

Link People Link Tomorrow

Nisshin Seifun Group Social & Environmental Report 2006

Abridged Version

Sharing Our Founding Vision and Putting it to Work Every Day

The Nisshin Seifun Group's founder set the tone for our business when he declared that "The basis of business is built on trust"—words that are a guiding principle for us today. The times may change, but trust is constant, and this principle is growing ever more important as enterprises endeavor to fulfill their growing social responsibilities. Our Corporate Code of Conduct and Employee Action Guidelines enhance our employees' understanding of this founding principle and help them put it into practice. To ensure that the code

and guidelines do not become mere slogans, employees carry "Employee Action Guidelines Cards," periodically receive training, and are encouraged to put the lessons of these documents into practice on the job.

Providing Food Safety for Consumers

At Nisshin Seifun Group, every member must be able to consider reliability and safety from the consumer's point of view in order to maintain "trust". Over time, consumers demand different things from their food products. In our present day and age, consumers expect not just safe foods but foods they can feel confident about eating.

At the Nisshin Seifun Group we strongly believe that our mission is to meet society's needs by manufacturing products to the highest standard and ensuring that every and all member work from the same viewpoint as consumers. We are striving to fulfill this mission.

Not Only Meeting Society's Needs but Also Offering Both Health and Pleasure

With Japan's declining birthrate, aging population and increasing social opportunities for women, people's lifestyles are changing and their food needs growing more diverse. Food safety are still fundamental at the Nisshin

Seifun Group, but we also believe it is important that food be healthy and pleasant to eat. We must, for example, provide health information such as the nutritional balance and calorie content of food products.

In addition, for more than two decades we have held summer classes in which children and their parents bake bread in animal shapes, to experience first-hand how much fun food can be. We look forward to continuing this type of project.

Preventing Global Warming

Climate change affects the yields of agricultural products on which we depend for our products, and

the Nisshin Seifun Group is therefore highly concerned with this issue. In addition, the production of our products necessarily consumes energy, so limiting our output of greenhouse gases is critical for us as a company engaged in food industry. Our stated goal targets an 8.6% reduction in CO2 emissions by FY2010 vs. the benchmark year FY1990.

Meeting this target requires not only installing new technology like cogeneration systems, but also developing good habits among our employees (such as turning off the lights when not in use), habits which we encourage them to bring to the home and beyond.

Maintaining Our Trusted Reputation by Listening to Stakeholders

As a business founded over a century ago, the Nisshin Seifun Group has earned a great deal of trust from society along the way—and I feel that society has high expectations for us. The entire Group will build on its corporate value by listening to our stakeholders so that we may continue to meet these expectations. Ultimately, every member provides the ground for these corporate initiatives to take root. My goal, therefore, is to make sure that every and all members embrace these ideals and use them for the further growth of the Group.

01_President's Message

A Trusted Enterprise, Today and Tomorrow

Nisshin Seifun Group Inc.
President
Hiroshi Hasegawa

長谷川 浩嗣



01_The Highest Standards of Quality

Foods That Offer Safety and Reliability

Nisshin Seifun executives and two external monitors met recently to discuss quality assurance and food safety and reliability.

The meeting provided us a good opportunity to communicate by listening to consumers and explaining to them Group initiatives for quality assurance (on June 1, 2006 at Nisshin Seifun Group Inc.).

Safety Measures Implemented by the Nisshin Seifun Group

Ohta Society has gotten much more demanding about quality assurance since 1995, the year Japan's Product Liability Law went into effect. We've taken all sorts of company-wide initiatives to address this concern: For example, we created a product safety checking system that deals with ISO 9001 certification and audits, and we've subsequently appointed Quality Assurance Managers at Group companies, offices and plants.

We've also strengthened our approach to product quality with a Quality Examination (QE) Center that carries out safety inspections of the raw materials, packaging, products and so on used by Group companies; we've adopted the Hazard Analysis and Critical Control Points (HACCP) program developed to ensure food safety during space flight by the National Aeronautics and Space Administration (NASA); and we've practiced very strict control over our manufacturing processes.

I'd like to ask our external monitors today, how is the issue of food safety seen from the consumer's point of view?

Masuzawa When I think of food for my four-year-old daughter, who's just entering her formative years of growth, I favor food grown without the use of agricultural chemicals and food with few additives, for example. My husband and I don't pay that

much attention to these things when we are the ones eating, but.... On the other hand, I'm pregnant right now, so at this point I'm very careful about what I eat, thinking about the effect it has on my unborn baby.

Fujino When I was pregnant, I wanted additive-free foods grown without the use of agricultural chemicals and not containing artificial ingredients, so even now I use a food delivery service that provides that kind of thing. But if you're too picky about your food, you can never eat out. Aside from safety and reliability, food should make you feel happy and enrich your life. There are some things that you feel confident in because they've become standards. That's the case with Nisshin Flour. You feel you can trust it because you've been eating the same thing since you were a child.

Quality Assurance Initiatives by Each Department

Konishi In plants, and this is true of ISO, which was mentioned earlier, initiatives mean nothing unless real action is taken. For that reason we make a habit of carrying out employee training without exception. If we want product reliability and safety, the machines that make the products, the people who use the machines and the interface between the two must all work smoothly.

Masuda Every day we check to make sure that our materials, the raw materials that go into our products

and the packaging materials used with them, are properly manufactured and shipped to our plants in reliably clean condition. Our plants make prepared mix, for example, products with a flour base to which sugar and other ingredients have been added. Our Nagoya Plant alone receives hundreds of types of raw materials and packaging materials every day, all of which are checked.

Aizawa The Customer Service Office is an important channel of communication between the company and our customers. For products that are already on the market, consultations are held by the Quality Improvement Committee, a group led by the Customer Service Office with participation by members of our quality assurance, quality control, product development and other departments. The committee takes actions that lead to better products in the future. In FY2005 there were around 40 very specific suggestions for making improvements.

Akashi At the QE Center where I work, we run chemical studies and analyses and perform safety checks on Group products and their raw materials. You mentioned additives and agricultural chemicals. We make sure that these substances are within the legally mandated limits too.

Masuzawa Most flour is imported from North America, and there is a very persistent image that imported crops have been chemically treated with crop-dusting airplanes. And while things like that do concern us,

we have no idea about the different checks that Nisshin Seifun Group performs. I think customers would have more confidence if the label showed the relevant facts, such as the fact that raw materials are imported, but also that they undergo extensive checks.

Taking the Best Possible Action in Case the Unexpected Happens

Ohta No matter how well prepared our quality assurance system is, you have to expect the unexpected. For example, if we receive a customer complaint and decide that a factory production process is to blame, we stop the line immediately and send the information all the way to the President through the Quality Assurance Manager. We also quickly assess whether the situation could occur repeatedly and the severity of the impact to health, and depending on how things stand a Severe Quality Incident Committee, headed up by the President, is convened. This group promptly performs a study to discover the root cause of the situation and consider measures to prevent recurrence. It then decides on the best possible action to take, such as initiating a recall if necessary.

Fujino Because it is human beings who handle our food products, we may never totally eliminate such

crises, unacceptable though they may be. The same problem, however, can affect an enterprise's reputation for trustworthiness in different ways depending on how the problem is handled.

Taking Measures and PR Initiatives with Every Customer in Mind

Aizawa Part of what we do in the Customer Service Office is incorporate customer comments into products, but there are many customers who never give us their opinions. On our web site we provide information to help those people understand what we are doing.

Masuda If our plants faithfully produce the products developed by our Head Office and research facilities, that affords a minimal degree of reliability, but with these new suggestions, our hope is to offer customers something even better, such as changing our distribution patterns in the future or altering the labeling on the package.

Akashi The QE Center has to keep its distance from the Group's operating companies, because if we don't keep our distance, we won't be able to perform our safety checking function. So our goal is both for people to be able to rely on us and at the same time to continue to keep our distance.

Fujino Well, I'm glad I came today. Most housewives do their shopping without really noticing how much

Nisshin Seifun Inc.
Director, R&D and Quality Assurance Division
Masami Ohta



attention manufacturers are paying to product safety. Now I hope that you will communicate these things to the public in all sorts of ways.

Masuzawa This conversation has taught me that you are carrying out some really stringent checks, and I feel very reassured as a result. If only your products were more clearly labeled to indicate this, that would be very positive. People with small children really read the labels on the back of products closely.

Ohta We've appreciated your various comments. As it has been pointed out that people want to see more information on the label, we are going to examine the appropriate design and size of lettering to make sure important information is correctly conveyed to consumers. All our employees have to be more aware of and more sensitive to how important our customers are, not just those who contact us with their comments but also those that we never hear from.

Official titles were omitted to fit the layout of this feature.



Nisshin Flour Milling Inc., Chiba Plant
Ryoichi Konishi
(Quality Assurance Manager)

Nisshin Foods Inc., Nagoya Plant
Takashi Masuda
(Quality Assurance Manager)

Megumi Fujino
(monitor)

Masami Ohta,
Director

Naoko Masuzawa
(monitor)

Nisshin Seifun Inc.
QE Center
Hajime Akashi

Nisshin Seifun Inc.
Customer Service Office
Kazuko Aizawa

02 _The Highest Standards of Quality

Assurance to Safety and Commitment to Reliability

In the basic guideline to guarantee quality from a consumer standpoint, Nisshin Seifun Group employees make product safety their highest priority during development, design, production, storage and shipping.

First Manufacturer in Japan to Implement ISO 22000

Nisshin Seifun is the first manufacturer in Japan to earn certification under the Food Safety Management System (FSMS) Standard ISO 22000, having acquired certification at Head Office and 12 plants in Japan. The group's operating companies are now preparing to obtain certification in the future.

Complete Safety Reviews

The Group conducts safety reviews at the product development and production stages to ensure that there are no product safety or environmental problems and to confirm that products can be manufactured as designed on the production line. Additionally, three months to a year after the start of production, another safety review takes place to make sure that production is problem-free.

Safety Inspections

The QE Center conducts safety inspections of the raw materials, packaging and products used by Group companies. It additionally monitors the production environments at Group companies and partner production facilities and runs safety analyses for agricultural chemicals, genetic recombination, allergens, and so on. The QE Center obtained ISO17025 in pesticide analysis as very first food products manufacturer in Japan.

Stronger Product Liability Audits

Nisshin Seifun has outside professionals audit our operations to check the compliance with our product safety measures from product planning to shipping, and to ensure that product safety control is correctly practiced. Audits took place in 98 sites in FY2005, among Group companies and partner plants.

Traceability

Our traceability system exists to find accurate information about raw materials and other concerns and, in the event that there is a problem with raw materials or production processes, to determine the scope of affected products and the destinations to which they were shipped.

Working with a Positive List System for Residual Agricultural Chemicals and Other Substances.

Nisshin Seifun maintains systems and records that enable us to trace data reliably back from product lots to raw material. We run surveys on the use of agricultural chemicals in the raw materials we use and the ways in which they have been managed, and the QE Center analyzes this survey data.

Container/Packaging Label Content Review

New and updated products undergo advance checks from the customer's point of view before they actually reach customers.

Turning Customer Feedback into Real Improvements

Staff members in charge of quality control, quality assurance, production control and so on at Group companies (Nisshin Foods, Initio Foods and Ma•Ma-Macaroni) meet once a month as the Quality Improvement Committee to study input from customers and make suggestions for improvements.

* For case studies of improvements, see the Customer Center web site (<http://www.nisshin.com/customer/>).

Interview

I help people create a better culinary lifestyle through the quality assurance work I do

Nisshin Flour Milling Inc.
QA Department, stationed at Okayama Plant

Atsuko Yamashita



Quality Assurance Managers have a mission to explain to customers that, in every process from preparation of raw materials to production, storage and distribution, customers can feel safe and confident about the flour we sell. As such, these managers have the all-important job of determining whether or not products may ship and whether to stop production in the event of a problem.

To ensure fairness in evaluation, Quality Assurance Managers belong to the Head Office's Quality Assurance Department and are independent from the production organization in the plants they serve. When deciding whether or not to allow shipment of a product, for example, the Quality Assurance Manager has authority equal to that of the plant manager to make decisions from the consumer's perspective. Of course, improving quality assurance means that Quality Assurance Managers have to do more than make split second

decisions with plant managers. Quality Assurance Managers are in a critical position of identifying harmful factors in advance and working to minimize and eliminate the risks they pose.

On the other hand, I understand that there are many customers we never hear from, like me as a consumer, in addition to those who do give us their comments. While the Okayama Plant does not make flour for household use, we do get information from grocery industry, and this information is a valuable means for understanding the customers we hear from and those we do not. Also, since I enjoy eating, I'm also concerned that food should be a pleasant experience. I'm hopeful that through my quality assurance work, I'll not only help customers feel reliable and safe with Nisshin Seifun products but also offer them more delicious, enjoyable and healthy food choices.

03 Commitment to Next Generation

Fighting Global Warming, Running a Sustainable Enterprise

What role should a food company play when faced with global warming? Yuki Yoshi Yamada from Nisshin Seifun Group Inc. recently sat down with Takeshi Hara of the Waseda University Graduate School of Asia-Pacific Studies and Yoshio Kawai of Nichirei Foods to discuss that question.

(June 2, 2006 at Nisshin Seifun Group Inc.)

Climate Change Impacts Farming

Hara The Framework Convention on Climate Change, adopted in 1992, spelled out that two factors in particular, precipitation and air temperature, are important for successful agriculture. Some suggest that global warming could greatly diminish the harvest of corn and other crops in Asia, which means that from the perspective of procuring raw materials, food companies are quite vulnerable to climate change. So I don't think it's an exaggeration to say that global warming is a life or death issue for a food company.

Kawai At Nichirei Foods our business is already feeling the pressure of climate change, with supplies of

raw materials falling behind schedule and prices rising. For that reason we're putting a special effort into ensuring stable supplies of raw materials and maintaining quality. As far as possible, we are managing crops from the cultivation stage and making every effort to combat global warming so that harvests are not affected.

Yamada As a food products company, global warming is a problem threatening our very existence, so we have no choice but to try and think of our next move.

CO₂ Reduction and Enterprise Continuity

Yamada For the past two or three years, the Nisshin Seifun Group has included the fight against global warming as one of our management indicators. This is a sign that the way we think about management has changed substantially.

Kawai About five or six years ago at Nichirei, we embarked on a resource conservation initiative at the plant level in order to obtain ISO 14001 certification. While this has been effective, you can't really make progress beyond a certain point no matter how thorough your efforts. During the last two or three years, our awareness of environmental issues has changed; now we understand it as a company-wide issue.

Hara The gifts of the earth, by which I mean air and water, are really common property as far as

enterprises are concerned. This is because these resources must be maintained within a market economy, so a corporation must take a whole-company approach and not limit the campaign to individual sectors. This approach is the backbone for our enterprise continuity.

Environmental Measures: New Opportunities for Corporate Management

Yamada At the Nisshin Seifun Group, we decided to change how we cast our CO₂ reduction targets, measuring emissions not in terms of emission intensity but as the total amount, and we then set a target of cutting emissions in FY2010 to a level 8.6% lower than in FY1990. Naturally, corporations want to increase production levels, so our idea was to make our target easy to understand and make it clear how the level of production is connected to CO₂ emissions. When we endorsed the Kyoto Protocol of the United Nations Framework Convention on Climate Change Target Achievement Plan (announced by the Ministry of Environment) and set the 8.6% target, our President and I met with top management of our Group companies and obtained their consent for this target. Then, to spread the idea to our site managers, we held a Group-wide kickoff event in February 2006, at which top management from all Group companies made declarations on

environmental initiatives.

Some of the measures we actually put into effect included implementing cogeneration systems and switching from heavy oil to natural gas for fuel.

Kawai One problem with frozen food products is the container or packaging, which must be disposed of after the product is consumed. Up to now we've used packages designed to be as attractive and sturdy as possible, but as an experiment we packaged some products without a tray. We found this made freezing easier and allowed us to pack more units into a given space, so it has had many more benefits than the environmental ones.

Beyond this, our hope is to set up a recycling system for waste product left over from processing.

Professor,
Waseda University Graduate School of
Asia-Pacific Studies

Takeshi Hara



Hara Consumer consciousness is also changing, so when corporations try to reduce the volume of their packaging, I think that is the tide of the times.

ISO 14001 has played a big part in raising awareness on the corporate side, but the Swiss multinational enterprise leader that devised ISO was already saying that environmental measures should have clear targets and that this should be taken as a new opportunity for corporate management. Listening to the two of you, I get the feeling that this idea is already being put into practice.

The Key to Future Development

Kawai From now on, I think we need to emphasize active communication with the local community, for example by taking part in local events. That increases the environmental awareness of the individual, so he or she will begin to practice environmentally friendly habits both at home and at the office. On the logistics side, we are implementing a modal shift from long distance truck transportation to railroad transport, or to ships in places like Hokkaido.

Yamada We're planning to start an emissions trading program within our Group as a way of maximizing CO₂ reduction efficiency and minimizing environmental costs. The next stage would be to start emissions trading internationally. We've actually been participating in

a CDM (clean development mechanism) project at an Indonesian tapioca starch processing plant for the last three years. This includes a cogeneration system, in which all the factory effluent is gathered into one place and the methane gas that results from its fermentation is used for generating power at the plant. Group technology is put to use processing the effluent, and ultimately the system wins us emissions rights. Our plan is to capitalize on these rights by trading them internally.

Another thing we need to do in future is to create an organizational basis that encourages all employees to act voluntarily on behalf of the environment. I believe that the key to future development of the Nisshin Seifun Group will be the voluntary actions that each person takes.

Managing Executive Officer,
Executive General Manager of
Production Unit.

Nichirei Foods Inc.
Yoshio Kawai



Director,
Technical and Engineering Division,
Nisshin Seifun Group Inc.
Yuki Yoshi Yamada



03 _Commitment to Next Generation

A Society without Global Warming

With climate change having far-reaching consequences for the procurement of our raw materials, the Nisshin Seifun Group believes that avoiding global warming is not only a critical business issue for us, but also a responsibility we bear for future generations.

Reducing FY2010 CO₂ Emissions by 8.6% vs. FY1990

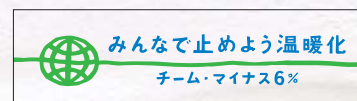
The Nisshin Seifun Group endorses the Kyoto Protocol and has committed itself to contributing to reaching its targets.

The Number 1 way to reduce CO₂ is through business activities.

- Changing the reduction target from “emission intensity” to “total emissions”.
We are addressing emissions at the Group Head Office and 38 subsidiaries in Japan and abroad.
- Setting Action Plans and Following Through
Group companies have set FY2005 targets as well as medium-term targets and action plans through 2007 based on the Group’s reduction targets.
From this point forward, we will evaluate and revise these targets yearly as we continue to drive down CO₂ emissions.

CO₂ Reduction Kickoff Event (February 2006)

The Group CO₂ Reduction Kickoff Event marked the beginning of the campaign to reach our Group targets. With 107 environmental officers from Group companies in attendance, Group company presidents formally declared their own targets and action plans, and everyone gained a better understanding of the social significance of reducing greenhouse gases from the Nisshin Seifun Group.



Nisshin Seifun Group is a member of Team Minus 6%.

Interview

Prevention of Global Warming as Part of Employees' Work Style and Lifestyle

Section Leader, Quality Control Team, Mesh Cloth Production, Yamanashi Tsuru Factory, Technical Production Dept. NBC Inc.

Takayoshi Okuaki



Use of Kyoto Mechanisms

By 2008, the Nisshin Seifun Group plans to start an internal program of emissions trading as a way of maximizing CO₂ reduction efficiency and minimizing environmental costs.

The step after that will be taking part in international emissions trading as a hedge against the risk of not generating enough emissions rights internally.

The Group has had a program in place for the last three years to earn CDM (clean development mechanism) emissions rights from a CDM project at a tapioca starch processing plant in Indonesia.

Our plan is to capitalize on such transactions within the Group and sell any surplus to other parties.

Helping Reduce CO₂ in Society as a Whole

Until now, we have calculated CO₂ emissions in three forms: Direct emissions, indirect emissions from electricity and heat usage, and indirect emissions from transportation. A new category, indirect emissions from waste processing, is to be added from now on. For the transportation category, the Group formulates a voluntary plan for reducing logistics-related emissions and will work to cut transportation sector emissions through partnerships with related companies.

We also start investigations on how to calculate LC-CO₂, or total CO₂ emissions over the life cycle of food products and, based on this data, will provide consumers with suggestion on eco-friendly lifestyles through their food choices.

I'm the leader of the CO₂ reduction project team launched in February 2006 at NBC Group. The team is planning 20 different policies for reducing CO₂. One of those is switching the type of fuel we use to natural gas by introducing an LNG satellite system. This project was selected under the Ministry of the Environment's voluntary domestic emissions trading system, and in order to receive subsidies to set up the equipment, it will have to cut a total of 6,135 tons of CO₂ over 15 years. Since our FY2005 emissions totaled about 6,000 tons, we basically have to cut one year of emissions during this time frame. This is a very big commitment, considering that our production volume increases every year, but if we carry out these 20 policies conscientiously, I don't think it is impossible.

Conveying the significance and effectiveness of reducing CO₂ to a number of employees is not an easy task. Before

we put any new policies into effect at the Yamanashi Tsuru Factory, we explain their cost-effectiveness and then we try to quantify the reduction effect after implementation so that employees and upper management can receive feedback on their actions.

Employees learn how to save energy in the workplace, and then take those habits back home. Conversely, employees who are careful about turning off the lights at home with their families and avoid letting their cars idle will bring these habits to the workplace. Making global warming prevention a part of employees' work style and lifestyle is what we aim for at the Yamanashi Tsuru Factory.

We are challenging ourselves in many ways to leave our children a rich and fruitful earth. My hope is that our children will see this and be similarly inspired to do the same for the generations that will follow them.

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* This report is also available at the above web site.

* Next Edition: Summer 2007

* The Nisshin Seifun Group welcomes comments on this report.

* We take in consideration of the environment when printing the Japanese report as described below.



To meet Japan's greenhouse gas reduction target of 6% under the Kyoto Protocol, it will be essential to achieve 3.9% absorption in Japan's forests. By actively using domestically grown wood, we can contribute to the fostering of forests that absorb CO₂. Domestically grown wood fiber was used to make the paper for this booklet.



The report was printed with a waterless printing process that does not emit harmful liquid wastes.



It was printed with VOC-free ink that uses 100% plant oil-based ingredients instead of petroleum-based ingredients.

