Since 1913, Nestlé in Japan has enjoyed presence in Japan, and will celebrate its 100th anniversary soon. Our mission in Japan is to delight the Japanese consumers by bringing them high quality branded products with nutritional values, leveraging our strengths as a global company.

Like Nestlé in many other countries, Nestlé in Japan strives to create value not only for our shareholders but also for society. We call this Nestlé’s advanced CSR, “Creating Shared Value”, and engage in various activities. We also place importance on our connections with local communities.

We are pleased to share with you some examples of our activities from the following four viewpoints: our activities in "Nutrition" to help realize healthier diets, "Water and environmental sustainability" mainly promoted at factories, "Our People", our focus on our employees, and "Social Contribution and Volunteer Activities."

Photo: Nestlé Healthy Kids Program (Cooperation from Takehaya Elementary School attached to Tokyo Gakugei University)
Nutrition

Ever since Henri Nestlé developed a dairy product for infants and saved the life of a child, Nestle has cultivated business strategies for Nutrition, Health and Wellness to this date. With science-based solutions, we are striving to improve the quality of life through food and diets, with our major goal of producing tasty and nutritional food and beverages that have minimal environmental impact. We also aim to generate greater awareness, knowledge and understanding among consumers through clear, responsible communication.

Products

Daily Diet Bringing Good Taste and Health

The world's leading coffee brand NESCAFÉ started Polyphenol Communication in 2010, communicating the fact that coffee has a high polyphenol content and that NESCAFÉ is the leading source of polyphenol intake for Japanese. In 2011, turning our attention to "coffee polyphenol (chlorogenic acids)" which is abundantly contained in unroasted green coffee beans, we launched NESCAFÉ KIMAME BLEND which contains about twice as much coffee polyphenol as existing NESCAFÉ by using technology to blend green and roasted coffee beans and extract. We placed a "coffee polyphenol mark" on NESCAFÉ product packages and started proposing to consumers the smart intake of polyphenol through NESCAFÉ along with well balanced meals.

Nestlé MILO, a tasty malt beverage supplementing children with nutrition required for their healthy growth; MAGGI Bouillon that is free of 25 specified ingredients containing allergens and chemical seasoning; NESCAFÉ coffee mixes with reduced calories and fat; coffee creaming Nestlé BRITE and Nestlé KREMATOP – just some examples of products from Nestlé in Japan that are meeting the broad health and nutritional needs of Japanese consumers. Nestlé Purina provides a wide variety of healthy products in the pet care category such as the PURINA ONE series.

In the Area of Health Care Nutrition

Nestlé Nutrition provides healthcare nutrition products to patients via medical professionals such as doctors and registered dietitians. Since the 1980s when enteral nutrition officially started in Japan, the ISOCAL series has been used for over 20 years in hospitals and care centers nationwide. In particular, ISOCAL ARGINAID has recently been gaining respect as a product for those who spend most of their time in the same posture in beds. Since October 2009, the Nestlé Nutrition Heart-full Care Program has been
delivering products and nutrition related consulting services directly to out-patients discharged from hospital and their care givers via the dedicated call center and website.

Developed in 2009 in Switzerland, the "Mini Nutritional Assessment (MNA)" can easily evaluate the risks among malnourished elderly by simply asking 6 questions. It has been translated into over 20 languages and is used by medical and healthcare professionals in many countries. In Japan, we started introducing this convenient tool in 2010 through over 20 academic meetings including the Japanese Society for Parenteral and Enteral Nutrition (JSPEN) and seminars at 80 locations nationwide.

**Photo:** "Nestlé Nutrition Heart-full Care Program", a website supporting nutritional management at home (http://caring.nestlenutrition.jp/)

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**Leveraging Our Strengths as a Global Company**

**Globally Unified Nutritional Foundation**

At present, Nestlé produces more than 10,000 kinds of products worldwide, and approximately one billion Nestlé products are sold daily. In order to ensure that these wide ranging food products are safe and healthy, Nestlé has unique nutrition profiling standards set out for each category, setting rules for upper intake limits for nutrients that should be reduced and lower intake limits for nutrients that tend to be insufficient. Products satisfying these standards are considered to have the "Nestlé Nutritional Foundation", and they account for 96% of all Nestlé products in Japan. As for trans fatty acid for which guidelines were introduced in 2011 by the Consumer Affairs Agency, Nestlé established a strict policy concerning the amount of trans fatty acids contained in products in 1999 and has worked on product improvement by introducing the nutrition profiling standards in line with it.

**Nestlé’s Research & Development Network**

Nestlé has the world largest nutritional research network as a private organization with approximately 5,200 employees, and has "Nestlé Research Center" in Switzerland as the core center, as well as 28 research and development centers worldwide.

As part of "Nestlé Research Center (Switzerland)", "Nestlé Research Tokyo" opened in 2009 in the premises of the University of Tokyo focusing on fundamental research on nutrition and health. By starting the joint research program "Food for Life", various topics concerning health and nutrition are studied there such as "coffee and health", "healthy ageing", "metabolic syndrome" and "functional foods."

The Nestlé Science Promotion Committee, established in 1993 for the purpose of contributing to the development of nutritional science in Japan, was renamed the "Nestlé Nutrition Council, Japan" in 2005 and continues to provide assistance to young researchers while co-sponsoring research seminars, public seminars and scientific meetings.

**Communication**

**Via Packages**

The "Nestlé Nutritional Compass" has been introduced to almost all Nestlé product packages, displaying nutritional facts and product characteristic concerning nutrition and health so that consumers can choose products after obtaining sufficient nutritional information.

In order to help calorie conscious consumers control energy intake and lead healthier lives, we have introduced "Guideline Daily Amount (GDA) labeling" on product packages, showing energy amount and its percentage of the energy value according to the Nutritional Reference Value in Labeling (2,100 kcal/day as target).
A WEB magazine called “Nestlé Mind and Body Balance Magazine” is issued to support the wellness of consumers, providing helpful information concerning health of mind and body, including food and nutrition education games where information on nutrition can be learned with ease and fun. The “MAGGI Recipe Website” has all recipes designed to keep fat, salt and other key ingredients under appropriate levels set by Nestlé. A number of healthy recipes marked with a special “Wellness Recipe” icon are now available to introduce dishes that contain lots of vegetables or a high level of calcium or iron. Moreover, the “Nestlé Kids Challenge” offers two websites, “Kids Town” for children and “Mom and Dad Town” for parents, providing helpful information for health as well as food and nutrition education.

A recipe application for smartphones, "Nestlé Balance Recipes", has been available since June 2009. It provides appropriate nutritional and health information, such as approximately 1,600 recipes supervised by "food professionals" with specialized knowledge on nutrition, as well as a function for managing body weight and energy intake. Our iPhone application "Nestlé Balance Recipe" received “The 2nd Nikkei Net Marketing Innovation Award” in recognition of providing a new user experience by taking advantage of the characteristics of iPhone, a highly functional cell phone equipped with an accelerator sensor and a touch panel, and obtaining as many as 200,000 users.

At present, we have more than 870,000 users including ipad and Android users.

The “Nestlé Wellness Kitchen” is an on-site cooking class providing cooking practice and drink tasting as well as helpful nutritional information and tips in dietary life that can be readily used. We offer two courses: Course 1 combines a food and nutrition lecture and a cooking class: a food and nutrition lecture on a theme concerning five nutrition and food categories of everyone's interest, i.e., calories, calcium, salt content, fat, and vegetables, and a cooking lesson introducing healthy menus using Nestlé products. Course 2 is a coffee class in which we offer knowledge on coffee and how to enjoy it. In 2010, 137 classes were held nationwide and the total number of participants exceeded 5,000. Even after the “NQ Nutrition Training” that began in 2007 was completed by all employees, Nestlé in Japan continues to enhance employee knowledge on nutrition via various tools.
Nestlé Healthy Kids Program

It has come to light that in Japan, children’s interest in "eating" and "moving their bodies", the foundations of mental and physical growth, is low, while few children are able to act proactively with confidence. As part of the "Nestlé Healthy Kids Global Program", a program was started in Japan in the spring of 2011 to support early elementary school-age children by "making their bodies healthy and strong", following the pilot period in 2010. In this program, we promote joint activities among schools, communities and families, with the aim of achieving the following three objectives:

- Help raise children with a positive attitude and an awareness that "I am in charge of building my own body."
- Get children involved in "making their own bodies healthy and strong" by learning about the body-food relationship in the "Nutrition (eating)" program and experiencing the fun of moving their bodies by playing tag in the "Exercise (moving body)" program.
- Nurture "social and people skills" and "consideration for others" in children.

In 2011, the program is scheduled to be implemented in about 1,200 schools nationwide, with approximately 120,000 children participating.

The Present and Future for Children

As food and nutrition education will be introduced into school education, we believe it is possible to bring this program into the classrooms. Group games such as tag are an important element in the growth of children until the age of around 12, however, the number of children who actually play tag these days has drastically decreased. In terms of food, children are eating meals with their parents and family members less frequently, depriving them of opportunities to learn manners and nurture their communication skills. Adults also need to seriously think about how to utilize the "dining table", the best place to teach nutrition for the body and mind and how human beings should live. Dining tables are a "place for leaning.” We sincerely hope that our new, unique program comprising food and nutrition education and exercise will achieve fruitful results.

Yukio Hattori, Member of Children's Health Committee, Nutrition Activity Promotion Conference, President of Hattori Gakuen; Member of "Shokuiku (Food and Nutrition Education) Promotion Committee" and "Investigative Committee for Basic Program for Shokuiku Promotion”
Water and environmental sustainability

Our ambition is to produce tasty and nutritious food and beverages that also leave the smallest possible environmental footprint, so we strive to continuously improve our operational efficiency and environmental performance. We apply a life cycle approach to assess the impacts of our own operations and products, as well as those associated with the wider value chain, thereby contributing to a better future and creating shared value both for Nestlé and society.

Methane Fermentation Wastewater Treatment System

With an investment of about 300 million yen, the Shimada Factory (Shizuoka Prefecture) installed a methane fermentation wastewater treatment system in 2004, becoming the first factory among more than 30 Nestlé coffee factories worldwide to utilize such a system. In the past, primary wastewater treatment required a large amount of thermal energy, but the methane fermentation method is based on biological degradation by anaerobic microorganisms (methane bacteria) and does not require energy such as steam. As a result, the factory’s energy usage has decreased substantially, achieving approximately 12% reduction in CO2 emission.

Furthermore, since 2005, the factory uses the bio gas (mainly methane gas) generated by the methane fermentation wastewater treatment system as supplementary fuel for the boiler, and the energy saving through this system is estimated to be equivalent to 70 liters of crude oil per hour.

Cogeneration System

The cogeneration system was introduced at the Himeji Factory (Hyogo Prefecture) in 2004 and at the Shimada Factory in 2006. Cogeneration, which is also called combined heat and power, is a new energy supply system that utilizes energy discharged during electrical power generation thereby increasing total energy efficiency.

The Himeji Factory achieved an extremely high total energy efficiency rate of maximum 92% (typically 70-80 %) by introducing a fuel supply system where LNG (liquid natural gas) is transported by tanker and stored in an LNG satellite in the factory.

Photo: Cogeneration Facilities at the Himeji Factory
These cutting-edge technologies have been highly acclaimed for their innovativeness and Nestlé received the Chairman's Award from the New Energy Foundation at the 9th New Energy Award in 2005. With this new system, we achieved approximately 19% energy saving and 30% reduction in CO2 emissions when compared with the previous system.

At the Shimada Factory, the use of traditional heavy fuel oil has been switched to more eco-friendly city gas, not only for the cogeneration system, but also for other combustion equipment such as deodorizing equipment and air heaters.

**Coffee Grounds Recycling for Thermal Energy Recovery**

The Himeji Factory and the Shimada Factory recycle the coffee grounds produced during the coffee extraction process and use them as fuel, while the steam generated by its combustion energy is used as a heat source in the factories. This coffee grounds thermal energy recovery system using a fluidized-bed boiler was installed at the Shimada Factory for the first time in Japan in 1983, and three years later at the Himeji Factory in 1986. The total investment amount was about 2 billion yen for the two factories.

Since approximately 20% of the annual energy consumption is served by this coffee grounds (biomass) thermal recycling at the Himeji Factory, this system was recognized as a pioneer case of biomass utilization and registered as No. 31 "Hyogo Biomass Eco Model" by Hyogo Prefecture in 2007.

**Non-Freon (CO2/NH3) Cascade Refrigeration System**

Nestlé was the first company in the world, in any industry, to develop the "Non-Freon (CO2/NH3) cascade refrigeration system", introduced to the coffee freeze-drying process at the Himeji Factory (Hyogo Prefecture) in 2005. As CO2 and NH3 are both natural refrigerants and circulate inside the system normally without being emitted into the atmosphere, the impact on ozone depletion and global warming can be minimized.

Nestlé is promoting Freon-free operations globally. In particular, Freon refrigerant in large freezers at coffee factories is being replaced in line with Nestlé’s removal plan, scheduled to be completed 10 years earlier than set out in the Montreal protocol. The Non-Freon cascade refrigeration system that was scheduled to be introduced at the Shimada Factory as its final phase was completed in May 2011.

**Obtaining International Standard Certifications**

All three Nestlé factories in Japan (Himeji Factory, Hyogo; Shimada Factory, Shizuoka; Kasumigaura Factory, Ibaraki) obtained certifications to three international standards, ISO14001 (environmental management system standard), ISO22000 (food safety management system) and OHSAS18001 (occupational health and safety management system) by December 2008.

**Nestlé's Environmental Activities**

While the production volume at the factories of Nestlé in Japan increased by 82% from 2000 to 2010, there were decreases in the total energy consumption, the total greenhouse gas emission, the total water consumption, and the total water discharge.

**Improving Environmental Performance in Manufacturing**
Recycling Activities at Factories

Since 2010, the Shimada Factory has been recycling the coffee grounds produced during the coffee manufacturing process into culture soil. Coffee grounds used as landfill in the past are now fermented and donated to the local "Rose Hill Park" in Shimada.

Toward the realization of a recycling society, the Kasumigaura Factory manufacturing KIT KAT engages in recycling all food waste into animal feed. Food wastes such as wafers are transported to places such as ostrich farms, hog farms, or cow farms nearby and are used as animal feed.

Photo: Food waste at the Kasumigaura Factory being transported to a cow farm

Reducing Our Environmental Impact

In September 2010, the package for Soluble (instant) Coffee NESCAFÉ Eco & System refill was renewed to an eco-friendly, easy-to-recycle paper package. By adopting the paper certified by the Forest Stewardship Council (FSC) and eliminating the plastic cap from the old package, the package weight was reduced by 85% on average compared with the weights of old bottle products, realizing a substantial reduction in weight.

In the Carbon Footprint (CFP) System trial project promoted by the Ministry of Economy, Trade and Industry (METI) and the Ministry of Agriculture, Forestry and Fisheries (MAFF), Nestlé in Japan has played a key role in establishing rules for the CFP calculation and labeling in the instant coffee and chocolate categories, and defined the Product Category Rules (PCR). As for the Water Footprint (WFP), a concept becoming increasingly important especially in Europe, Nestlé in Japan is also expected to play a key role as a member of the WFP Japanese national committee promoted by METI and other related organizations.

* What is FSC? The Forest Stewardship Council (FSC) is a third-party organization with one of the most reliable forest management certification systems in the world and aims to conduct activities to promote sustainable forest conservation. The FSC's certification system evaluates forest management and logging and has its own logo on products produced from the forest for distribution.

Realizing Eco-Friendly Transport and Distribution

In 2009, NESCAFÉ Canned Coffee was certified for the “Eco-Rail Mark” established by the Japanese Ministry of Land, Infrastructure, Transport and Tourism (MLIT) and the Railway Freight Association for using railroad transport that is said to emit only one seventh of the CO2 emitted by road transport.

In addition, Nestlé received the "Best Supporter of Eco-ship Modal Shift Project" award from the Director-General of Maritime Bureau, MLIT in 2010, for completely switching the delivery mode to ferry for the delivery of products produced at three domestic factories to Hokkaido.

We actively engage in direct delivery of products from our factories to customers, instead of routing through warehouses at various locations, enabling us to distribute fresher products as well as to reduce transportation distance and food mileage. The direct delivery of NESCAFÉ PET Bottled Coffee started in 2007 and direct delivery to Okinawa by ferryboats began in 2010. We plan to further identify opportunities for eco-friendly transport and distribution.

Photo: 2010 Best Supporter for Eco-Ship Modal Shift Project Award Ceremony

Company Cars

Nestlé drew up a “Car Fleet Roadmap” globally to reduce emission of CO2 and gasoline consumption. Replacement of company cars is underway at Nestlé in Japan as well. About 100 company sedan cars including executive cars are being replaced with environmentally superior hybrid cars, while about 500 vans used for sales activities are being replaced with eco-cars when cars that satisfy the latest gas emission standards are released.

Photo: 2010 Best Supporter for Eco-Ship Modal Shift Project Award Ceremony

Replacing company cars with eco-cars to reduce CO2 emission and gas consumption
Our People

Nestlé is convinced that it is our people who form the strength of the Company and the hiring of people who share our values and principles is essential for us. The overriding principle is that each employee should have the opportunities and support they need to fulfill their potential in a safe and fair workplace where they are listened to and valued, and where diversity and equality are respected. Long-term investments in training and professional development give our people better job opportunities and provide Nestle with the skilled workforce we need to succeed.

Realizing a Flexible Work Environment

In Nestlé in Japan, we are convinced that a flexible and supportive work environment is essential to sustaining and developing our business. Since January 2009, we have been promoting “Weekends start on Fridays at 17:45 (end of a regular workday)!” to make it a practice to go home on time, as well as “no internal meetings after 6 p.m.”, and “flexible lunch time with no time restriction”, in order to create opportunities to improve “work-life harmony” for employees.

Diversity@Nestlé in Japan

Diversity is part of Nestlé’s core values, and its promotion by prioritizing gender balance in particular is one of the important drivers for the Company to evolve into a recognized leading “Nutrition, Health and Wellness” company. It is important to employ diverse individuals on a long-term basis and create an environment with gender balance where people are highly motivated to work and are able to develop and demonstrate their capabilities.
In addition to the global programs, Nestlé in Japan has been building a corporate culture for the promotion of diversity through the appointment of a Diversity Manager in 2009 and by holding workshops, while task forces have been established to address three specific areas of focus, “Diversity in Sales”, “Diversity in Factories”, and “Women and Leadership.” In 2009, the Nestlé in Japan Gender Balance Vision for the next 10 years was set forth, and a “mentoring program” started in 2010 to provide continuous career building support for female employees through conducting twice a month one-on-one phone or in-person consultation with experienced executives and management members. As for childcare support, both male and female employees are now entitled to take up to 10 days of paid childcare leave, while a new program was started for employees who are entitled to take prenatal maternity leave, childcare leave and family-care leave, allowing them to work from home for up to 6 months per application.

We received the “2010 Kobe Male/Female Lively Business” award in 2010 from the City of Kobe where our head office is located in recognition of our steady engagement in the “creation of a workplace utilizing both male and female human resources” under the awareness that “Diversity is a business imperative.”

In June 2011, we obtained the “Next-Generation Certification Mark (‘Kurumin’)” in recognition of the formulated action plans and activities conducted based on the “Act on Advancement of Measures to Support Raising Next-Generation Children.”

**Mental Health Training**

Aspiring to be a leading company in "Nutrition, Health and Wellness", Nestlé has been conducting "Mental Health Self Care Training" for all employees since 2010 to support their mental health as a first step to “Wellness”. The purpose of this training is to help employees enhance their understanding of mental health and enable them to maintain and manage it by themselves.

**Health and Safety – CARE Program**

All three Nestlé factories in Japan (Himeji, Shimada and Kasumigaura) are certified to OHSAS 18001 (Occupational Health and Safety Management System).

Information on accident free days (continuous days without lost time injuries) is posted on the intranet to increase awareness of safety in workplaces. CARE (Compliance Assessment of Human Resources, Occupational Health and Safety, Environment and Business Integrity), Nestlé’s independent audit program in the respective four areas, has been implemented to cover all Nestlé in Japan locations since 2007.
Building a Dynamic Team

In order to contribute to society as a "nutrition partner that customers can trust", it is important to build a dynamic team where individuals with various personalities work hard and learn from one another. From 2011, we plan to hire a wide range of personnel who can lead Nestlé in the next generation through the new process of new graduate recruitment.

The difference from the former process is a particular focus on having job-seeking students and Nestlé "get to know each other." We will further enhance the contents of internships and trial work. Through these opportunities, students will be able to understand what kind of company Nestlé is and what is required of them to play an active role here. We will do everything we can to make finding employment in Nestlé an encounter that will bring about long-term value creation to the employee as well as Nestlé.

Kozo Takaoka
Representative Director, President and CEO
Nestlé Japan Ltd.
Social Contribution and Volunteer Activities

Disaster Assistance

Nestlé in Japan had first-hand experience of the 1995 Great Hanshin-Awaji Earthquake with its head office located in Kobe, and we now actively provide support for people affected by large-scale natural disasters.

For the Haiti earthquake in 2010, the company matched the amount of donations collected from employees enabling us to donate about 1.5 million yen to the afflicted area through the Japanese Red Cross Society.

Following the Tohoku earthquake and tsunami that occurred in March 2011, we donated a total of 12.5 million yen to the afflicted areas based on the aforementioned matching gift program through the Japanese Red Cross Society, in addition to 127 million yen worth of products including mineral water, chocolate, and pet food. At Nestlé in Japan, we are doing everything we can as a food and beverage company to contribute to the restoration of the afflicted areas. Examples include additional job recruitment targeting afflicted people by establishing “special recruiting slots for Tohoku” and launching Nestlé KIT KAT Zunda Flavour which includes a donation (10 yen per product) in the product price to support those who have been afflicted.

Environmental Preservation Activities

In support of Rokko Mountain Range Greenbelt Development Project, we have been participating in the forest caretaker activity since 2009 to restore forests and make them more disaster resistant. We are conducting maintenance such as thinning and tree planting in our area at the foot of Mt. Rokko.

Community Clean-Up Activities

In support of Mt. Fuji Club, an environmental NPO, Nestlé in Japan has been participating in Mt. Fuji clean-up activities twice a year since 2009. Nestlé employees also participate in clean-ups of Mt. Rokko and Suma beach near its Kobe head office, in addition to company-wide clean-up hiking and clean-ups around the offices and factories on a regular basis.

Collect and Donate

We take part in the activities of the “Eco Cap Promotion Network”, a specified nonprofit organization promoting volunteer activities to donate vaccines to underprivileged children around the world by collecting and recycling PET bottle caps. Through the Japanese Organization for International Cooperation in Family Planning (JOICFP), Nestlé employees take part in charitable activities to collect Bell Marks cut out from products, used stamps, cards and other items.

Blood Donation

The Kobe head office, factories and offices in Japan are continuously promoting blood donation activities through blood collection buses. In 2009, we received a merit award from the Japanese Red Cross Society in recognition of our continuous cooperation with Red Cross blood donation for over 30 years.

Food Bank

Nestlé in Japan is cooperating with Second Harvest Japan and Food Bank Kansai, major food bank NPOs in the free supply of food products. Since our cooperation started in September 2008, we have been providing beverages and many other products by asking them to take necessary measures to control temperature and prevent resale.

*Matching Gift Program: A program where the company will match charitable contributions made by their employees for the purpose of assisting social contributions by its employees.

*Food Bank Activities: Activities to distribute and supply to
NPOs and welfare facilities food and beverage products donated by food manufacturers or individuals for free of charge.

**Activities in Sponsored Events**

Nestlé in Japan is cooperating with the "Kobe Luminarie Heartfelt Day" which started after the Great Hanshin-Awaji Earthquake in 1995. At the site, many of our employees participate in the event as volunteers and welcome visitors every year.

"Heartfelt Day" Filled with Smiles

Kobe Luminarie holds a "Heartfelt Day" before the official festival period for people with disabilities, in the hope that they will be able to enjoy the lights at leisure. On the Heartfelt Day, we are deeply moved by seeing how Nestlé in Japan employees cordially welcome visitors, as well as the site filled with the cheers and smiles of visitors. The event is highly appreciated by the visitors and we receive a lot of appreciative words.

We would sincerely like to pay our respect and express our appreciation to Nestlé in Japan for their long-term cooperation with us as a Heartfelt Day sponsor since 2001.

Masanori Shimizu
Director
Kobe Convention & Visitors Association