising and marketing, including standards relating to moderation. Our Marketing Ethics Committee strictly checks all advertising and marketing based on our voluntary standards. We are also committed to strengthening our enforcement system, tracking trends in society and continually reviewing our voluntary standards. Voluntary standards have come to be debated in Japan as well as the rest of the world. We are a member of the Global Alcohol Producers (GAP) Group, and respond to alcohol-related issues on a global scale.

### Examples of voluntary standards

#### Advertisements and labeling designed to prevent underage drinking and drinking by pregnant or nursing women

##### Voluntary Regulation

Voluntarily restrict marketing and advertising in each media to take the contents and age of the audience into account.

- Examples:
- Do not use characters (e.g. Santa Clause or reindeer) or celebrities that appeal to minors
  - Do not use minors as models in advertisements
  - Do not use language that causes people to think that alcoholic beverages are non-alcoholic

### Suggestions by Tomomi Imanari, chair of ASK (Japan Specified Non-profit Corporation to Prevent Alcohol and Drug Problems)

In his Essays in Idleness, the medieval Japanese author and monk Yoshida Kenko wrote, "Alcohol may cure 100 ills, but it creates 10,000 ailments." Sen no Rikyu wrote, "The first cup of alcohol you drink for your friends; the second cup you drink for the alcohol; and the third cup drinks you." Alcohol has a dual nature: on the one hand, alcohol can be one of the pleasures of life; on the other hand, it is a drug that causes intoxication and dependency, and poisons your body. As manufacturers of alcoholic beverage, you must be aware of this nature.

Women and minors are at particularly high risk. Women are at risk from alcohol dependency and liver disease drinking half as much as men, and in half the time. Women also face a unique risk: the risk of birth defects in their children if they drink during pregnancy. Many young women, however, do not know this, and keep right up with the men in their drinking. If you make commercials aimed at women, you should also communicate the risks to women. Kirin Brewery is actively committed to preventing alcohol-related problems. You were among the first to stop holding tasting events, and you put big warning labels about drinking during pregnancy and while nursing on your Chu-hi Hyoketsu (fruit flavored alcoholic beverages). I am confident and hopeful that you will lead the industry with your voluntary regulations as well.



### Comment from a person in charge of education and prevention

#### All employees are united in their commitment to preventing alcohol-related problems

Rather than having the department in charge conduct all education and prevention activities, I would like to see all employees working toward education and prevention, by moving away from focusing on the distribution of free educational pamphlets, to incorporating the perspective of preventing alcohol-related problems into our core business activities. We will also work together with our distributors and retailers, because they are the final point of direct contact with the customer.

Atsushi Higashi  
CSR Management Group  
(currently CSR Management Dept.)  
CSR & Corporate Communications Division  
Kirin Brewery Company, Limited



# Relations with Shareholders and Investors

Kirin Brewery has a large and varied group of shareholders, including institutional investors both in Japan and internationally, individuals, corporations, and financial institutions. We are committed to active communication with our shareholders and investors in order to further increase our corporate value. We are actively committed to maintaining a dialog with the market, not only by providing the information that our shareholders and investors require, but by using the feedback we receive from them in our management decisions as well.

## Disclosure policy

At Kirin Brewery, we are committed to quickly providing information based on transparency, fairness, and continuity to our shareholders and investors. We strive to disclose information in compliance with relevant laws and regulations, as well as to actively and swiftly disclose information that we believe will assist in understanding our company. In January 2006, we created an Information Disclosure Committee (chaired by our financial officer) as part of our development of an internal-control system. The purpose of the committee is to

server as an advisory body for information-disclosure decisions.

Breakdown of shareholdings



## Communication with shareholders & investors

We describe our management plans and financial statements with an emphasis on matters of interest to shareholders and investors. We strive to maintain a direct dialog with our shareholders and investors by holding analyst briefings attended by our president and other members of management, as well as seminars for individual investors given by investor relations (IR) staff and other means. We then utilize the feedback we receive in our subsequent planning.

We also offer live broadcasts and on-demand video of our analyst

briefings for our financial statements and business plans via our Website, in order to enable as many of our stakeholders as possible to gain an understanding of the Kirin Group. We are committed to providing information in an easy-to-understand format. As an example of this commitment, since 2006 we have offered video of interviews with top management via the Internet every quarter.

**Internet** Investor Relations Information  
<http://www.kirin.co.jp/company/irininfo/index.html>

## Socially Responsible Investment certification

The public's interest in Socially Responsible Investment (SRI) continues to grow. At Kirin Brewery, we are included to the Dow Jones Sustainability Indexes in the United States; to the Ethibel

Sustainability Index in Belgium; the international SRI index of FTSE4 Good Global Index in the United Kingdom; and the Morning Star Socially Responsible Investment Index in Japan.



Ryo Ando  
 IR Section  
 Corporate Communications  
 Dept.  
 Kirin Brewery Company,  
 Limited

### Comment from a person in charge of investor relations

#### I value communication

The importance of communication with shareholders and investors continues to grow. Our long-term business framework announced in 2006, and our Medium-Term Management Plan for 2007 to 2009, set out management targets and financial strategies based on market expectations. I will continue to help increase our corporate value through a commitment to continuous dialog with the market, and painting an accurate and faithful portrait of the Kirin Group.

# Relations with Suppliers

We base our procurement activities on the Kirin Group Procurement Policy. This policy is built upon several basic concepts: steady focus on quality; open and fair dealings; legal and ethical compliance; and mutual trust and prosperity. The Kirin Group CSR Procurement Guideline further sets out areas in which we ask the support and cooperation of our suppliers.

## Procurement based on relationships of trust with our suppliers

We believe that in order to offer valuable products and services, it is vital to base procurement activities on a relationship of trust with our suppliers. We conduct open and fair procurement in accordance with our Procurement Policy, through the support and cooperation of our suppliers.

### Promoting CSR procurement

In 2006, we created our CSR Procurement Guideline. This guideline sets out areas in which we ask the support and cooperation of our suppliers. It describes our philosophy on safety and environmental/social responsibility to our suppliers, and asks for their cooperation. The CSR Procurement Guideline consists of five sections: compliance; concern for the environment; quality assurance; risk management; and information security. Through this guideline, our aim is to achieve socially responsible procurement together with our suppliers. Going forward, we will survey our suppliers' commitment to this guideline, and improve the effectiveness of our CSR procurement.



**WEB** Procurement Policy  
<http://www.kirin.co.jp/active/purchasing/>  
 CSR Procurement Guideline  
<http://www.kirin.co.jp/active/purchasing/csrgl/>

## Reducing environmental impact in partnership with our suppliers

We work in collaboration with our suppliers to make our bottles, cans, PET bottles, and other packaging materials lighter. We are also advancing other initiatives to reduce our environmental impact in logistics, including expanding our use of large containers for transporting raw materials.

### Comment from a person in charge of procurement

#### We work in collaboration with our suppliers

We reduce environmental impact, improve quality, and carry out other initiatives in collaboration with our suppliers. We also promote CSR procurement in collaboration with our suppliers. Our aim is to expand our commitment beyond Kirin Group, to our entire supply chain.

Seiji Agata  
 Purchasing Dept.  
 Kirin Brewery Company, Limited



# Initiatives for 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 creating a diverse and lively workplace that motivates employees to grow.

## Our approach to our employees

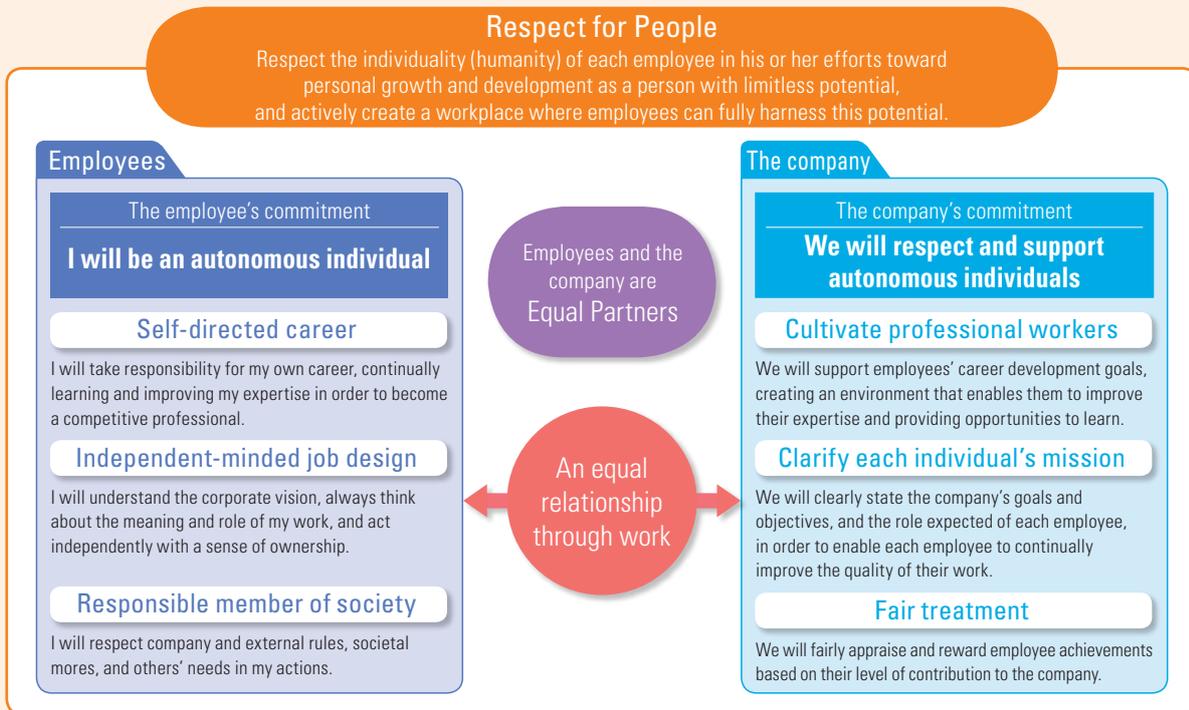
At Kirin Brewery, we are committed to reforming our human-resources system based on the philosophy of respect for people. Respect for people means respecting the individuality of each employee and his or her efforts to grow personally, and creating a workplace where employees can fully harness their potential. We also think of employees and companies as equal partners, linked through work. We clearly pledge our commitment to respect and support employees with a drive to grow as autonomous individuals, and we also state our expectation

that they will act as autonomous individuals.

Our human-resource system is based on the Kirin Way (see page 8), which is a guide to employee conduct in corporate activities. This human-resource system is used for employee evaluations and other measures.

We believe that advancing these initiatives will encourage each employee to harness his or her independence and creativity, and make Kirin an even better place to work.

### Basic philosophy towards our employees



### Status of employment

(as of December 31, 2006)

<b>Employees</b>	Men: 3,906	<b>Average number of years worked</b>	16.3 years	<b>Employees in management positions</b>	Men: 1,271
	Women: 1,134				Women: 26
<b>Average age</b>	40.4 years old	<b>Average yearly compensation</b>	¥8,828,977	<b>Disabled employees</b>	129 (percentage of workforce: 2.02%)

## Human-resource programs

(as of December 31, 2006)

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: 17; responses: 55; successful applications: 11
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: 12.6
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 66 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 one year per family member, and volunteer leave for up to a cumulative total of three years.	Childcare leave: 44 employees (cumulative total 462) Family care leave: 4 employees (cumulative total 45) 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

## Expanding and enhancing training and education programs

In order to increase the value of the Kirin brand and continue to win the trust of our customers, it is vital to improve the capabilities of our people and organizations. At Kirin Brewery, we believe that growth is not possible without self-knowledge and personal development. For this reason, we are committed to enhancing our employee development program. We also aim to achieve growth as a company and improve the quality of our business processes, identifying learning and growth as the foundation for all our activities. Specifically, we support each employee's personal growth through the acquisition of greater expertise and creativity, in order to achieve his or her 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 levels of the employee hierarchy, aimed at developing human resources according to the mid- and long-term plan.

We operate the Kirin Executive School, Kirin Management School, New Manager Boot Camp, and other programs in order to develop the next generation of leaders. As we expand globally, we also strive to improve the core skills needed for global business.

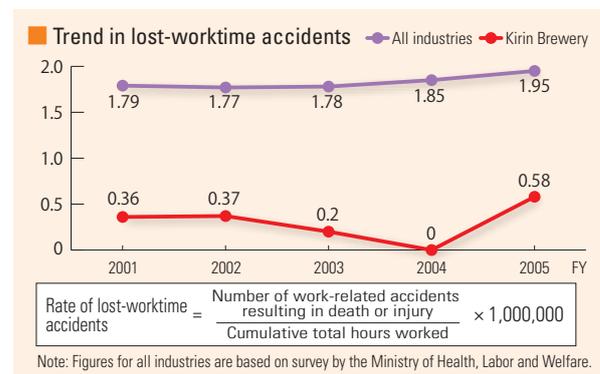
We additionally hold career design seminars that support self-directed careers for employees in the years they turn 30, 40, and 50, and support continuing education planning after retirement. We operate a number of other programs as well, including human rights, compliance, and mental health.

## Safe work environment

We are committed to creating a workplace in keeping with the Group Conduct Declaration: "We will harness the unique traits and creativity of each of our employees, and create a workplace that motivates our employees and gives them pride in their work." Each brewery implements equipment safety measures in accordance with the Guidelines for Comprehensive Safety Standards of Machinery of the Ministry of Health, Labor and Welfare, with particular focus on pre-assessment of risk factors, and planned measures against sources of danger with unacceptable risk.

### Occupational Health and Safety Management System

We are actively committed to occupational health and safety. In 2000, our Toride Plant obtained international standard OHSAS 18001 certification. Subsequently, all 11 of our breweries, as well as Kirin Distillery Co., Ltd.'s Fuji-Gotemba Distillery, obtained OSHMS certification from the Central Industrial Accident Prevention



Association. Incorporating health and safety into a management system helps to prevent work-related accidents by establishing a system which makes it possible to: (1) communicate top management's approach to safety to everyone at the plant; (2) achieve a commitment with universal participation; and (3) assess risk factors and take preventive measures.

## Making Kirin a great place to work

A dynamic company requires employees who are healthy both physically and mentally. At Kirin Brewery, we focus strongly on employees who are working long hours, and on mental-health initiatives. In April 2006, the revised Industrial Safety and Health Law went into effect. Accordingly, we have created company-wide rules requiring persons working long hours to consult with a physician. We are

committed to reducing overtime work, while at the same time providing care for overtime workers. We are also committed to the mental health of our employees. In addition to day-to-day preventive measures, in fiscal 2006 we reorganized the internal procedures required for employees returning to work after a mental health-related leave, in accordance with Ministry of Health, Labor and Welfare guidelines.

## Collaboration with labor unions

KIRIN-GROUP WORKERS' UNION COUNCIL is an association of labor unions in the Kirin Group. As of March 2007, the association consists of seven unions, with approximately 11,000 members. The KIRIN-GROUP WORKERS' UNION COUNCIL believes that the growth and development of the Kirin Group and each of its companies is essential for the well-being of those working in the group and their families. The association also believes in a partnership between labor and management. Based

on these beliefs, the association continually works to incorporate the perspective of our employees into group management.

When we shift to a pure holding-company system in July 2007, we will promote active communication between labor and management regarding such measures as building a new group regime for discussions between labor and management, and promoting group CSR. We are committed to creating a cheerful, motivating, and open workplace.

## Commitment to diversity

Society and the market are changing at a dizzying pace. In order to respond to this change, we at Kirin Brewery believe it is vital to increase our growth through a partnership between company and employees, developing creative technologies and products that have value for our customers, while maintaining our foresight, and actively incorporating creative ways of thinking not tied to convention, and diverse values and attributes (including gender, nationality, and disability).

This approach is in keeping with the three pillars of raising human-rights awareness in our basic policy: training on human-rights awareness, fair hiring, and creating a cheerful workplace.

In fiscal 2005, we conducted human-rights training on the topic of gender. We have long supported awareness-raising in order to

create a work environment where everyone can harness their full capabilities regardless of gender.

We maintain a ratio of at least 1.8% of our workforce with physical handicaps, as mandated by law. In fiscal 2007, we plan to tackle the topic of disability in our human-rights training, raising awareness throughout the company. Meanwhile, as we continue to globalize, and Japan's population of young people continues to shrink, we are employing a larger proportion of foreign workers, and we make hiring and compensation decisions fairly, based on each individual's suitability and capabilities.

We are committed to achieving diversity by gradually raising awareness and improving our measures across the company.

➡ For details, see Highlights 3 "A Diverse and Lively Work Environment" (page 14).



Jun Fujitani  
Planning Coordinator  
Personnel Dept.  
Kirin Brewery Company, Limited

### Comment from a person in charge of human resources

#### It starts with the awareness of our leaders

I believe that in order to reform our human-resources system and make Kirin a great place to work, the challenge is for the company to provide support in order to take advantage of a wide range of diversity in our corporate activities, and enable employees to think of their own careers and take action. Workplace leaders are the keys to overcoming these challenges, and I thus believe that improving leaders' awareness is one of the keys to our systemic reforms.

# Relations with Society

As a corporate citizen in coexistence with the community, we are actively and voluntarily committed to building partnerships with society. We are developing a number of activities, focusing on such social contributions as international exchange, social welfare, and corporate philanthropy, and such cultural activities as the support of sports and the promotion of food culture.

## Social contributions relating to food

The business domain of the Kirin Group is food and health. We strive to enrich society and people's lives by deeply researching the history and culture of food, and communicating broadly about this subject. Our main efforts include Kirin Brewery's research of beer culture, Kirin Beverage Corporation's research into black tea culture, and providing opportunities for cultural contact that delight our customers. We hold seminars to communicate information for enjoying food, as well as historical and cultural exhibitions at our plants nationwide. We also publish information on our Websites, in such areas as Kirin Brewery University. One of our most prominent initiatives is the "Five Thousand Years of Beer History" project. This project researches and recreates the important historical beer in ancient Egypt, medieval Europe, and in other times and places, providing opportunities for customers to make sensory evaluations at our breweries nationwide. Through these forms of communication, we think about the food

culture of tomorrow together with our customers, and offer new delight in the realm of food and health.



Recreation of ancient Egyptian beer (Old Kingdom and New Kingdom)

## Brewery tours

Kirin Brewery has 11 breweries nationwide, each of which offers tours to the general public. Brewery tour guides take visitors on tours to view the production processes of beer and *happo-shu*, and allow them to sample finished beer. We also host a variety of other events, including Eco Brewery Tours and Summer Vacation Environmental Courses that provide fun ways to learn about the environment; Christmas events that offer fun for the whole family and more. Our breweries have become a place to communicate with the local community.

In 2006, we had about 930,000 combined visitors to our plants. In 2007, we will continue to hold Beer Seminars at our breweries nationwide. Kirin Group plants also offer tours showing the production processes of soft drinks (Kirin Beverage Corporation's Shonan and Maizuru plants) and whiskey (Kirin Distillery's Fuji-Gotemba Plant).



A brewery tour

## 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, the National Food Research Institute (NFRI)\*, located in Tsukuba, Japan, invites five researchers—mainly from research institutes in Asia—who are recommended by the UNU. The aim of this program is for fellows to conduct food-related research for one year, and have the program disseminate the acquired knowledge and technologies to each country. We also provide a follow-up fellowship that helps cover research and development expenses for two years after the fellows return to their countries. This program thus contributes to exchange between Japan and other Asian nations beyond the field of scholarly research. As of March 2007, the program has been active for 15 years, during which time it has supported 68 fellows from nine countries.

\*The National Food Research Institute (NFRI) is part of the National Agriculture and Food Research Organization (NARO).



Fiscal 2006 UNU-Kirin fellows



## Supporting soccer and other sports

Kirin Brewery has supported the Japan National Football Team since 1978, and since 1998 has supported Japanese soccer together with Kirin Beverage Corporation as official sponsors of the team. In order to continuously contribute to the creation of soccer culture into the future, we have renewed our contract for the period from 2007 to 2015, and have expanded our support of the A team, U team, and Women's team to support Japan's other two soccer teams as well: the Futsal team and the Beach Soccer team. We also provide locations and opportunities to support the Japanese national teams together with fans and supporters via rallies and other events at Kirin Group plants and breweries throughout Japan. In addition, we conduct grassroots activities and efforts to expand Japan's soccer base in collaboration with the Japan Football Association for the future generation. These efforts include providing opportunities for

children and other soccer lovers to have fun with soccer balls and playing soccer. Furthermore, we support Japanese teams competing on the world stage as an official partner of the Japanese Olympic Committee (JOC) working towards the Beijing 2008 Olympic Games.



©J-LEAGUE PHOTOS  
Starting lineup against the Ghana team in the Kirin Challenge Cup on October 4, 2006

## Other social welfare programs

### Hello Mickey!

Since 1994, the Kirin Group has been operating the "Hello Mickey!" program each year. Under this program, an in-house sale is held to sell books and CDs 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 2006, we have successfully completed this program 41 times, inviting a cumulative total of 2,093 children, with an accumulated total of 473 employees participated.



Children and employee volunteers at the Pirates of the Caribbean Lounge provided by Kirin Brewery

## Flowers Are Our Friends campaign

We have run the Flowers Are Our Friends campaign continuously since 2004. The campaign helps to coexist with and beautify local communities by donating Kirin Agribio's flower seedlings to elementary and junior high schools and other facilities around Kirin Brewery's places of business, and growing flowers together with these facilities, with the aim of improving our local communities. In fiscal 2006, we donated carnation and petunia seeds to welfare facilities, elementary schools and junior high schools near our Shinkawa Head Office, Tochigi Plant, and Okayama Plant. Kirin Group employees planted flowers together with these facilities and schools. We will continue this campaign at our business locations throughout Japan.



Elementary students plant donated flowers

## Kirin Welfare Foundation

The Kirin Welfare Foundation was founded in 1981 through a donation from Kirin Brewery. It provides support in areas that public welfare organizations do not easily reach, with a focus on the following four areas: exchange activities for family caregivers in the home; improvement to the self-reliance and welfare of disabled people; sound upbringing of youth; and aid for public offering community welfare activities.



Award ceremony for publicly recruited foundations

## Kirin Collaboration Club

In 2003, we started the Kirin Collaboration Club, which is a program to support volunteer activities by Kirin Brewery's employees. Employees are awarded points for reporting volunteer activities; each year, employees can then trade in the points they have accumulated to make charitable donations to environmental-conservation groups and other organizations. In fiscal 2006, a cumulative total of around 3,500 people participated in this program, making about 900,000 yen in donations.

There is a wide range of volunteer activities, including conservation of local nature—such as Kirin Brewery "Suigen no Mori-zukuri"—as well as picking up empty cans, cleanups, support for activities by handicapped persons, and coaching local children's sports.

As a company, we support our employees and their families who take an interest in volunteering, and continuously work to build a better relationship with society.



Cleanup along the banks of a river near one of our plants

### Comment from a person in charge of corporate communication

#### We convey the joy of food

Beer and tea are both deeply linked to the culinary lives of our customers. The Kirin Group proposes ways for our customers to enrich their lives by communicating the deep attraction of beer and tea, and through the fun and delight of food.

We will continuously strive to provide information about alcohol and food, propose new ways to take delight in food, and promote food culture from an international perspective, including support for research in Asian nations through the UNU-Kirin Fellowship.

Satsuki Kurokawa  
Corporate Communications Dept.  
Kirin Brewery Company, Limited



# Promoting global environmental protection



## The Kirin Group Environmental Report ①

# The Kirin Group's Environmental Philosophy

**At the Kirin Group, we make beer and soft drinks from the bounty of nature, including malt, hops, tea leaves, fruit, and water, and we have cultivated food-related technologies as applications of fermentation and other natural processes. The Kirin Group depends on the bounty of nature, and one of our top management challenges is awareness of the global environment in our business activities.**

## The Kirin Group's Environmental Philosophy and Basic Environmental Policy

In July 1991, we laid out our environmental policy in the "Kirin Brewery fundamental policy for initiatives on global environmental problems," and have continued efforts to protect the environment ever since.

In August 1999, we completely revised our fundamental principles and standards of conduct in order to further advance our environmental management, creating an Environmental Philosophy and Basic Environmental Policy for the Kirin Group.

Our Environmental Philosophy states, "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 basic approach of our Basic Environmental Policy for achieving this Environmental Philosophy is to carry out 3R (Reduce, Reuse, and Recycle) and 2A (Assessment and Audit) initiatives.

The entire group remains committed to protecting the environment in accordance with our Environmental Philosophy and Basic Environmental Policy.

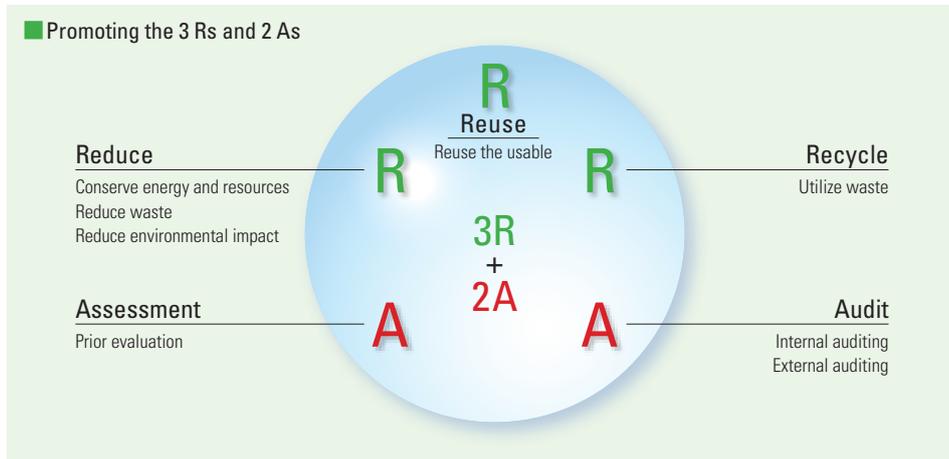
### Environmental Philosophy

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, it 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)

- 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.

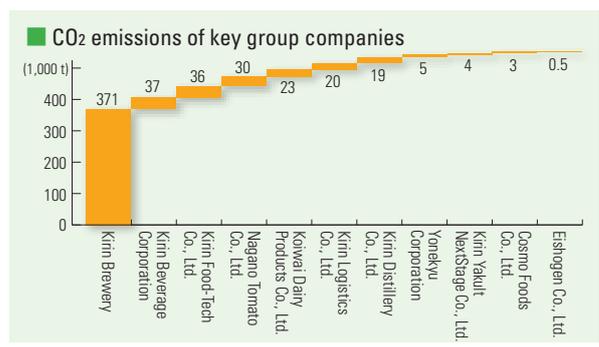


## Information on the Kirin Group's environmental impact

The Kirin Group consists of 291 companies. The following 10 major companies have large environmental impacts relative to the scale of their businesses.

The graph to the right shows the CO<sub>2</sub> emissions for these companies. The graph shows that Kirin Brewery has the highest ratio of CO<sub>2</sub> emissions in the group. Kirin Brewery thus has a major influence on the environmental impact of the group as a whole when it reduces its environmental impact on a non-consolidated basis. This report therefore focuses its descriptions of specific initiatives to reduce environmental impact on Kirin Brewery.

- Kirin Beverage Corporation
- Kirin Logistics Co., Ltd.
- Koiwai Dairy Products Co., Ltd.
- Kirin Food-Tech Co., Ltd.
- Kirin Yakult NextStage Co., Ltd.
- Yonekyu Corporation
- Nagano Tomato Co., Ltd.
- Kirin Distillery Co., Ltd.
- Eishogen Co., Ltd.
- Cosmo-Foods Co., Ltd.



# Targets and Results

At the Kirin Group we have established a three-year environmental management plan as part of the 2007 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	2006 targets	Results for 2006	Assessment	2007 targets	See page
Management	Environmental Management System	<b>[ISO 14001]</b> • Include pharmaceutical production laboratories in Takasaki Pharmaceutical Plant certified site • Include Harajuku Head Office in Shinkawa Head Office certified site	<b>[ISO 14001]</b> • Blanket certification for all pharmaceutical production laboratories (Dec.) (Certification has been obtained by all Kirin Brewery plants and major group production sites.)		<b>[ISO 14001]</b> • Expand introduction to head offices of major companies • Expand introduction to group production facilities that are yet to introduce ISO systems	48
		<b>[EA21]</b> • Obtain certification at two sales offices by year-end	<b>[EA21]</b> • Kirin Beverage Company Kinki Division certified (Sep.) (6 sites certified group-wide)		<b>[EA21]</b> • Expand introduction to production facilities of group companies with relatively low environmental impact	
		<b>[Simplified EMS] (Note 2)</b> • Expand introduction to group-company business sites with low environmental impact	<b>[Simplified EMS]</b> • Introduced at Kirin Yakult NextStage Head Office, and Kirin City Head Office and Shibuya Store (introduced at 4 group companies)		<b>[Simplified EMS]</b> • Expand introduction to group business sites with low environmental impact	
		<b>[Green Management Certification]</b> • Level 3: 15 companies, 22 business locations Continued certification: 11 companies, 15 business sites	<b>[Green Management Certification]</b> • Level 3: 5 companies, 7 business sites Continued certification: 11 companies, 15 business sites		<b>[Green Management Certification]</b> • Level 3: 15 companies, 22 business sites Continued certification: 6 companies, 7 business sites	
	Green Procurement	Green procurement rate for office supplies of 80% or higher (monetary basis) • Achieve at all Kirin business sites and 16 group companies	Green procurement rate for office supplies of 80% or higher (monetary basis) • Achieved at all Kirin business sites and 14 group companies		• Expand green procurement rate for office supplies of 80% or higher (monetary basis) to group	
Production and Operations	Greenhouse Gases	<b>[Breweries]</b> CO <sub>2</sub> emissions per unit (5.1% YoY reduction) • Introduction of biogas power generators (total 3 plants) • Fuel conversion (total 4 plants)	<b>[Breweries]</b> <span style="color:red">★2010 target met</span> • Total CO <sub>2</sub> emissions 342 thousand tons/year (44% reduction from 1990 level) • CO <sub>2</sub> emissions per unit: 133 kg/kl (26% reduction from 1990 level) (4.3% YoY reduction) • Introduction of biogas power generators (total 3 plants) • Fuel conversion (total 4 plants)		<b>[Breweries]</b> • CO <sub>2</sub> emissions per unit: 116 kg/kl (Note 3) (9% YoY reduction)	50
			<b>[Kirin Brewery Company Wide]</b> • Total CO <sub>2</sub> emissions 371 thousand tons/year (0.8% YoY reduction) <b>[Group Total]</b> • Total CO <sub>2</sub> emissions 545 thousand tons/year (Note 1)		<b>[Major Production Sites of Group Companies]</b> • CO <sub>2</sub> emissions per unit (At least 1% YoY reduction)	
	Efficient Use of Water and Energy <b>[Beer Division]</b>	<b>[Water]</b> • Usage per unit (6.2% YoY reduction)	<b>[Water]</b> <span style="color:red">★2010 target met</span> • Total use: 18.9 million m <sup>3</sup> /year (46% reduction from 1990 level) • Usage per unit: 7.9 m <sup>3</sup> /kl (3.7% YoY reduction)		<b>[Water]</b> • Usage per unit: 7.3 m <sup>3</sup> /kl (Note 3) (5% YoY reduction)	53
		<b>[Electricity]</b> • Usage per unit (5.3% YoY reduction) <b>[Fuel]</b> • Usage per unit (2.4% YoY reduction)	<b>[Electricity]</b> • Total use: 298 million kWh (32% reduction from 1990 level) • Usage per unit: 125 kWh/kl (4.1% YoY reduction) <b>[Fuel]</b> <span style="color:red">★2010 target met</span> • Total use: 83 thousand kl (crude-oil equivalent) (47% reduction from 1990 level) • Usage per unit: 34.5 kl/kl (0.2% YoY reduction)	 	<b>[Electricity + Fuel]</b> • Energy per unit: 2.38 GJ/kl (Note 3) Note: In future, targets will be managed in accordance with revised Act Concerning the Rational Use of Energy	
By-products and Waste <b>[Breweries]</b>	• Continue to maintain 100% recycling rate	• Continued to maintain 100% recycling rate		• Maintain 100% recycling rate at all breweries and head offices	54	
Environmental Communication	Protection of the Natural Environment	• Conduct tree-planting activities at source of water at Fukuoka Plant • Conduct <i>Suigen no Mori-zukuri</i> program (see page 12) at Kirin Distillery Co., Ltd.'s Fuji Gotemba Distillery	• Conducted <i>Suigen no Mori-zukuri</i> program at Fukuoka Plant (Completes <i>Suigen no Mori-zukuri</i> programs at all 11 breweries) • Conducted <i>Suigen no Mori-zukuri</i> program at Kirin Distillery's Fuji Gotemba Distillery		• In commemoration of 100th anniversary of Kirin Brewery's founding, roll out Team Ecojiro company-wide program for protecting sources of water	12
	Environmental Reporting	• Presentations at environmental exhibitions, and continuous support for environmental conservation efforts	• Exhibited at 5 local environmental expos including Manabipia Ibaraki • Held summer-vacation environmental classes at breweries (all 11 breweries) • About 8,000 people responded to environmental karuta card game offer • Conducted environmental awareness-raising activities in various locations using the Ecojiro symbol of environmental activities		• Exhibit at environmental expos making effective use of Ecojiro • Hold environmental exhibitions and environmental classes at plants and breweries of major group companies	59
	Environmental PR					

<About our targets and assessments>

• We set three-year targets in our Medium-Term Management Plan, and assess the level of achievement each year.

• The standards used to evaluate our results with regard to our Medium-Term Management Plan are shown to the right:



Notes: 1. Total CO<sub>2</sub> emissions by Kirin Brewery and 10 main group companies (page 43) 2. Kirin's unique simple environmental management system based on EA21

3. Starting in 2007, we manage our targets for water use, energy use, and CO<sub>2</sub> emissions per unit production as volume per kiloliter produced, including low-alcoholic beverages and soft drinks

## FY 2006 results and FY 2007 targets

At the Kirin Group we are working toward environmental management targets in accordance with our Medium-Term Management Plan created in 2004. The table on the previous page shows our results for fiscal 2006, and our targets for fiscal 2007. Kirin Brewery's breweries are making good progress toward our 2004 Medium Term Management Plan. We achieved our fiscal 2010 targets for reduction of total CO<sub>2</sub> emissions and emissions per unit in 2006. In fiscal 2007, we plan to set even higher reduction targets, and continue working to reduce our environmental impact. The reduction of greenhouse gases is a total index of our business activities. Our breweries have improved their greenhouse-gas emissions per unit production through active capital investment and detailed efforts to conserve energy. As a result of these efforts, our breweries were able to reduce our CO<sub>2</sub> emissions slightly despite an increase in production volume. Nevertheless, total CO<sub>2</sub> emissions for Kirin Brewery (including our Pharmaceutical Division) and for all group companies are rising, and we will strengthen our initiatives to reduce emissions.

### Kirin Brewery Company, Limited

Environmental performance indicators		Unit	FY2004	FY2005	FY2006	
Input	Total energy input	TJ*	7,185	7,364	7,501	
	Breakdown	Fuel (crude-oil equivalent)	10,000 kl	11.0	11.1	10.8
		Electricity purchased	1,000 MWh	297.1	311.8	336.8
	Total materials input	10,000 t	85.7	87.7	85.1	
	Water resources input	10,000 m <sup>3</sup>	2,078	2,107	2,151	
Output	Production volume	10,000 kl	238.0	253.8	274.2	
	By-products and waste discharged	10,000 t	25.0	23.4	23.7	
	Total water discharged	10,000 m <sup>3</sup>	1,973	1,987	2,016	
	CO <sub>2</sub> emissions	10,000 t	37.1	37.3	37.1	
	Breakdown	Fossil fuels	10,000 t	26.1	25.9	23.3
		Electricity purchased	10,000 t	11.0	11.5	13.8
	CO <sub>2</sub> emissions (logistics)	10,000 t	8.1	8.8	9.8	
	NO <sub>x</sub> emissions	t	363	346	175	
	NO <sub>x</sub> emissions (logistics)	t	566	617	686	
	SO <sub>x</sub> emissions	t	752	743	397	

\*Terajoule (TJ): J × 10<sup>12</sup>

\*There was no material breach of environmental laws and regulations

### Kirin Distillery Co., Ltd.

Environmental performance indicators		Unit	FY2004	FY2005	FY2006	
Input	Total energy input	TJ*	327	343	362	
	Breakdown	Fuel (crude-oil equivalent)	10,000 kl	0.5	0.4	0.5
		Electricity purchased	1,000 MWh	14.6	17.9	18.4
	Water resources input	10,000 m <sup>3</sup>	94	97	98	
	By-products and waste discharged	10,000 t	0.3	0.3	0.4	
Output	Total water discharged	10,000 m <sup>3</sup>	41	44	43	
	CO <sub>2</sub> emissions	10,000 t	1.8	1.8	1.9	
	Breakdown	Fossil fuels	10,000 t	1.3	1.2	1.2
		Electricity purchased	10,000 t	0.6	0.7	0.7

\*Terajoule (TJ): J × 10<sup>12</sup>

### Management of chemical substances discharged and transferred

Name of business sites	Target sites	Substance	Air	Water	Transfer	Use
Breweries	Nagoya Plant, Shiga Plant	Dioxins	0.24mg-TEQ	0	0.043mg-TEQ	
Pharmaceutical plants & research laboratories	Takasaki Pharmaceutical Plant	Acetonitrile	0	0	1.0t	Analysis
	Pharmaceutical Research Laboratories	Chloroform	0.510t	0.003t	2.1t	Analysis
Kirin Beverage Corporation	Shonan Plant	Dioxins	0.28mg-TEQ	0	1.25mg-TEQ	

We are introducing environmental management systems at each Kirin Group company in accordance with the type and size of its businesses. We are promoting environmental management at our major production facilities, laboratories, and logistics systems, introducing ISO 14001, EA21\*, and the Green Management Certification System, respectively. We remain committed to environmental communication. We have been operating our *Suigen no Mori-zukuri* program (see page 22) since 1999, and we have set the activity field of this program at all 11 of our breweries nationwide and at Kirin Distillery Co., Ltd.'s Fuji Gotemba Distillery. We are also continuing our natural-energy initiatives. Kirin Brewery has introduced solar-power equipment at four of its business sites. We are conducting an initiative to prevent global warming in partnership with the government by participating in a large-scale project for wind-power generation in Yokohama.

\*EA21: EcoAction 21, an environmental management system supported by the Japanese Ministry of the Environment.

### Kirin Beverage Corporation

Environmental performance indicators		Unit	FY2004	FY2005	FY2006	
Input	Total energy input	TJ*	642	716	759	
	Breakdown	Fuel (crude-oil equivalent)	10,000 kl	1.0	1.3	1.3
		Electricity purchased	1,000 MWh	27.8	23.6	24.6
	Water resources input	10,000 m <sup>3</sup>	148	157	153	
Output	By-products and waste discharged	10,000 t	1.2	1.4	1.2	
	Total water discharged	10,000 m <sup>3</sup>	92	101	104	
	CO <sub>2</sub> emissions	10,000 t	3.3	3.5	3.7	
	Breakdown	Fossil fuels	10,000 t	2.3	2.6	2.8
		Electricity purchased	10,000 t	1.0	0.9	0.9

\*Terajoule (TJ): J × 10<sup>12</sup>

### Nagano Tomato Co., Ltd.

Environmental performance indicators		Unit	FY2004	FY2005	FY2006	
Input	Total energy input	TJ*	466	488	503	
	Breakdown	Fuel (crude-oil equivalent)	10,000 kl	0.6	0.7	1.0
		Electricity purchased	1,000 MWh	23.0	23.7	13.7
	Water resources input	10,000 m <sup>3</sup>	157	153	144	
	By-products and waste discharged	10,000 t	0.7	0.8	0.8	
Output	Total water discharged	10,000 m <sup>3</sup>	75	75	72	
	CO <sub>2</sub> emissions	10,000 t	2.5	2.7	3.0	
	Breakdown	Fossil fuels	10,000 t	1.7	1.8	2.4
		Electricity purchased	10,000 t	0.9	0.9	0.6

\*Terajoule (TJ): J × 10<sup>12</sup>

# EcoBalance

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

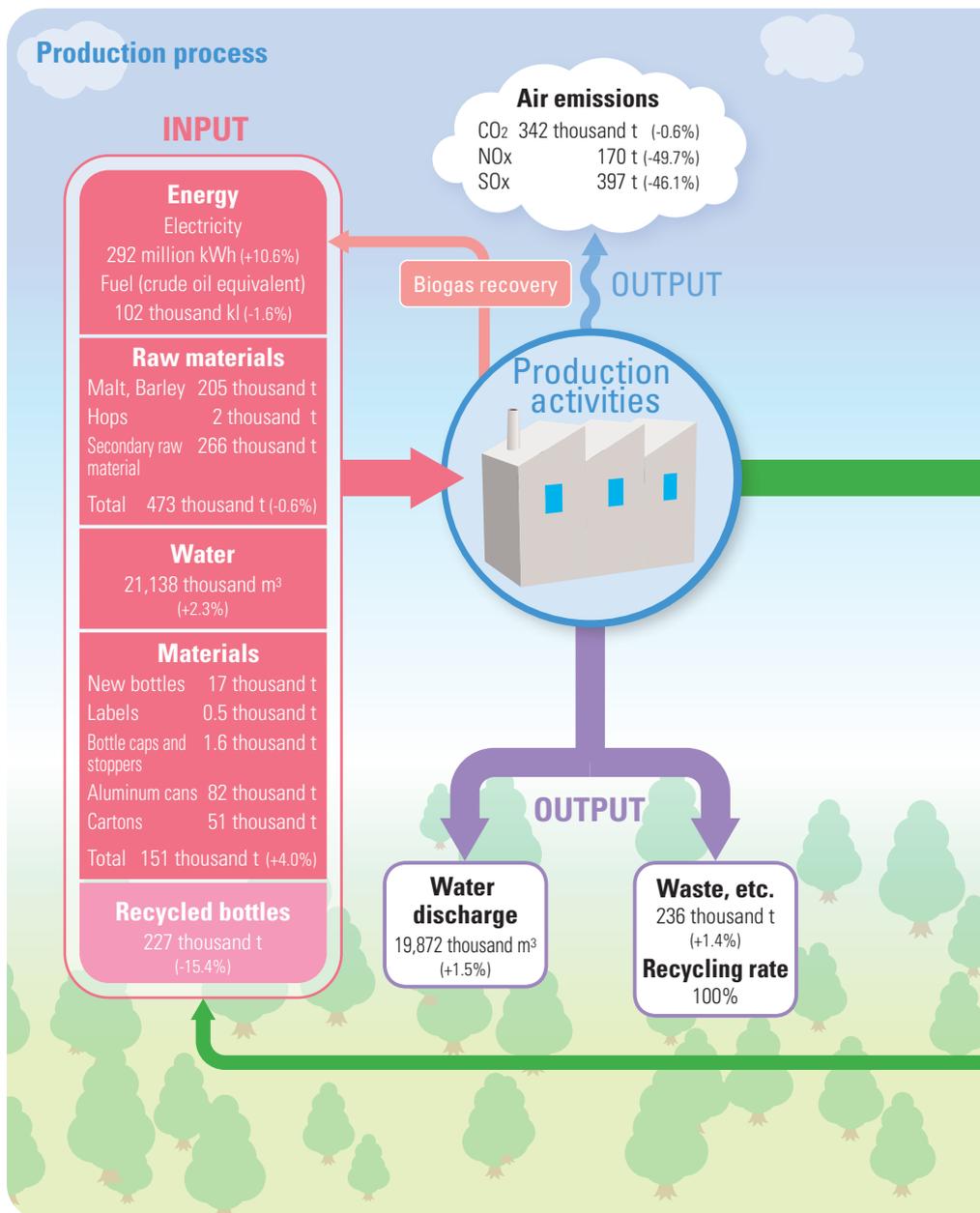
## The process of beer production

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 produced 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 process of beer production 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 beer production 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 material flow (figures in parentheses ( ) show year-on-year change)



## 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.

### Production

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. Waste discharged in the production process is recycled 100% for utilization.

### Distribution

Through distribution from our plants to the customers, our trucks emit CO<sub>2</sub> and NO<sub>x</sub>. With the aim of alleviating environmental impact caused by trucks, we have taken such measures as using large vehicles to reduce our truck numbers.

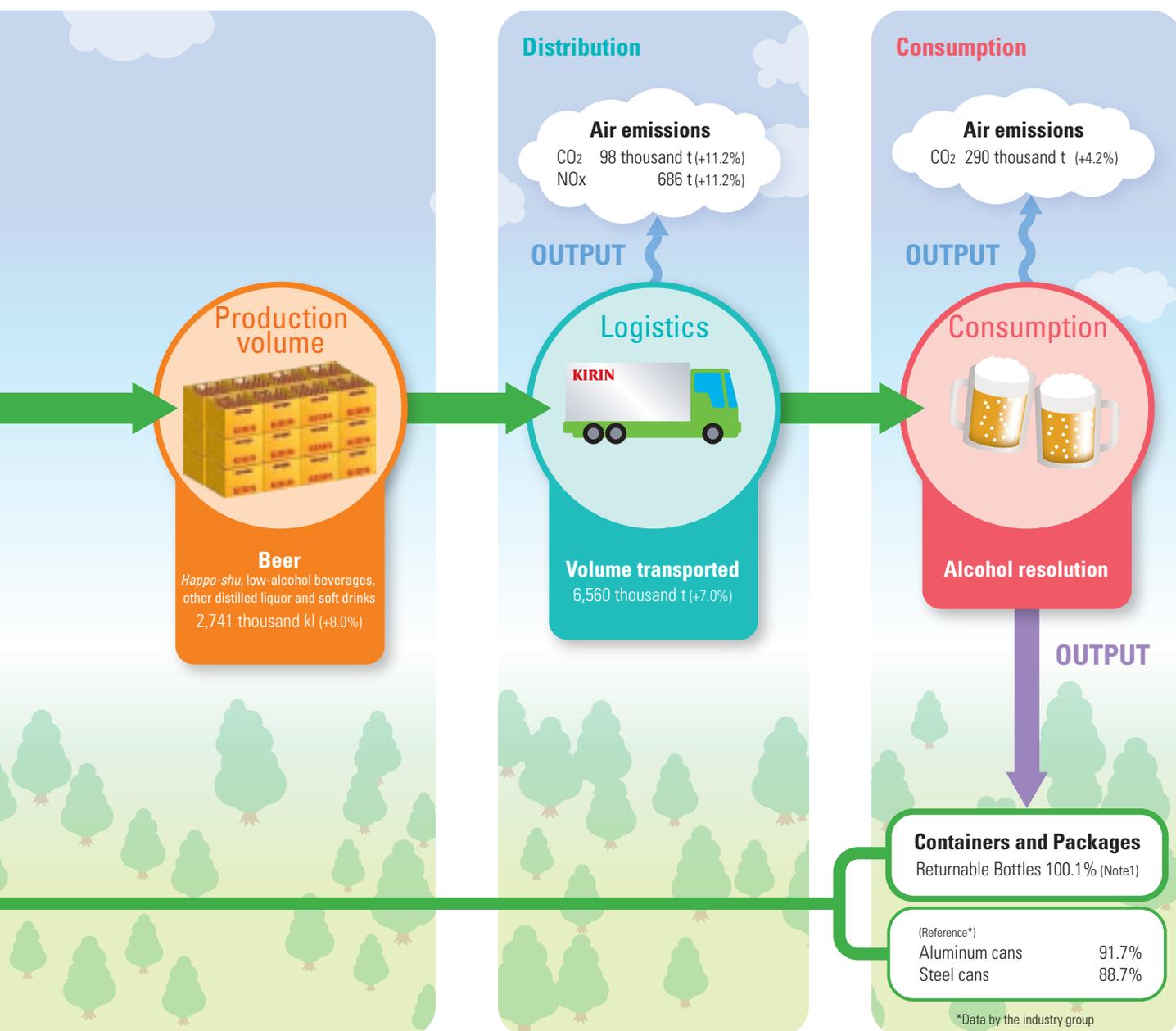
### Consumption

In the consumption process (where the customer drinks the product), CO<sub>2</sub> is emitted from froth of the beer and other drinks as well as from breaking down of the alcohol in the body.

### Waste discharge

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 CO<sub>2</sub> emission reduction efforts during the production and distribution processes, and handling of empty containers after consumption, both of which have large environmental impacts.



Note 1: The figure exceeds 100% due to a lag between sale and recovery. This shows typical inputs and outputs of a brewery in Kirin Brewery Company, Limited's environmental performance on page 45.

# Promotion of 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.

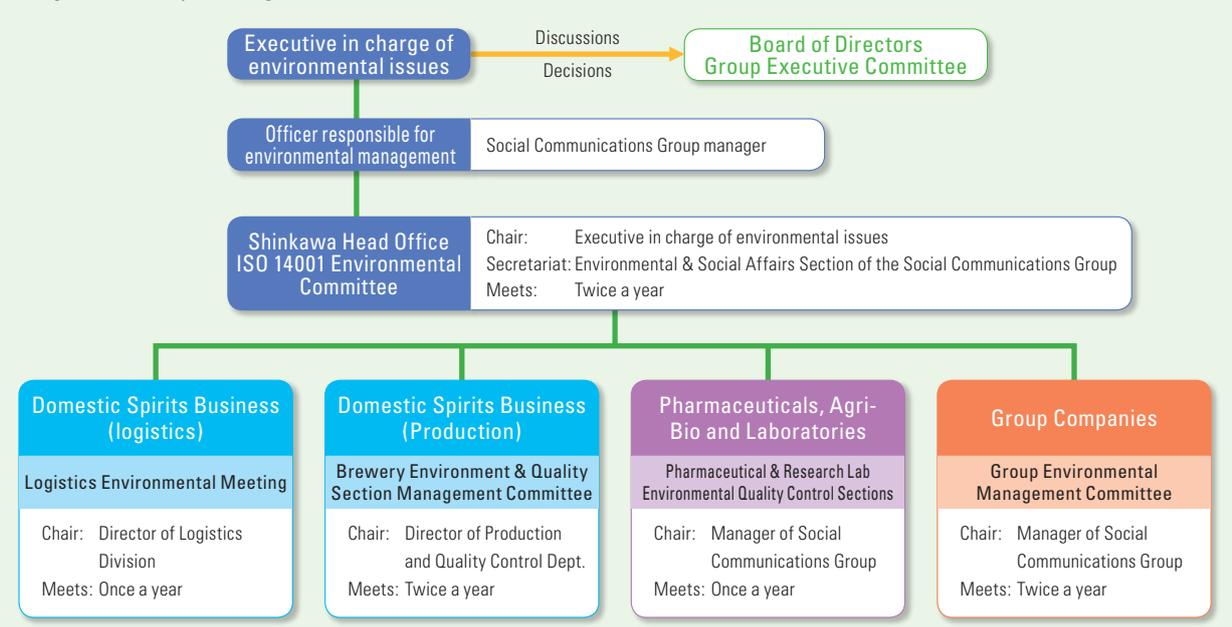
## Establishment and promotion of environmental management systems

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 breweries, research laboratories, sales offices 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. What sets apart ISO 14001 at our Shinkawa Head Office is that the management system employed by Kirin Brewery and ISO 14001 are completely linked. As a company that researches and develops, produces, and sells alcoholic beverages and soft drinks, we view environmental challenges with the potential to greatly reduce our environmental impact as significant environmental aspects, incorporating them into our management challenges, making continual improvements in order to reduce our environmental impact. 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 EA21, an environmental management system for small and medium-sized enterprises supported by the Ministry of the Environment. 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. We plan to increase the number of certified business locations. At our main logistics companies, we have introduced green management certification (the Foundation for Promoting Personal Mobility and Ecological Transportation).

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

■ Organization for protecting the environment (As of December 31, 2006)



# Environmental Accounting

Kirin Brewery conducts environmental management with consideration to a balance between environmental conservation activities and financial imperatives, in order to conduct our business activities while contributing to the creation of a sustainable society. In order to quantitatively evaluate our environmental-conservation efforts, we disclose our environmental accounting with reference to the Ministry of the Environment's Environmental Accounting Guidelines (2005 Edition). In fiscal 2006, about 1.8 billion yen was earmarked for environmental investments, and environmental conservation activities were conducted with an environmental expense of about 8.8 billion yen.

## Evaluation for fiscal 2006

In fiscal 2006, we greatly increased our investments in environmental conservation compared to the previous fiscal year. Our pollution prevention costs increased due to such actions as expanding and upgrading our wastewater-treatment equipment. The increase in our global environmental conservation costs was due to such measures as installation of solar-power generation equipment. Additionally, our resource circulation costs increased due to enhancements to our drying capacity in sludge treatment, and upgrades to our equipment

for dehydrating and drying spent grain.

With regard to our expenses, our administrative costs increased, due to such efforts as exhibiting at environmental expos, observing waste treatment sites, and raising awareness of the environment. Our R&D costs fell because of the commercialization of some topics.

In the future, we plan to revise the scope of aggregation, and consider such measures as reflecting the results of evaluation in our next yearly plan.

### Environmental conservation cost (investment and cost)

(unit: million yen)

Category	Details	Investment			Cost		
		FY2004	FY2005	FY2006	FY2004	FY2005	FY2006
(1) Business area cost		1,360	935	1,836	7,914	7,459	7,823
i. Pollution prevention cost	Activities for preventing air and water pollution, analysis and measurement of air, water, etc.	1,015	500	1,176	3,458	3,218	3,351
ii. Global environmental conservation cost	CO <sub>2</sub> recovery, energy conservation activities, cogeneration systems, solar power generation, etc.	254	191	372	1,505	1,273	1,239
iii. Resource circulation cost	Sludge reduction, waste recycling, water circulation, etc.	91	244	287	2,950	2,968	3,233
(2) Upstream/downstream cost	Recycling fee	—	—	—	51	36	30
(3) Administrative cost	Environmental training, activities for obtaining continuous ISO certification, exhibition at environmental expos, etc.	—	—	—	300	283	407
(4) R & D cost	R&D activities regarding reduction of environmental impacts at Frontier Technologies Research Laboratories and Research Laboratories for Packaging	—	—	—	192	105	60
(5) Social activity cost	<i>Suigen no Mori-zukuri</i> program (see page 12), clean activities, pollution charges, member fees of environmental conservation organizations, etc.	10	30	6	637	606	481
(6) Environmental remediation cost		—	—	—	—	—	—
(7) Other environmental conservation cost		—	—	—	—	—	—
<b>Total</b>		<b>1,370</b>	<b>965</b>	<b>1,842</b>	<b>9,094</b>	<b>8,489</b>	<b>8,803</b>

# Initiatives for Greenhouse Gas Emissions Reduction and for Energy

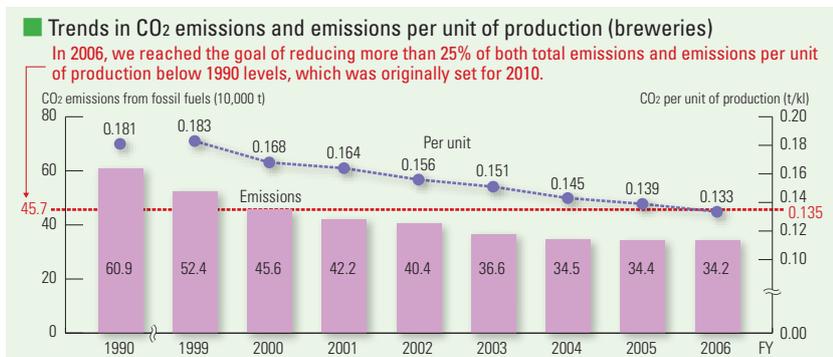
The Kirin Group is actively committed to preventing global warming, in order to contribute to the realization of a sustainable society. We implement a number of measures, especially in our breweries (which have high CO<sub>2</sub> emissions), including fuel conversion to natural gas and the introduction of cogeneration systems. As a result of these efforts, we were able to achieve our fiscal 2010 targets for reduction of both total and per-unit CO<sub>2</sub> emissions ahead of schedule, at the end of 2006.

## Fiscal 2006 initiatives

The Kirin Group defines the reduction of CO<sub>2</sub> and other greenhouse gas emissions as a key environmental-action target. The CO<sub>2</sub> emissions of our breweries are particularly large, and we set a target of reducing more than 25% of both total emissions and emissions per unit of production below 1990 levels by 2010. As a result of a number of initiatives, including energy conservation, fuel conversion, and the effective use of biogas, we achieved this target ahead of schedule, at the end of 2006. In our 2007 Medium-Term Management Plan, we have set a goal: reduction of both total and per-unit emissions to 35% below 1990 levels by 2009.

Our sales and logistics departments are also advancing several energy-conservation efforts, setting environmental targets for their operations in their respective management plans.

Kirin Brewery Company, Limited, Kirin Beverage Corporation, and Kirin Logistics Co., Ltd. are a member of "Team Minus 6%," which is a campaign for prevention of global warming by the Ministry of the Environment. In 2006, we encouraged group employees to join Team Minus 6% as individuals, and about 1,200 people have joined across the group.

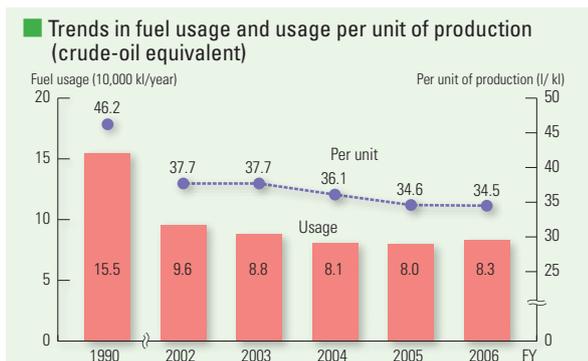


Employees in a COOL BIZ style

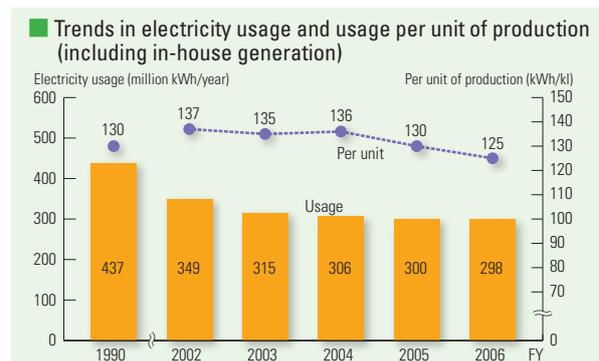
\*CO<sub>2</sub> emissions from fossil fuels: Sum of CO<sub>2</sub> arising from fossil fuel and purchased electric power.

\*CO<sub>2</sub> emissions arising from purchased electric power are calculated based on emission coefficient provided by each electric power company.

\*Due to increased production volume of liqueurs, we have changed the method to calculate per unit of production by adding liqueurs to the total production volume of beer and *happo-shu*. Figures are revised back to 2002 based on this new method.



\*Fuel usage in beer and *happo-shu* production (crude-oil equivalent)



\*Total usage of both purchased and in-house generated electricity in beer and *happo-shu* production

## Introducing solar-power generation

As part of our commitment to preventing global warming, we make use of natural energy sources. We are introducing solar-power generation equipment at our breweries and soft-drink plant. By 2006 we had installed equipment at five business sites, and in March 2007 we completed introduction at two breweries.

### List of business sites with solar-power generation equipment

Business site	Completion	Rated output (kW)
Kobe Plant	June 2005	20
Hiroshima Brewery	March 2006	10
Fukuoka Plant	February 2006	20
Yokohama Plant	March 2006	20
Shonan Plant of Kirin Beverage Corporation	March 2006	60
Toride Plant	March 2007	20
Okayama Plant	March 2007	20

## Fuel conversion to natural gas

As part of our measures to reduce carbon-dioxide emission, Kirin Brewery converts heavy oil into natural gas, which emits less CO<sub>2</sub> when burned than heavy oil does. In 2006, four breweries converted heavy oil into natural gas: Sendai, Toride, Okayama, and Fukuoka. Fuel conversion significantly contributed to cutting CO<sub>2</sub> emissions per unit of production, resulting in a sharp drop in the total CO<sub>2</sub> emissions. In 2007, we plan to implement fuel conversion at Shiga Plant. This will put natural gas in use at 9 of our 11 breweries in Japan (excluding 2 breweries that do not have gas pipes nearby).

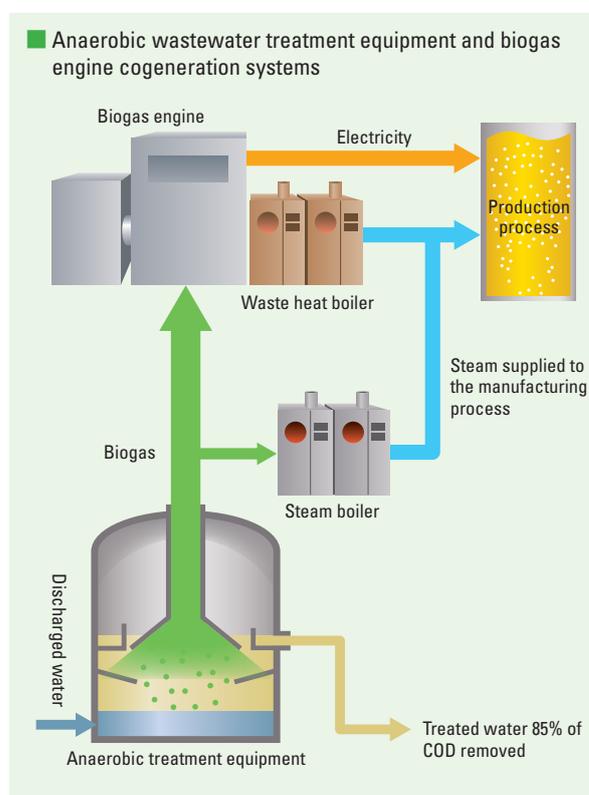
## Participating in Yokohama wind-power project

The city of Yokohama is implementing a wind-power generation project as part of its efforts to promote the use of natural energy and prevent global warming. Kirin Brewery agrees the content of this project and we support the project as "Yokohama Green Partner (Y-Green Partner)" for a ten-year period starting in April 2007. We have a three-party agreement with the city of Yokohama and Japan Natural Energy Company and will receive "Green Power Certificate." Through this agreement, it is expected that, out of our total power consumption, annually, about 1 million kWh will be recognized as wind power consumption.

The wind-power generation system is an enormous windmill (about 118 meters tall and 1,980 kW of power generation capacity), towering on Hashiho Wharf near the center of Yokohama Bay.

## Introduction of biogas engine cogeneration systems

Kirin Brewery has introduced anaerobic treatment equipment in order to treat the wastewater discharged in the production process. Anaerobic treatment is characterized by less electricity use than aerobic treatment and reduction of the amount of sludge. In addition, biogas, whose main component is methane, can be recovered from this process as a by-product. Kirin Brewery has introduced a biogas engine cogeneration system at multiple sites in order to take maximum advantage of this biogas. Energy is used 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 distributed and fossil fuels used in the breweries, while reducing CO<sub>2</sub> emissions.



## Initiatives in sales

Kirin Brewery has been shifting its fleet of sales vehicles to light vehicles, which emit less CO<sub>2</sub> than standard-sized vehicles. As of December 2006, our nationwide sales fleet consists of 2,215 vehicles, of which 1,267 are standard-sized vehicles, and 948 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 28 such vehicles.

## Initiatives in logistics

Logistics is one of our business processes with major environmental impact, and we are actively committed to reducing our CO<sub>2</sub> emissions in this area. As one example, we are replacing our 20-ton trucks with 25-ton trucks, in order to reduce the total numbers of our trucks on the road. As of 2006, we have changed over to a cumulative total of 315 trucks to the larger 25-ton size. With this, we have changed over 98% of our trucks. We expect this to reduce our CO<sub>2</sub> emissions.

We have also reduced our usage of stretch film by replacing the stretch film used to prevent products from shifting during shipment to reusable "Eco Bands." The Kirin Group is also performing a "modal shift," in which we shift from trucks to railway containers for shipping products.



Recyclable Eco Bands prevent loads from shifting

### 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 compresses the low-pressure steam generated from mashing and re-uses it.	●			○	○				●	●	●
	Recovery of fermentation CO <sub>2</sub>	The CO <sub>2</sub> gas generated in the fermentation process by yeast metabolism is collected, refined, liquefied, and used in packaging processes and the like. CO <sub>2</sub> emissions are reduced as a result.		●	●	●	●	●		●	●	●	●
Energy	Anaerobic wastewater treatment equipment	This wastewater treatment equipment 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 equipment. 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 high global warming potential.			●						●	●	●
	Fuel cell	A system for directly generating electricity through the chemical reaction of hydrogen extracted from biogas and oxygen in the atmosphere				●							

● : Operating ○ : Operation scheduled to start in 2007



Nobuyuki Motonaga  
Logistics Planner  
Logistics Dept., Logistics Division  
Kirin Beverage Corporation

### Comment from a person in charge of logistics

#### We are committed to environment-conscious logistics

Railway freight is an environmentally friendly form of transportation, in terms of great reduction of CO<sub>2</sub> emissions. In 2006, Kirin Beverage Corporation increased its use of railway freight to 113% compared to the previous year, exceeding a shipping volume of 45,000 five-ton containers. As a result of these efforts, the company was approved for use of "Eco Rail Mark" by the Japanese Ministry of Land, Infrastructure and Transport. We are committed to setting a good example for society and our customers through further reduction efforts and environmentally friendly logistics initiatives.

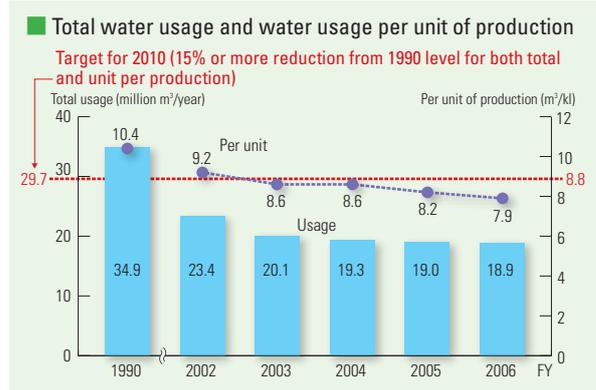
# Initiatives for Water Resources

Water is a precious natural resource that is essential for the Kirin Group in the production 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.

## Fiscal 2006 initiatives

In the process of beer production, 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 because water for cleaning is pumped and heated.

Kirin Brewery has succeeded at reducing its total water usage by 46% from 1990 levels, and reducing water usage per unit of production by 24%.

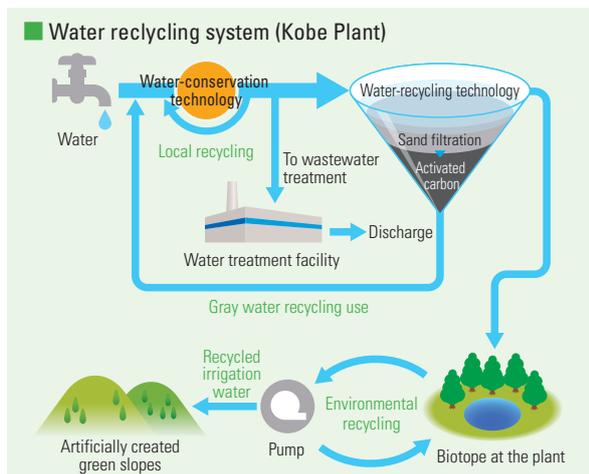


## Water recycling system

At Kirin Brewery, we strive to recycle water, in order to reduce our total usage. Our Kobe Plant has introduced a full-scale water recycling system, including reusing the final rinse water used in the equipment cleaning process as reclaimed water in the pre-washing process. As a result of this effort, our Kobe Plant has one of the lowest ratios of water usage to units of production of any Japanese brewery. While it is difficult to continue meeting each year the reduction target required by the Energy Saving Law (1% reduction per unit of production each year), we will continue to meet this target through an active commitment to conserving water.

In 2006, Kirin Beverage Corporation's Maizuru Plant reduced its

water usage by about 55,000 m<sup>3</sup> over the previous year. It did this by implementing a number of improvements, including recycling the water used to cool its bottling vats with a sand filtration system, effectively recovering water used to wash the insides of cans, and reducing the volume of water used to cool equipment. The company's Shonan Plant enhanced its cleaning capabilities by adding a high-rate coagulation-sedimentation equipment behind its conventional wastewater treatment equipment. This enables the plant to generate cleaner wastewater more reliably than before. The company also strives to conserve and recycle water, including the use of a lubricated PET bottle conveyor system that uses no water at all.



### Comment from a person in charge of water conservation

**We all work together as a team to conserve and recycle**

The Kobe Plant is the most energy-efficient brewery at Kirin Brewery. In 2006, we succeeded at reducing our water usage per unit of production by about 7%. This achievement is a result of the combined efforts by all divisions relevant to water usage. Representatives from each division meet, share their knowledge, and implement incremental improvements. We will continue to work as a united team to achieve even more ambitious targets.



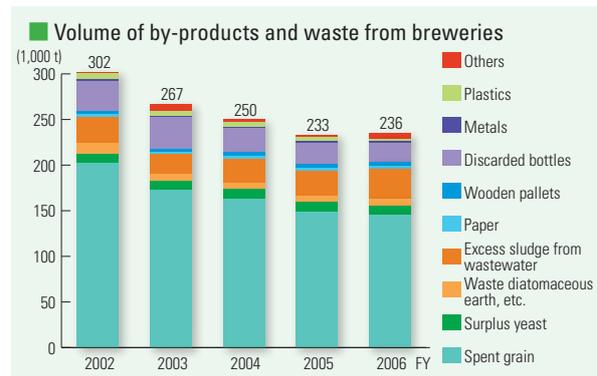
Hisao Mashita  
Kobe Plant  
Kirin Engineering Co., Ltd.

# Initiatives for Resource Recovery

In order to use our valuable finite resources as long as possible, the Kirin Group makes effective use of the by-products and waste materials generated in the production process as resources, rather than disposing of them. We also research ways to develop a number of high added-value materials from the raw ingredients and by-products of beer.

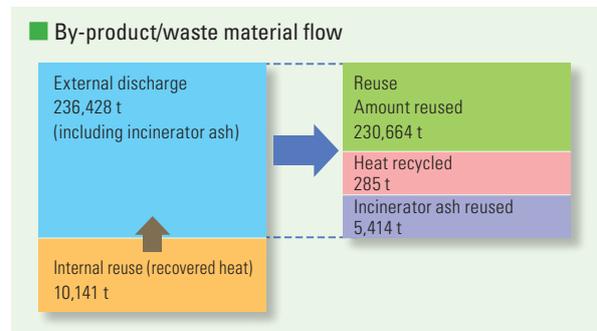
## Maintaining a 100% recycling rate for all by-products and waste

The beer and soft-drink production process generates a wide range of by-products and waste, such as spent grain and paper scrap. As a result of long-term efforts to recycle by-products and waste as resources rather than bury them in landfills, in 1998 we achieved a 100% recycling rate at all our breweries. Subsequently, Kirin Beverage's Shonan and Maizuru plants, and Kirin Distillery's Fuji-Gotemba Distillery, also achieved 100% recycling rates. We have maintained this rate ever since. We have also developed and commercialized a number of high added-value materials from by-products as part of our efforts to improve the quality of our recycling.



## Managing by-products and waste integrally 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.



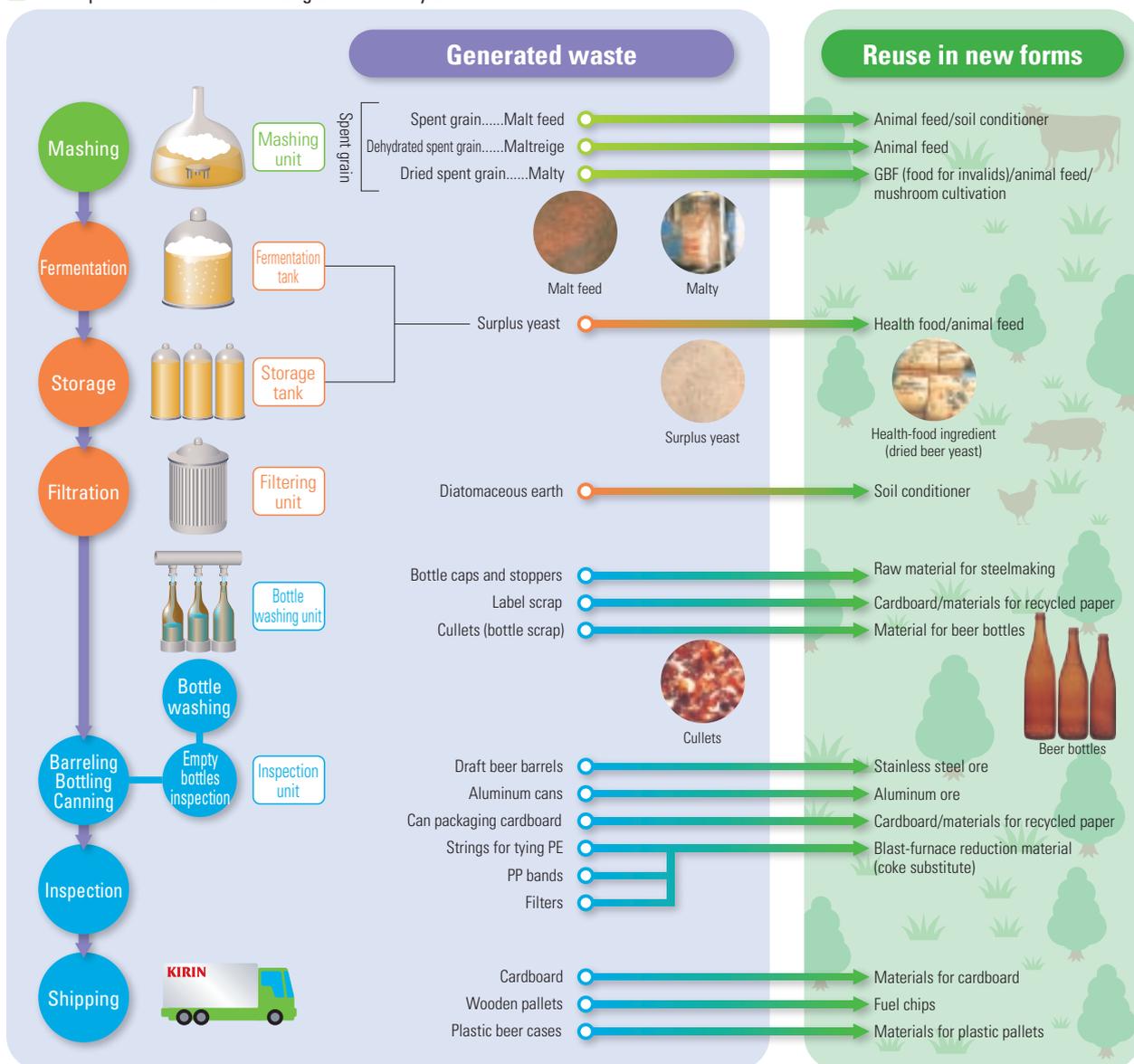
## Developing better applications for recycled resources

Kirin Brewery devotes great effort to researching ways to convert the by-products of the beer-production process into a wide range of high added-value materials.

The commercial products we have developed to date include: Gen-kinoko, nutrients for mushroom beds made from spent grain (sold by Kirin Echo Co., Ltd.); and Germinated Barley Foodstuff (GBF), a food approved by the Ministry of Health, Labor and Welfare for patients with ulcerous colitis (sold by Kirin Yakult NextStage Co., Ltd.). Using the cultivation technique we perfected in the development of Gen-kinoko, in 1998 we succeeded in the cultivation of

mycoleptonoides aitchisonii (breech oyster mushrooms), whose human cultivation had until then been difficult. Mycoleptonoides aitchisonii is a fan-shaped edible mushroom that grows in clusters on fallen beech trees and the like. It was found that the hot-water extract of mycoleptonoides aitchisonii will lower blood pressure, which enabled us to market them as a "food for specified health use" (an official designation from Ministry of Health, Labour and Welfare). Starting in 2007, we plan to begin experimental production of bio-ethanol from beer by-products, as one way to help combat global warming.

Waste products from beer-making and how they are reused



**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. Especially when we outsource waste management to outside contractors, we take such measures to address the issue of illegal dumping as signing appropriate contract agreements and managing

manifests in accordance with our internal rules. In addition, we work particularly hard to fulfill our responsibility as waste producers by taking necessary action to ensure proper handling including annual on-site checks of the contractor's operations.

**Comment from a person in charge of production technology**

**We have started developing technologies to produce bio-ethanol from by-products**

It is not possible to convert the by-products of the beer-production process (such as barley husks) into alcohol using ordinary methods. Leveraging the bio-technology that it has cultivated to date, Kirin Brewery is working to develop a variety of yeast that can convert these by-products into alcohol (ethanol), and establish technologies for bio-ethanol production. Using this technology will make it possible to produce ethanol from trees and plants other than food products as well, which we expect to help prevent global warming.

Hiroshi Takahashi  
Production Engineer  
Technology & Engineering Dept.  
Production Division  
Kirin Brewery Company, Limited



# Initiatives for Packaging

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 containers with less environmental impact, while maintaining the quality and safety of our products. We are pushing forward with the 3R's (Reduce, Reuse, and Recycle) in order to contribute to a sustainable and recycling-based society.

## 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. Since 1999, we have also been extending our efforts to our sales-promotion tools.

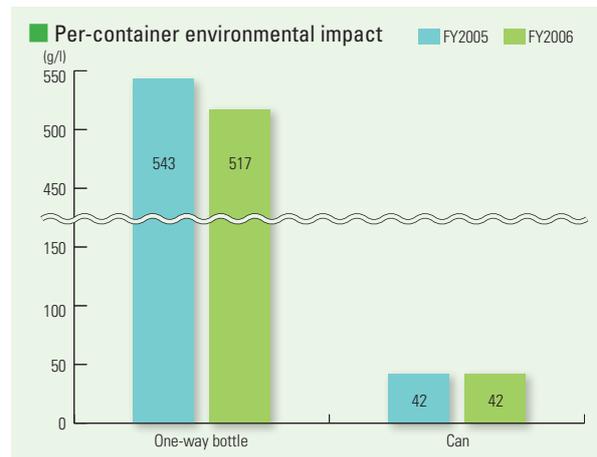
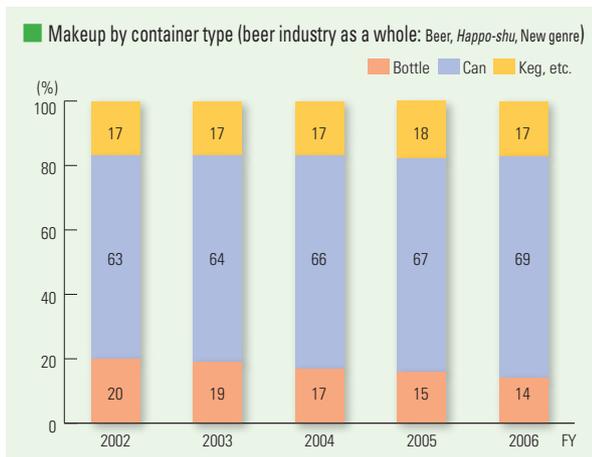
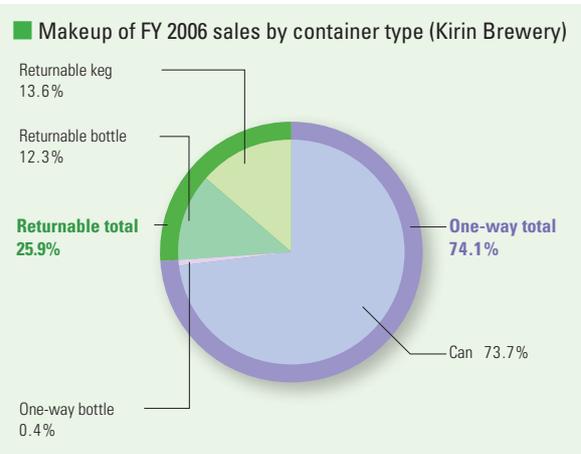
We decide on container materials and distribution format after comprehensively studying various factors, such as the nature of our products, the envisioned ways and places where they are actually consumed, the units purchased by customers, the types of their main retailers, the prospects of empty container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

\* 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 and the ratio is increasing. Although the usage of returnable keg has grown slightly, the usage of bottle has been on the decline.

In fiscal 2006, about 74% of all containers used for Kirin Brewery's beer, *happo-shu* and new genre 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: 517 g for one-way bottle (-26 g from 2005) and 42 g for one-way can (same as 2005).



## Reduce initiatives

### Bottle initiative: 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)

### Bottle initiative: Using lighter bottles for chilled beer

We currently sell 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 weights 351 g, a weight of this bottle is about half of that, just 170 g.



Chilled beer using lighter bottles

### Can initiative: 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 thinning 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 Tokyo for 3.8 days, and conserve about 26,000 tons of aluminum per year in the aluminum can manufacturing process.



209 can → 206 can → 204 can



### PET bottle initiative: Introduction of PECOLOGY bottles

In 2003, we introduced PECOLOGY bottles (jointly developed by Kirin Beverage and Kirin MC Danone Waters). While conventional 2-liter PET bottles are 63 grams, PECOLOGY bottles are only 42 grams, making them 33% lighter. Since we form these bottles at Kirin Group beverage-production plants, their transportation also produces fewer CO<sub>2</sub> emissions than bottles that are purchased already formed. Additionally, PECOLOGY bottles are lightweight and thin-walled, so after use it is easy to crush them and remove their labels. This makes separation easier, which encourages recycling.



Products using PECOLOGY bottles

### Promoting separation sales of canned beer

The 24-can cardboard cases of our flagship 350-ml and 500-ml canned beer and *happo-shu* 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.



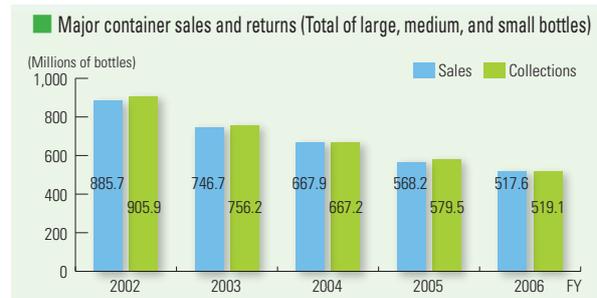
Reads "four 6-packs" on the carton

Reads "case of 24" on the carton

## Reuse initiatives

With the support of our consumers most of our products, including large, medium, and small bottles of Lager Beer and Ichiban Shibori, come in returnable bottles, which are collected, washed, and reused. Under this system, the consumer pays a 5-yen deposit on the bottle when purchasing the product, and the deposit is reimbursed to the retailer upon return. However, returnable bottles sold individually

are often seen in municipal trash stations along with other non-returnable bottles, and not returned to the retailer. Returnable bottles become environmentally friendly only when they are returned to the retailer and reused. We would like to encourage our customers to return empty bottles to retailers.



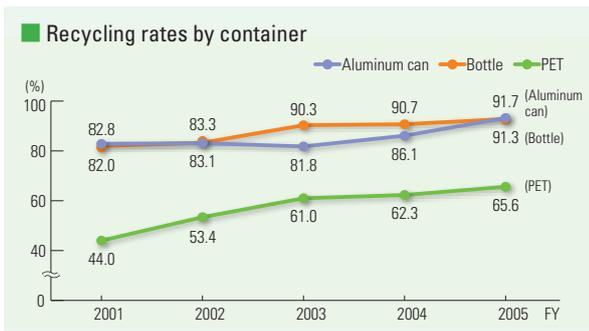
## Recycling Initiatives

### Promotion of containers recycling

We are actively committed to various challenges that must be tackled by the industry as a whole; for instance, improving recycling quality of all types of containers, and becoming committee member of recycling associations to help in the development of a recycled products market.

### Efforts to prevent littering and restoring beauty to 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 promoting the environment beautification "Adoption Program," which is intended to clean up places such as roads and public parks, based on agreements with local governments and volunteer organizations. In the Kirin Group, the Toride Plant, Sendai Plant, and Kirin Beverage's Maizuru Plant are also involved.



<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.htm>
- Japan Distiller's PET Bottle Recycle Association

### Comment from a person in charge of promotion of 3R activities

#### As an industry leader, we actively promote 3R

As the revised Container and Packaging Recycling Law was enacted on April 1, 2007, Kirin Brewery participated in revisions by the Central Environment Council as a representative of the alcoholic beverages industry. As part of this work, businesses created a voluntary 3R plan for all packaging and container materials. Under the 3R plan, we will push ahead with a target of 2010. As consumer lifestyles change, we do not need unrealistic plans; rather, it is vital to carry out incremental measures to achieve 3R that have a high probability of success, and we must do this in partnership with consumers. As an industry leader, we will continue to engage the industry, including with initiatives to make containers lighter, and maintain and expand the returnable market.

Masanori Kino  
Environmental &  
Social Affairs Section  
CSR Management Dept.  
Kirin Brewery Company, Limited



# Environmental Communication

We are committed to communicating the environmental initiatives of the Kirin Group in a way that is easy to understand through a variety of activities, and engaging in environmental activities in collaboration with NPOs and other organizations, and in partnership with local communities.

## Providing information about the environment

### The Kirin Group's environmental mascots

We have published information about the environment through our environmental mascot Ecojiro, in order to communicate the environmental initiatives of Kirin Brewery in a way that is easy to understand. Ecojiro makes appearances at various events and activities, including the *Suigen no Mori-zukuri* programs (forest conservation activities), and our "Clean Stadium Campaign" at soccer stadiums. Kirin Beverage Corporation uses its mascot Namacha (green tea) Eco Panda to highlight its environmental initiatives, such as the PECOLOGY bottle (see page 57), in a friendly and accessible way. We remain committed to utilizing Ecojiro and our other environmental mascots for environmental communication throughout the group in a way that is easy for everyone to understand.



### Environmental seminars

June is Environment Month in Japan. During this month, we organized an environmental awareness seminar for the public at our Yokohama Plant. The seminar was taught by special guest lecturer the Assistant Secretary of Foreign Affairs of Tuvalu, with the title "Stop Global Warming! An urgent appeal from Tuvalu." At our Shinkawa Head Office, we held a seminar for our employees by the NPO Weathercaster network titled "What the weather can tell us about global warming." The seminar was attended by a large number of employees.

\* Tuvalu is an island nation in the South Pacific. Because the country is only slightly above sea level, it is considered the country most at risk from a rise in sea levels due to global warming.

### The Clean Stadium Campaign

Since 2003, Kirin Brewery and the Japan Football Association have been jointly running the Clean Stadium Campaign as an environmental initiative in soccer stadiums.

The campaign asks fans to throw their paper beer or soft-drink cups and other trash into the proper receptacles. At specially sponsored matches, additional collection boxes are set up to separate paper cups and leftover beverages. To date, about 7,800 people have participated in the "clean supporter" program, in which volunteers collect trash in the stadium after a match.



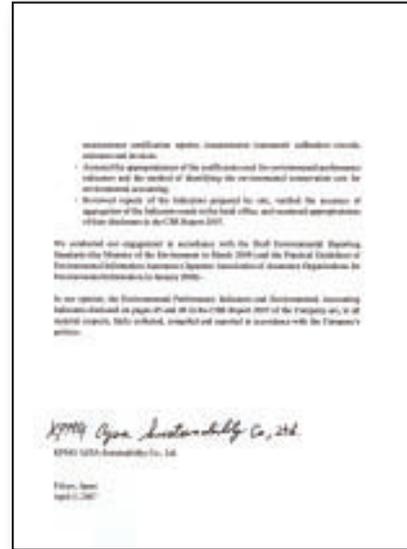
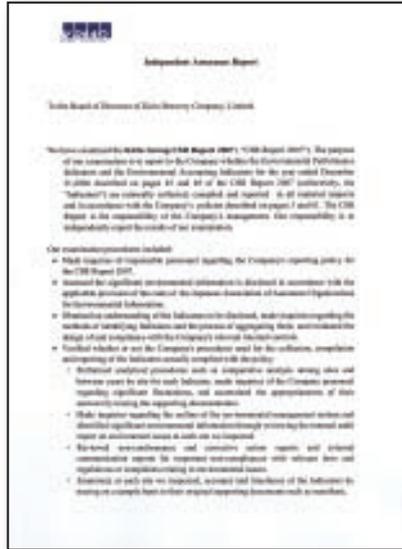
### Environmental ads and Website publication

We introduce our environmental initiatives through environmental advertisements, including ads for our lightweight bottles and small-diameter cans (see page 57), and recycling resources (see page 54). We publish Ecojiro's Environment Table on the Website (<http://ecojiro.jp>), providing online picture stories, environmental quizzes, and other content to encourage a pleasurable learning experience about the importance of a clean environment. Both adults and children, our leaders of tomorrow, benefit from this knowledge.



Environmental advertisement

# Independent Verification of CSR Report



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

As the Kirin Group has been promoting eco-friendly business activities which is stated in the CSR declaration, it maybe the time to reexamine disclosing policy in the Kirin Group CSR Report which this is the 3rd issue as CSR Report.

For example, the scope should be reexamined whether or not the progress of branching out the business, the environmental impact of non-production sites and others are considered to be disclosed.

It should also be examined to be disclosed that the information which was not disclosed this time such as environmental conservation effect, environmental impact intensity or Environmental Performance

Indicators such as COD and group companies' NOx and SOx emissions. Moreover to examine disclosing the effort on logistics that is stated in the report as "Logistics has greater environmental impact" not just qualitative information but also quantitative information should also be considered.

Regarding with compliance, it is expected to be able to respond stakeholders' interest by stating not only there were no major legal violations but also specific efforts of the group.

It is hoped that the above would be considered based on future reorganizations and the Kirin's efforts and results of the efforts would be disclosed in the Kirin Group's future CSR reports.

## Future challenges



**Yoshiyuki Yamamura**  
 Manager, Environmental & Social Affairs Section  
 CSR Management Dept.  
 Kirin Brewery Company, Limited

We were among the first companies in industry to publish an environmental report, publishing our first report in 1994. Since our first report, we have remained committed to disclosing information. Over this period, we have made reference to a wide range of guidelines, and contributed to the creation of some of them. Our efforts have been a series of trial and error. Each year, we have studied how to disclose our vast amounts of information in printed, online, and other media: we study how to portray our initiatives in a convincing manner; how to exhaustively publish a wide range of information; how to improve the accuracy of our data; and how to gain outside approval for our initiatives and commitments. Due to limitations of the medium, there is some information that we disclosed in the past but have

not in recent years; there is some information that is not published in the print edition; and in some cases we have refrained from disclosing some information in order to maintain a high level of accuracy. The audience for our disclosure publications is vast, and includes our customers, suppliers and affiliates, shareholders, and various experts. Our goal is to disclose information and communicate about our CSR commitments and philosophy in a manner that is appropriate and convincing for our wide range of stakeholders, in order to win the trust of society. In July 2007, we will move to Pure Holding Company System. We are currently studying how we should shift after this change from a system of information disclosure led by Kirin Brewery, to fulfilling accountability at the Kirin Group level.

# Standards for computing environmental performance and for environmental accounting

## 1. Period covered

January 1, 2006 to December 31, 2006

Note: Disclosure of information for chemical discharge levels and transfer control is the reporting period under the PRTR Law (April 2005 to March 2006).

## 2. Covered institutions

Kirin Brewery Company, Limited: All breweries, Takasaki Pharmaceutical Plant, Production Technology Laboratory, Pharmaceutical Research Laboratory, Pharmaceutical Development Laboratories, Frontier Technologies Research Laboratories, Shinkawa Head Office (including Annex) and Plant Laboratory (Kirin Agribio Company, Limited)

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 <sup>3</sup> N; LPG: 50.2 GJ/t; light oil: 38.2 GJ/kg	
	Breakdown	Fuel (crude-oil equivalent)	10,000 kl	$\sum$ [yearly consumption of each fuel x fuel crude oil conversion factor at each facility*] *: Calculated based on the implementation rules of the Law Concerning the Rational Use of Energy (amended on December 27, 2002) Heavy oil A: 1.01 kl/kg; heavy oil C: 1.08 kl/kg; kerosene: 0.95 kl/kg; city gas: 0.00119 kl/m <sup>3</sup> N; LPG: 1.30 kl/t; light oil: 0.99 kl/kg
		Electricity purchased	1,000 MWh	Yearly electric consumption (1,000 MWh)
	Total materials input	10,000 t	Yearly input of raw and packaging materials (10,000 t)	
	Water resources input	10,000 m <sup>3</sup>	Yearly consumption of municipal, well and industrial water (10,000 m <sup>3</sup> )	
Outputs	Production volume	10,000 kl	Yearly production volume of beer, <i>happo-shu</i> , low-alcohol beverages, other distilled liquors 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 <sup>3</sup>	Yearly water discharge (10,000 m <sup>3</sup> )	
	CO <sub>2</sub> emissions	Fossil fuels	10,000 t	$\sum$ [yearly consumption of each fuel x CO <sub>2</sub> emission factor of each fossil fuel*] *: As per a ministry ordinance concerning the calculation of greenhouse gas emissions by business activities of designated businesses (amended March 2006) Heavy oil A: 2.710 t-CO <sub>2</sub> /kl; heavy oil C: 2.982 t-CO <sub>2</sub> /kl; kerosene: 2.489 t-CO <sub>2</sub> /kl; LPG: 3.000 t-CO <sub>2</sub> /t; light oil: 2.619 t-CO <sub>2</sub> /kl City gas (2.188 kg-CO <sub>2</sub> /m <sup>3</sup> 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 <sup>-3</sup> *: Emissions per unit of production for each electric power company (note, however, 0.555kg-CO <sub>2</sub> /kWh should be applied when emissions per unit of production for each electric power company exceeds 0.555kg-CO <sub>2</sub> /kWh.) Emissions per unit of production for each electric power company Hokkaido Electric: 0.502; Tohoku Electric: 0.510; Tokyo Electric: 0.368; Hokuriku Electric: 0.407; Chubu Electric: 0.452; Kansai Electric: 0.358; Chugoku Electric: 0.555; Kyushu Electric: 0.365
		Logistics	10,000 t	Total transportation CO <sub>2</sub> 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 <sup>-4</sup> *1: CO <sub>2</sub> emissions of vehicles owned by each Kirin Logistics group company (t) = Fuel (light oil fuel) consumption (kl) x CO <sub>2</sub> emission factor*2 *2: CO <sub>2</sub> emission factor is light oil fuel subject to the "fuel usage" category: 2.619 t-CO <sub>2</sub> /kl
	Total nitrogen oxide emissions	Fossil fuels	t	$\sum$ [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 <sup>3</sup> N/h) / fuel consumption per unit at the time of nitrogen oxide measurement (fuel consumption per hour)] x yearly fuel consumption x (46/22.4) x 10 <sup>-9</sup>
		Logistics	t	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 <sup>-3</sup> *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 <sub>x</sub> emissions	t	$\sum$ [fuel consumption of each fossil fuel (l) x density (g/cm <sup>3</sup> ) x sulfur content (wt%) / 100 x 64/32 (SO <sub>2</sub> /S) x 10 <sup>-3</sup> ] 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 <sub>2</sub> /S) x 10 <sup>-3</sup> ]
	Chemical substances releases and transfers	t	Displacement and emissions 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 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).

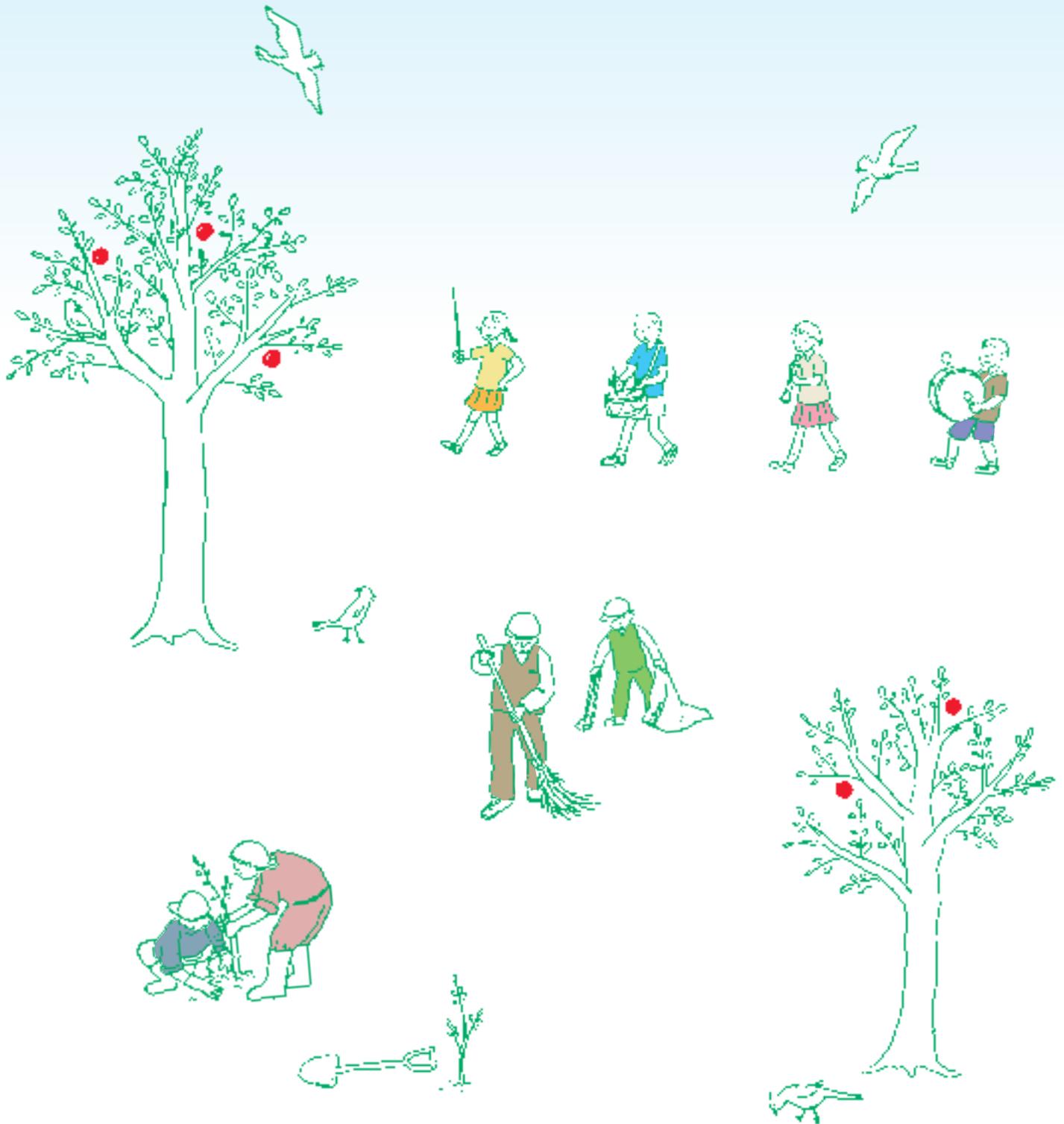
For departments other than environmental protection departments, we have specified "environmental facilities" which contribute directly to environmental protection and set 100% of the investments in these facilities as environmental protection costs (investments).

### (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.



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