

Delivering Good Health and Reliability



日清製粉グループ

# Link People Link Tomorrow

Nisshin Seifun Group  
Social & Environmental Report

## 2011

Summary Version

This booklet provides summary in English as translation of our official "Social & Environmental Report 2011" in Japanese.

# Fight, Speed &

—Actively challenging ourselves to enter new fields

Hiroshi Oeda was appointed as our new President in April 2011 with the task of accelerating the growth of our Group's businesses and rejuvenating management. He now delivers his ideas on how he plans to lead the Group to develop through 2020, the 120th year of our operation.



# Change!

with new ideas—

Nisshin Seifun Group Inc.  
Representative Director  
President

Hiroshi Oeda

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## *Achieving a stable supply of flour*

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Firstly, I would like to express our sincere condolences to the families of those who lost their lives as a result of the Great East Japan Earthquake and our deepest sympathies to all of the people affected by the disaster.

As you may be aware, our wheat flour milling operation generates the top Group sales share of about 40% of the domestic market. Wheat flour is used for various foods such as in ramen, udon, spaghetti, in baking and confectionary, etc., and is a major pillar of the daily Japanese diet together with rice. We will continue to take all possible and practical measures to ensure stable supplies of all of our products are always kept available for our customers.

Through the experience of the earthquake, we reaffirmed our responsibility to ensure stable supplies of flour were made available as a staple food to people in time of disaster. Our Group had already developed the Business Continuity Plan (BCP) to prepare for natural disasters. I believe that our BCP and our collective preventive efforts worked effectively in rapidly setting up an emergency headquarters to launch immediate recovery, support and to initiate emergency measures. But at the same time I noticed we had some incidents which were beyond our original assumptions and now need to be carefully studied so we can make our BCP even more effective in coping with possible future disasters.

Since 70% of the energy we use for production is dependent on electricity, we strove to make efforts to overcome the electricity shortages, including rolling

blackouts. We quickly implemented countermeasures including clarification of the response procedures at each plant and office, installation of generators, shifting operation at the plants and by restricting air conditioner and elevator use in the offices. Through these measures, we successfully reduced electricity use by 30%, which exceeded the required reduction of 15% this summer.

At the same time, I think that we must take all possible measures to deal with radioactive contamination as well. With this plus other quality control measures we will continue to fulfill our company's social mission to provide dependable and safe food products.

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## *Our products nurture ties among the people around the table*

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Our experience in the Great East Japan Earthquake has prompted people to reconsider what food means to them. More than before, people are eating meals at home together with their families, friends and others. Food symbolizes one of the ties among us.

Nisshin Foods has recently launched "Heartfelt Cooking" campaign (campaign period: August 22, 2011- January10, 2012). This campaign was designed to encourage people to prepare food for someone very special during this time and we hope it will help people deepen their ties with one another through the joy of food.

Going forward, we will continue to develop and provide products, which nurture ties among the people around the table.

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***All the more, we want to value our relationship of trust with our customers and consumers to create a better future***

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The Nisshin Seifun Group is the best known brand in Japan with leading positions in flour, processed food products such as pasta, prepared mixes, etc.

Our strong selling capacity, technologies and initiatives for reliability and safety earn many consumers' trust.

We are now facing the major changes in the environment surrounding wheat, an important raw material for our business. A rise in demand among emerging countries and the influx of "fund" money have been causing worldwide grain prices, including wheat, to rise. It is anticipated that progress in international business treaties such as TPP and EPA will force us to compete even more intensively in a borderless global market: in which the possible abolishment of import duties on wheat and its related products will cause fierce competition with imported products.

We have long anticipated more intense competition from overseas companies and have been increasing our cost efficiencies by consolidating production bases into large-scale plants located on the ocean front, exploiting our outstanding development and technological capacity to provide high value-added products that can easily be differentiated from the products of other companies. We do this to further solidify our customer's trust by meticulously guaranteeing reliability and food safety.

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***The new mid term management plan aiming to accelerate the growth and expansion of overseas businesses***

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I think it vital for us to further explore overseas markets in order to grow our Group in rapidly and drastically changing circumstances. For the development of new overseas businesses, we target;

- Southeast Asia including China, where the population is increasing and living standards are rising
- Mature markets such as in North America, where continuous growth is expected

Our company is marking its 111th anniversary this year. In accordance with our corporate philosophy, "The basis of business is built on trust" and "Being in tune with the changing business climate", we will get through major changes by managing current risks and by focusing our activities to be conducted in a timely manner to achieve success.

In our domestic flour milling business we are working to become "the World's Leading Flour Milling Company". This is not to suggest or mean we will just scale up the company size. We are willing to become "the world's best in customer's satisfaction" by providing products with consistent quality, that meet the needs of our customers with our outstanding development and technological capability, realizing a high level of reliability and food safety, and increasing our cost efficiencies necessary to compete successfully in global markets.

In Canada we have been operating a flour milling company for over 20 years, and we have grown volumes five times from its original production capacity. Additionally, our premix business is increasing production volumes in China and Thailand.

Oriental Yeast Co., Ltd. supplies ingredients such as yeast to bakery markets, where it commands the top share, plus ingredients for diagnostic drugs and for pharmaceuticals. This company is expanding the biotechnology business in India and opening-up markets for the food product business in China. In addition, NBC Meshtec Inc. has an approximately one-quarter share of the world market for mesh cloths for screen-printing, and it is increasing production capacity in Indonesia. We will continue to thoroughly pursue Group synergies with our overseas business as we move forward. I firmly believe that the production technologies, quality control technologies and excellent human resources, which were all nurtured by our Group, will produce consistent high-quality products and will enable us to compete successfully

anywhere in the world.

In November of this year, our company announced the formulation of its new medium-term management plan titled NNI-120: Speed and Growth, Expansion (NNI: New Nisshin Innovation). Under this plan, while taking a long-term perspective focused through 2020, our 120th year of operation, we set the Group targets of achieving net sales of one trillion yen (US\$12.5billion) with 30% of this revenue being realized from overseas business.

We are aware that *not changing* is the biggest risk, so we will actively challenge ourselves to enter new fields with new ideas. Furthermore, we will be precisely in tune to the changing business climate and the changes in the conditions surrounding our Group, by making all decisions and taking all actions quickly, always aiming for “growth and expansion.”

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***Creating a group in which each and every employee is committed to challenge lofty goals***

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The Nisshin Seifun Group is a food manufacturer, so naturally its starting point lies in “Monozukuri-Manufacturing”. We take the basic approach where individuals in every workplace think for themselves to devise and implement solutions on their own. Our independent and strong frontline workforce is the strength of our Group, and can even be said to be our lifeline. Our consistent progress will bring a broader perspective to our business as we strive toward higher goals, both domestic and overseas.

When I first visited Nisshin to apply for employment, impressive employees in charge of recruitment greeted me. This individual communicated with me sincerely and faithfully. And that actually encouraged me to join this company. After becoming an employee of this company, I spent some years in the personnel department and got a chance to be sent to the U.S.A. for two years studying. Coming back to Japan, I have long been involved in wheat procurement, corporate planning and overseas operations.



Throughout those years, I deeply appreciated the culture of growing and valuing people plus letting people tackle the task even when they are young.

I really like this kind of culture of our Group. It is this fact that we employees have been able to challenge our business with pride, being responsible for supplying a staple food, which made consumers’ trust in our company build steadily ever since the day of establishment.

Since we are in a rapidly changing business climate, we aspire to be the company in which all of the operating companies and all of the employees in the Group are constantly moving together along a common path focused on the direction we need to go. As “a fighting organization and a fighting team” but with accelerator and/or brake being careful applied as each situation warrants, our tactful individual employees will accept challenges with pride and confidence wherever the Group does business.

# The Nisshin Seifun Group Response

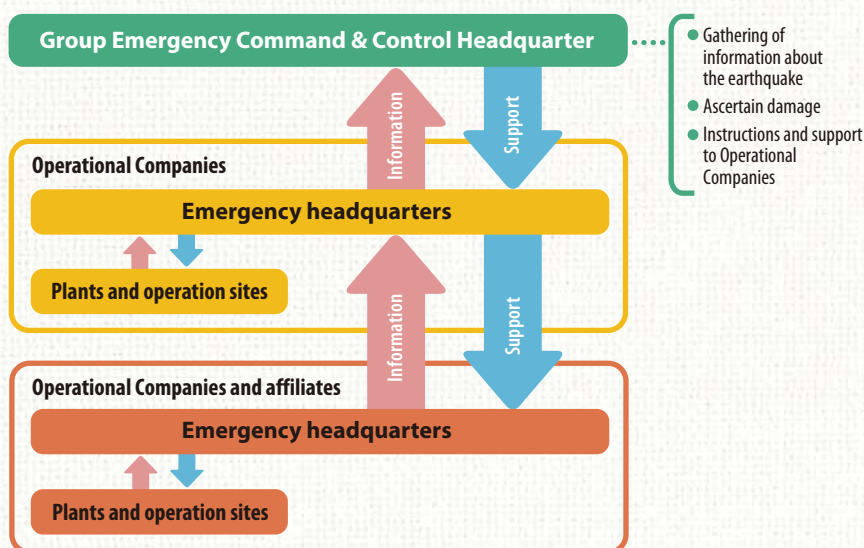
The earthquake disaster has caused major economic and environmental damage to Japan. In response to this crisis, the Nisshin Seifun Group is supporting the afflicted areas, exerting its best efforts to ensure business continuity and taking measures to deal with electricity shortages as it continues contributing to the society it serves.

## Nisshin Seifun Crisis Management Systems

After the earthquake occurred Nisshin Seifun Group immediately set up Group Emergency Headquarters, headed by the President, at the headquarters in Tokyo, and began gathering information on the safety of employees and their families, and internal and external damage.

Based on the Business Continuity Plan (BCP), we worked on alternative measures and recovery efforts in order to fulfill our responsibility to supply products.

### Systems in the Emergency Headquarters



## Our Situation

### Confirming the Safety of Employees and Others

We started gathering information immediately after the earthquake struck, and by March 14 we had confirmed that all employees and their families were safe.

### The Situation at the Plants and Offices

- The Hakodate Mill of Nisshin Flour Milling Inc. shut down due to damage caused by the tsunami. It recommenced operation on March 21.
- Tsurumi Mill and Chiba Mill suspended operation due to minor damage from the earthquake. Both are scheduled to resume production in a short time.
- Some of the facilities at the Tatebayashi Plant of Nisshin Foods Inc. and the Utsunomiya Plant of Ma•Ma•Macaroni Co., Ltd. were damaged, but there was no major damage to the core production facilities. We carried out inspection and repair at

those facilities, and recommenced ordinary operations within a week of the earthquake.

- The Sendai Office suspended operations due to earthquake damage, but normal business operations have been restored. Furthermore, logistic centers suffered water inundation caused by the tsunami. We ensured the restoration of ordinary product supply systems through alternative measures such as changing transportation routes.
- Business sites in areas subject to rolling blackouts addressed the need to secure their network and control systems, and prepared emergency generators. They endeavored to maintain the continuous supply of products through production plans that call for the best possible preparation for unforeseen situations, such as sudden blackouts.

# to the Great East Japan Earthquake

## Support for the Afflicted Area

### Relief Supplies and Donations

In response to the government's requests for emergency assistance, we delivered group products such as retort foods, hams, functional foods and pet foods to the afflicted area. We also provided masks and wipes made of antimicrobial material to the fire fighters working in the afflicted area.

Nisshin Seifun Group provided a total 100 million yen, including relief money from Nisshin Seifun Group and donations from employees, to the Central Community Chest of Japan.

Charity from customers at the group's Italian restaurants "Partenope" were donated to the Japan Committee for UNICEF.

### Support for the Recovery of Customers

On the same day as the earthquake, Nisshin Engineering Inc., which operates a food product plant business, immediately began to gather information from customers in the afflicted area and exert efforts to facilitate their recovery through the implementation of local surveys and technical support.

### Support Activities

The Nippon Okonomiyaki Association, vice-chaired by the president of Nisshin Flour Milling Inc., carried out support activities in Miyagi, providing 1,300 okonomiyaki meals over two days on May 17 and 18.



Antimicrobial Cuftec® masks and wipes were donated to fire fighters working in the afflicted area.

## Response to Consumers

The Customer Service Office received numerous inquiries regarding product shortages, including products at stores, preservation and changes in the properties of frozen food during power outages and anxiety over radioactive contamination. The office endeavored to respond to these inquiries in a caring manner.

## Power Saving Initiative

We have been addressing the need for energy saving through efficient use. We have made further efforts to save energy, including reduced lighting, shortened air conditioning operation times and the setting of office equipment to the power-saving mode.

During restrictions on the use of electricity in summer, we enforced initiatives such as the shifting of operation times from daytime to weekends or night and the reduction of grid power use through on-site power generation.



We reduced lighting inside offices.

## Provision of Information for Household Power Saving

Our web site provides information about recipes for cooking that keep the use of electricity and other energy to a minimum.

- We introduce useful recipes for energy saving cooking on the website.

<http://www.nisshin.com/entertainment/recipe/setsuden/>



# Empowerment of Companies and Consumers

We welcomed Ms. Hisa Anan, Director-General of the National Liaison Committee of Consumers' Organizations\* (Shodanren), an organization which is involved in establishing the rights and protecting the livelihoods of consumers, listened to her views regarding the nature of consumption life and society after the major earthquake disaster, and held an exchange of views with the CR (Consumer Relations) Office.



National Liaison Committee  
of Consumers' Organizations  
Director-General

**Ms. Hisa Anan**



Nisshin Seifun Group Inc.  
Director of the CR Office

**Yoichi Minamisawa**



Nisshin Seifun Group Inc.  
Chief of the CR Office

**Kazuko Aizawa**

— The Great East Japan Earthquake and following nuclear accident in Fukushima remains very serious situation. Building new consumption systems to ensure reliability and safety of life is required to overcome this emergency and to recovery of society.

Sharing information among consumers and companies and nurturing new ties are key to a solution of the issues.

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*Realized the importance of providing information by directly confronting this unprecedented disaster*

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**Minamisawa** To start with, could you tell us how did consumer groups respond to the unprecedented disaster?

**Anan** Firstly consumer groups around Japan began to cooperate with each other. In response to calling for



# for Responsible Consumption Behavior

help from stricken area, we conveyed their requests to the government immediately. We shared letters from Fukushima about anguishes by the nuclear accident among our group members.

While lack of food and living supplies in stores, there were limited availabilities on product supply in factories. We learned about it is important to know current situation in timely and not to rush stocking up on extra goods.

**Aizawa** Shodanren conducted the role of liaison very well and issued the message “Do not buy up, but share” immediately.

**Anan** We tried to do every thing we could as quickly as possible. I was also impressed that manufacturers were also working hard to meet their responsibilities.

**Minamisawa** After the earthquake, while we provided emergency assistance supplies such as retort pouch foods that ready to eat, our company group endeavored to operate at full capacity to supply products.

**Aizawa** Inquiries to the Customer Relation Office had been increased after the earthquake. The first we received many inquiries related with the shortage of living supplies. For example, inquiries as to if it was possible to make with cake flour instead of bread flour. And then, inquiries related with properties of frozen foods under blackouts were increased.

**Anan** In light of the risk of food poisoning in summer, we gave out information and held study meetings about prevention. Without appropriate information, consumers cannot take appropriate actions.

**Aizawa** Inquiries related to radioactive contamination have been increased, and as of September these account for a half of the inquiries. The customers were extremely concerned about the manufacturing date, where the raw ingredients are produced, and the locations of the plants, etc. We respond to inquiries courteously and we are working hard to ensure that the customers will be satisfied to buy our products in the next time, too.

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## *The first step to ensuring safety is to know the current situation*

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**Anan** Radioactive contamination issues are serious. The government has taken various measures including the setting of reference values. But people were confused for not familiar information including becquerels, sieverts, etc. Therefore, we hold a workshop in May and specialist lectured about the radioactive contamination and their impacts, the difference between external and internal exposure, etc. We continue to have workshops, and going forward we plan to include themes such as renewable energy, contamination of rice by radioactive contamination, etc.

**Aizawa** Many people worried about the effect of radioactive contamination on the human body especially mothers for children. It is important to learn through the workshops that they should not fear radioactive contamination more than is necessary but should fear them with correct understanding. I think participants of the workshops felt reassured by the Shodanren’s approach.

### *About The Round-Table Talk*

**Date:** August 12 (Friday)

**Venue:** Nisshin Seifun Group Inc. headquarters

\* Shodanren was formed in December 1956 with the objective of “Promoting the consumer movement by enhancing cooperation and liaison among consumers’ organizations in Japan, in order to establish the rights and protect and improve the livelihoods of consumers.”

**Anan** If safe systems that only satisfactory foods for radioactive regulations are available onto the market, we would eat without concerning about production region. People need adequate information to make appropriate choices.

**Minamisawa** Domestic wheat accounts for approximately 10% of the wheat on the market in Japan. Currently, surveys of radioactive contamination in harvested wheat are implemented and published those data by each local authorities. Based on the results, systems have been maintained about wheat that ensure to provide safe flour.

**Anan** It is not well known that the contamination is being measured carefully. Some consumer might concern about that.

**Minamisawa** We recognize that the flour milling is the most upstream in the processing of wheat, so in case of our negligence of safe products might cause to problems for the baking, confectionary and noodle sectors, and finally consumers. We are making our best effort to ensure the safety of flour products distributed on the market.

**Aizawa** We believe that it is really important to win the trust of our customers with kindly enough explaining about our stance and approaches.

**Minamisawa** Confused about radioactive contamination, it was the same situation for both of consumers and we manufacturers. After the nuclear accident, we gathered information as hard as we could. It would be good for both of consumers and manufacturers to understand and cooperate to find a better way to move forward.

**Anan** Understanding each other is really important.

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### *The right to choose and the empowerment of consumers*

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**Minamisawa** The CR Office was established in 2009 under the directly rule of the top management. We accurately ascertains consumer's attitude and social trends, and contribute to integrate our customer. In ISO 26000:2010 for social responsibility, "consumer issues" is addressed as one of the core subjects.

**Anan** Under the Consumer Basic Act, protecting the consumers rights and helping consumers to be self-sufficient are priority issues for the Consumer Affairs Agency. The consumers themselves actively gather information, act rationally and build a sound civil society. That is the responsibility of consumers as members of society. I think that the role of consumer groups is to support consumers in those efforts.

**Minamisawa** Companies create markets with better products, and provide information so that enable consumers to make better choices. Reliability is the key to consumer's choice.

**Anan** We used to demand for safe and quality products, and ran strong campaigns confronting companies. We





The spaghetti has symbolic windmill shape, it can be boiled in only 3 minutes. It is an advanced, rapid-boiling spaghetti that combines rapid cooking with the delicious al dente.

no longer take that pursuing approach. Now we help companies to grow by planning and offering for useful products those consumers should use in their daily lives. As seen in the case of the recent radioactive issues, consumers cannot act without studying, it is necessary for consumers themselves to understand true and right things, and companies are required to provide information that meets the needs of consumers.

**Minamisawa** I think it is also worth to develop disclosures rules for consumers and manufacturers.

For example, food labeling system in Australia and New Zealand enable to consumers to make informed choices. That is designed in descending priority order of food safety, preventive health, new technologies and consumer values issues.

**Anan** Food labeling system in Japan is based on a various range of laws, and they became difficult to understand. Discussions have begun revising this system to be consolidated. Now it is necessary to reconfirm “the right to choose of consumers” and assemble the new system from scratch.

**Minamisawa** If we could share priorities of risk related with food safety for consumers, we will reach a reasonable result for consumers and manufacturers.

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## *A virtuous cycle building trust*

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**Aizawa** Regarding consumer issues in ISO 26000, it is particularly important to lean how to realize appropriate consumption for a sustainable society.

Here we would like more consumers to know about our rapid-boiling spaghetti “Super Pront”, which provides solutions to environmental and consumer issues.

The unique shape of the spaghetti enables to shorten its

boiling time by just 3 minutes instead of usual 7 minutes. It is a good combination of speed with the deliciousness of an al dente texture. Since it reduces the amount of CO<sub>2</sub> emissions from cooking, the spaghetti can be said an environmentally friendly product.

**Anan** You have come up with an incredible product.

I often think that it would be good to have something like an ingredients guidebook that contributes to sustainability. Moreover, as a consumer group, I would like to provide information for discovering and fostering these kinds of useful products for living going forward.

**Aizawa** We actively set dialogue meetings with consumer groups at our plants to share and to exchange of views each other. We focus on making better understanding of actual manufacturing processes by plant tour and answering their questions that they have been concerned.

**Minamisawa** At the dialogues, we also plan tasting of bread and noodles, to give them a strong appreciation of the diversity of wheat.

**Anan** It seems there are many consumers who have non-biased ideas and seek their own information for their understanding. I am trying to know widely about things I learned through these kinds of dialogues with manufacturers.

**Aizawa** It is really important to bring us closer and build relationships of trust that enable us to talk together anytime.

**Minamisawa** Thank you for taking the time to talk to us today.

# Our Commitment to the Environment

Recognizing that our business activities affect the entire planet and that protecting the global environment is essential for our survival and activity, we work voluntarily and proactively to protect the environment in keeping with the Nisshin Seifun Group's Basic Environmental Policy, including initiatives to reduce waste and CO<sub>2</sub> emissions and to effectively use resources and energy.

## Nisshin Seifun Group Environmental Policy

### [Concept]

Protecting the global environment is an issue of concern to the entire society so that humankind can live and develop. Doing business as a member of society, Nisshin Seifun Group must deal with this as their most important management issue. Our mission, to contribute to a healthy and fruitful life for all, is founded on the guiding philosophies of business being built on trust and meeting the needs of the times. We are deeply aware that our business is a member of the global society, and we aim to protect the environment on a global scale as we engage in free and vital business.

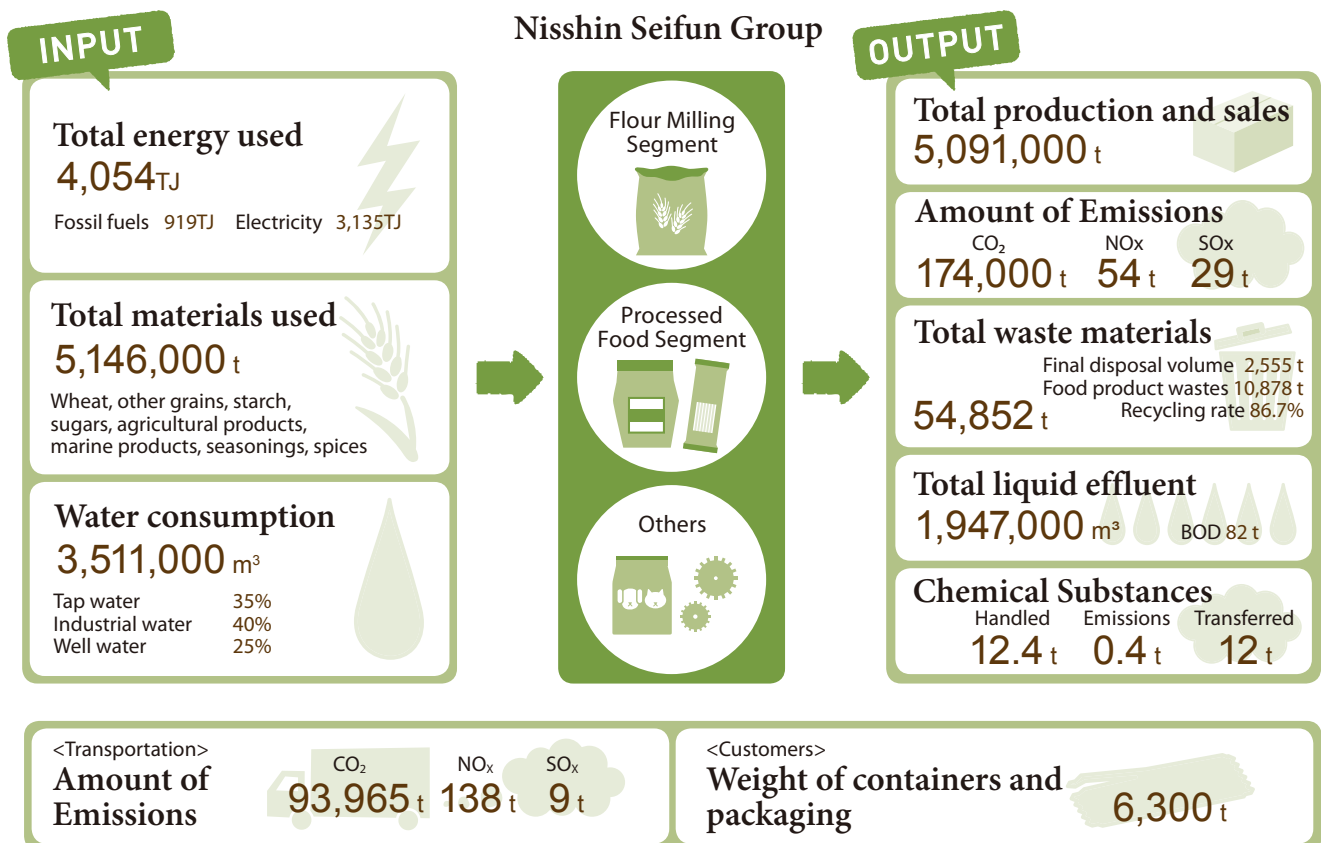
### [Code of Conduct]

- Fully consider the environment in all our activities
- Compliance with environmental laws and regulations
- Reduce our environmental impact on air, water and soil
- Provide information and education relating to environmental protection to our employees
- Disclose information appropriately
- Be actively involved in local environmental protection initiatives
- Fully consider protection of the local environment at overseas businesses
- Consistently improve by setting targets and reviewing environmental issues

## Material Balance

We have identified the major environmental impacts of our operations as electricity and water consumption, CO<sub>2</sub> and waste emissions.

We strive to promote effective environmental management and reduce environmental impacts through such means as understanding our footprint from production and distribution to consumer use and eventual disposal of residual packaging.



### Data reporting period and calculation

The data reporting period is from April 2010–March 2011. Data were calculated and are reported based on Environmental Reporting Guidelines 2007.

## Environmental Management

Under the leadership of the Director for Environmental Issues, we implement Group Environmental Policy to conduct business in an environmental responsible manner.

We evaluate each business site, including offices and plants for compliance with laws and regulations through internal audit according to our stringent standards.

We also ensure our continuous improvement through group-wide certificated Environmental Management System under ISO14001.

### Scope of Group ISO14001 certification

Japanese production plants, silos, research labs, head office, local office sales departments and other departments at Nisshin Seifun Group Inc. / Nisshin Flour Milling Inc. / Nisshin Foods Inc. / Nisshin Pet Food Inc. / Nisshin Pharma Inc. / Nisshin Engineering Inc. / Nisshin Associates Inc. / Nisshin Grain Silo Inc. / Hanshin Silo Co., Ltd. / Ma•Ma-Macaroni Co., Ltd. / Daisen Ham Co., Ltd.

### Group environmental audit record

	Number of operating companies	Number of sites	Results	
			Improvement orders	Improvement recommendations
FY2008	13	31	15	10
FY2009	11	27	6	2
FY2010	10	30	4	6

## Climate Protection

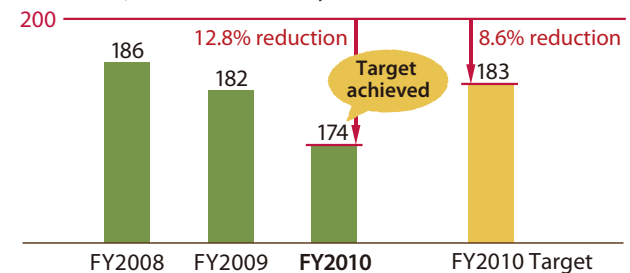
CO<sub>2</sub> emissions from the Nisshin Seifun Group totaled 174,060 tons in FY2010 and we reduced our emissions 4.5 % from the previous year and 12.8% from FY1990 levels.

We have adopted various energy-saving strategies at installations such as converting boiler fuel from oil to natural gas at plants and LED lightings at offices and storage buildings.

Finally, we made efforts to reduce CO<sub>2</sub> emissions in spite of increases in production volume in FY2010. We continue to strive for further progress.

### Trend of CO<sub>2</sub> emissions (excluding transportation and delivery)

(1,000 t-CO<sub>2</sub>/year) — FY1990 (Base year)



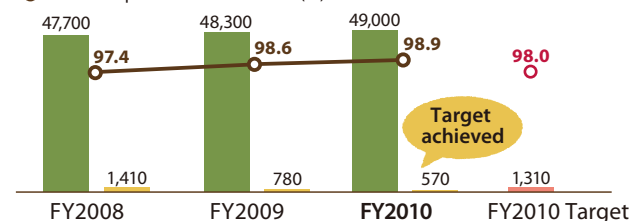
## Waste Reduction and Efficient Use of Materials

Total emissions of waste in FY2010 were 49,000 tons, up from the previous year along with the increase in production. The volume of waste going to final disposal dropped to less than FY2009 levels and 98.9% below FY1990 levels, thereby meeting our target.

We promote good operating practices that reduce waste, such as improvement of production efficiency and inventory control to eliminate the accumulation of preventable emissions.

### Final disposal wastes results and target

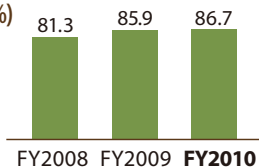
■ Total waste emissions (t) ■ Amount of disposal wastes (t)  
○ Rate of disposal waste reduction (%)



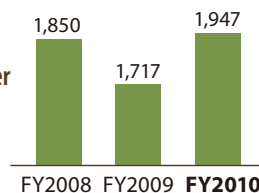
\* Reduction ratio of landfill = (1 - Amount of landfill of the year / Amount of landfill in FY1990) × 100

\* Excludes overseas sites and Initio Foods Inc.

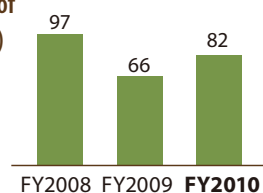
### Trend of recovered resources ratio (%)



### Trend of total amount of discharged water (1,000 m<sup>3</sup>)



### Trend of BOD (t)





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