

Activities in Japan

Nestlé recognizes its role not only to pursue opportunities for business but also to assume responsibility in resolving challenges in social engagement. Based on this idea, like Nestlé in many other countries, Nestlé-in-Japan is involved in Nestlé’s advanced CSR, that is, Creating Shared Value in various activities to create value not only for our shareholders but also for society.

The previously released Creating Shared Value report was renamed Nestlé in society: Creating Shared Value (CSV) and meeting our commitments in 2012. In other words, our CSV efforts toward compliance and sustainability are summarized in the concept of Nestlé in Society, and our commitment to these efforts is manifested in specific policies. We are pleased to share with you some examples of our activities in CSV and related areas (i.e., efforts toward compliance and sustainability) from the following four viewpoints: our focus on “Nutrition” to help people realize healthier diets; “Water and Environmental Sustainability” promoted mainly at factories; “Our People”, our focus on our employees; and “Social Contribution and Volunteer Activities”. It is also our privilege to introduce our “Continuous Support after the Great East Japan Earthquake” as well as the Creating Value for Society business concept.



Nestlé Healthy Kids Program



Table of Contents

N-1	Activities in Japan	N-6	Nutrition
N-3	Continuous Support to Areas Affected by the Great East Japan Earthquake	N-11	Water and Environmental Sustainability
N-4	Creating Value for Society	N-14	Our People
		N-16	Social Contribution and Volunteer Activities

Activities in Japan

Message from the top



Kohzoh Takaoka,
President and CEO Nestlé Japan Ltd.

Nestlé's establishment in Switzerland can be traced back to its founder, Henri Nestlé, who developed milk food for infants following concern over a high infant mortality rate due to malnutrition. Ever since our establishment in 1866, Nestlé's fundamental strategy of creating value for society and, in turn, creating value for our stakeholders, has not changed over a period of about 150 years.

The "Nestlé Management and Leadership Principles", a document that lays out the fundamental values and principles to which all employees should adhere, clearly states that Creating Shared Value (CSV) is the basis of our business development. Thinking of ways to create value for the various stakeholders involved in our day-to-day business activities is both the responsibility and honor of every employee.

Nestlé Japan, established in 1913, celebrated its 100th anniversary in April 2013. Our mission here in Japan is to maximize our strengths as a global company to revitalize Japanese consumers and help them realize healthier diets. While we will remain true to this mission, we will also focus on providing even more value. And we are determined to do our best to become the company most trusted and respected by each one of the stakeholders in Japan.

Continuous Support to Areas Affected by the Great East Japan Earthquake



Takami Park in Minami-soma city, Fukushima, an area where children can play to their heart's content amid nature.

Nestlé-in-Japan has experienced the warm support from the people of Japan after our head office in Kobe was destroyed in the Great Hanshin Earthquake in 1995. Therefore, we have been doing everything we can as a food and beverage company to contribute for a quick recovery and reconstruction of the areas in the Tohoku region that was severely damaged by the Great East Japan Earthquake on March 11, 2011. Even after 2012, we have continued to contribute to the restoration of the areas, including cooperation through business activities.

Kitto Zutto Project to support the Sanriku Railway - For full bloom of Sakura smiles in Sanriku-

The KIT KAT brand with its concept "Dreams will surely come true" started the "Kitto Zutto Project" in March 2012 to help restore the Sanriku Railway in Iwate prefecture that was severely damaged in the Great East Japan Earthquake. That same month, we started selling World Variety KIT KAT mini in which 20 yen from every package sold was donated to a relief fund for earthquake victims. In total, 900,000 packages were sold, amounting to 18 million yen of relief money, which was donated to the

Sanriku Railway. On the Sanriku Railway Minami-Rias Line, which resumed operation in some segments in April 2013, a train adorned with a Sakura (cherry blossoms) motif, Kit Zutto Train No.2, was unveiled to the public. Yoshihama Station, which was the starting point for the resumption, was decorated with Sakura art, and the pedestrian overpass was decorated with a Sakura motif to represent hope. Also, uplifting photos were posted on Facebook depicting smiles from people all over the world. Toward a full resumption of all the railway lines in 2014, Nestlé-in-Japan continues to support the regions along the lines.

Support Tohoku with NESCAFÉ ECO & SYSTEM PACK! Campaign—Parks completed in disaster-affected area bringing together nature and people

From March to April of 2012, Nestlé-in-Japan implemented the joint campaign, "Support Tohoku with NESCAFÉ ECO & SYSTEM PACK!" with TOPPAN PRINTING CO., LTD. The idea was that 10 yen from every NESCAFÉ ECO & SYSTEM PACK sold was donated to support activities in Miyagi, Iwate, and Fukushima prefectures for the restoration and sustainable development of disaster-stricken Tohoku.

The total relief fund reached about 36 million yen. Among ideas for support activities solicited from members of Nestlé's community site Kenjin Commu, "creating a park that brings together nature and people" was chosen, and by the spring of 2013, such parks were created and opened in three areas: Tadakoshi area, Kamaishi-city, Iwate; Kaisei area, Ishinomaki-city, Miyagi; and Ichihara area, Minami-soma-city, Fukushima. In the course of building the parks, we received cooperation not only from the "Support Tohoku with NESCAFÉ ECO & SYSTEM PACK!" campaign, but also from other companies. The completed parks contain playground equipment that will no doubt bring joy to everyone, from small children to the elderly.

Cooperation for Community Café Hana-so

Nestlé-affiliated L'Oréal established the Community Café Hana-so in Ishinomaki city, Miyagi prefecture, in order to foster relations among community members. Nestlé is providing such products as NESCAFÉ GOLDBLEND BARISTA machines, bottled coffee, and KIT KAT to create a relaxing environment for coffee breaks at the café.



Yoshihama Station decorated with Sakura art

Creating Value for Society

Every day brings new challenges in an ever-changing Japanese society. We would like to tackle these challenges through innovation and contribute to solving them through our business activities.

Make Your Office Enjoyable Through NESCAFÉ AMBASSADOR members!

There are as many as 5.3 million small-sized businesses (with 20 or fewer employees) in Japan, most of which do not have beverage vending machines inside their offices. Employees usually bring in coffee or other drinks themselves. Recently, space for water heaters or hot water kettles have been removed from offices to reduce costs, making it more difficult for employees to take coffee breaks during office hours. Under such circumstances, our NESCAFÉ GOLDBLEND BARISTA, which is a convenient coffee machine for the office and serves as a communication tool with which you and your colleagues can make coffee together while enjoying conversation, has made its way into offices.

In light of these recent trends, we started recruiting for NESCAFÉ AMBASSADOR members so that the NESCAFÉ GOLDBLEND BARISTA machine could be used for free in offices, with the concept *Make your*



The number of applications for NESCAFÉ AMBASSADOR members now exceeds 80,000
<As of May-end 2013>

office more enjoyable. The NESCAFÉ AMBASSADOR members post photos on Facebook taken in offices every day, depicting the smiles of working people. Through a cup of NESCAFÉ, smiles are contagious, spreading from office to office around Japan.

In the future, as we continuously expand our community of NESCAFÉ AMBASSADOR members, we will aim to develop and improve our services hand in hand with the members under the theme of *Co-creation*.

Cheer Up Local Regions with Souvenir Goods and Collaboration with Local Firms

KIT KAT sells a series of souvenir products only available through souvenir shops in limited regions. From the north, with its trademark Zunda flavor in Tohoku, to the south that boasts its Murasaki sweet potato in Okinawa and Kyushu, the KIT KAT local souvenir series comes in 17 local flavors around the country (as of August 2013). These special KIT KAT products, which are not usually available at supermarkets or convenience stores, are well received as a

souvenir from leisure or business trips.

In addition, KIT KAT souvenir products highlight local specialty flavors, developing products jointly with local popular companies. Our partners come from a wide range of regions and fields, including Tamaruya Honten (Wasabi horseradish) from Shizuoka/Kanto, Yawataya Iso Goro (Ichimi cayenne pepper powder) from the Shinshu region, and Shogoin Yatsunashi (Japanese confectionery) and Itoh Kyuemon (Matcha green tea), both from Kyoto. In collaboration with these long-established companies, we have proceeded with the development of social products to raise morale in local regions.

Help Examinees Feel Refreshed

With its slogan "Have a break; have a KIT KAT" products have been designed for consumption during breaks since its first launch in Japan in 1973. The idea of KIT KAT as a break-time snack has been put to unexpected use: for example, in the early 2000s, it was found that from a Kyushu dialect "Kitto Kattou" meaning "we will surely win", students preparing for exams and people supporting



NESCAFÉ GOLDBLEND BARISTA provided for FREE

them gave them KIT KAT, believing they would bring good luck. Since then, we have been promoting activities using KIT KAT for examinees to relieve their stress and anxiety. This campaign to cheer up test-taking students, which has evolved from our wish to help examinees feel refreshed, celebrated its 10th anniversary in 2013. Currently, about one out of two examinees gives or gets a KIT KAT during the entrance exam season, and about one out of five brings KIT KAT to

his or her examination site.

Furthermore, to extend the network supporting examinees, we have collaborated with other firms and organizations that are just as committed. Hotel sampling is just one activity we have been involved with from the early days of our cheer-up campaign. Test-taking students who stay at sponsoring hotels—currently more than 300 hotels throughout the country—can get KIT KAT along with a cheer-up message, which totals

more than 100,000 packages.

KIT KAT Kit Mail, which was developed jointly with Japan Post and became commercially available from 2009, is the world's first chocolate that can be stamped and mailed as-is. Only sold through post offices, the KIT KAT Kit Mail with a cheer-up message can be sent to test-taking students living in a remote location.



KIT KAT Kit Mail



From KIT KAT local souvenir series

Nutrition

Since its establishment, Nestlé has developed business strategies for Nutrition, Health, and Wellness. With science-based solutions, we are striving to improve people's 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.

Nestlé Healthy Kids Program

Nestlé believes that education is the best tool to make children more aware that nutrition knowledge and good exercise can keep them healthy throughout their lives. In 2009, Nestlé started the Healthy Kids Program, which is designed for school-age children worldwide to

improve their knowledge and practical skills regarding nutrition, health, and wellness. Also in Japan, the "Karada Zukuri" program for children in the lower grades of elementary school was launched in 2011, providing educational materials to around 120,000 children at about 1,200 schools in 2011. An improved version of the program that can also cater to children in the upper grades was provided to around 250,000 children at 1,360 schools in 2012.

The nutrition program teaches about the relationship between food and the body and the exercise program to experience the joy of physical activity through games such as our original Healthy Kids Oni-gokko (tag) where children can review what they learned in the nutrition program. Also at Nestlé-in-Japan factories, Healthy Kids Program events are being held for local elementary school students and employees' families.



Nestlé Healthy Kids Program Logo



Children learning about nutrition



Chiharu Tsutsumi, Member of the Children's Health Committee, Nutrition Activity Promotion Conference, Nutrition Director, Research Department of Maternal and Child Health, Japan Child and Family Research Institute, and Imperial Gift Foundation

Stakeholder voice

Fostering a sense of balance

Eating is something we do daily, and we tend to assume that skipping just one meal will do no harm or it may be OK to eat extra just for today. However, because eating is a daily and repeated activity, we need to reconsider its importance and eat a balanced diet in healthy portions with relish and fun.

Food and nutrition education is largely influenced by adults' behavior, so adults who spend time with children are encouraged to show more interest in their food choices and demonstrate positive behaviors.

To foster healthy growth, it is also important to develop a good sense of balance to improve one's lifestyle, including meals as well as exercise and rest. In this respect, I hope this unique, distinctive program will be widely used.



Photo taken from Nestlé Wellness Kitchen

Food and Nutrition Education Activities

The Nestlé Wellness Kitchen is an on-site cooking class providing cooking practice and beverage tasting as well as helpful nutritional information and tips readily used in dietary life. We offer two courses: one course is NESTLÉ MILO Asakatsu Cooking Class, combining a food and nutrition lecture with a theme of nutrition for breakfast and balanced diet, and a cooking lesson introducing menus using Nestlé products is also offered. The other course is a coffee class in which we impart knowledge about coffee and how to enjoy and appreciate it. In 2012, around 180 classes were held nationwide, and the total number of participants exceeded 6,700. Since its start in 2009, Nestlé has held about 550 classes in total with more than 20,000 participants, expanding our nutrition and health activities. Furthermore, the NQ Nutrition Training, which educates our employees about nutrition and health began in 2007, was

attended by around 226,000 employees around the world as of the end of 2012, and all employees in Japan have already completed this training. We continue to hold the training for new employees as well as marketing and development staff members and attempt to enhance employee knowledge on nutrition using various tools.

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 meets unique nutrition profiling standards set out for each category, adhering to rules for upper intake limits for nutrients whose excessive intake is detrimental to health, such as calories, saturated fatty acids, and sugar, 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 about 99% of all Nestlé products, excluding coffee machines 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 accordingly.

In the Area of Health Science

In our health science business, we provide healthcare nutrition products to meet the diverse needs of patients and medical professionals. Some of our well-known brands include dietary supplements, such as ISOCAL for those who cannot take food by mouth and bed-ridden patients; the nutritional supplement RESOURCE, suitable for certain nutritional needs of patients from infants to the elderly; and PEPTAMEN, for patients requiring concentrated nutritional care.

We are currently delivering these products to around 8,000 medical and nursing facilities throughout Japan, while also providing nutrition care information. In addition, the “Nestlé Health Science Heart-full Care Program” is delivering these products via a call center and website and is responding to inquiries about nutrition care from patients and their families. Recently, we have been actively involved in efforts to spread the use of internationally developed and proven nutritional evaluation (assessment) tools in Japan, such as the “Mini Nutritional Assessment (MNA®)” that can easily evaluate the risks among malnourished elderly and EAT-10 to evaluate the difficulty in swallowing. In addition, we are working in collaboration with universities and other institutions to research the effectiveness of nutritional support for the elderly to be more active every day to prevent falling and promote rehabilitation.

Communication

<Via Packages>

The “Nestlé Nutritional Compass” has been introduced to almost all Nestlé product packages, displaying nutritional facts and product characteristics concerning nutrition and health on the back of the packages so that consumers can choose appropriate 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 the front side of product packages, concisely showing the energy amount and its percentage of the energy value according to the Nutritional Reference Value in Labeling (2,100 kcal/day as target).

<Via Website>

A WEB magazine called “Nestlé Mind and Body Balance Magazine” is issued to support consumers’ wellness. It provides helpful information concerning the health of the mind and body, including food and nutrition educational games for adults where information on

nutrition can be learned with ease and fun. The “Nestlé Balance Recipe” introduces about 2,000 recipes designed to keep fat, salt, and other key ingredients at appropriate levels set by Nestlé. A number of health and wellness recipes are available for dishes that contain plenty of vegetables or a high level of calcium or iron. Moreover, the “Nestlé Kids Challenge” offers useful content including “Kids’ Town” for children and other pages designed for parents. Popular among children and parents who can learn accurate nutritional information while having fun, these sites provide useful information concerning health, food, and education. The “Omoiyari Recipe TV” site shows short video clips of Nestlé employees preparing simple, healthy, and tasty dishes for the special people in their lives.

<Via Smartphones and Tablets>

A recipe application for smartphones, “Nestlé Balance Recipes”, has been available since June 2009. It provides beneficial nutrition and health information, including approximately 1,700 recipes supervised by food professionals with specialized knowledge on

nutrition, and helps consumers manage their body weight and energy intake. In addition, we have also introduced new content such as voice recognition for page scrolling and a weight control app for iPad. In 2012, we started providing “Nestlé UV Forecast” for those concerned about ultraviolet rays. Because of our continuous commitment to developing and updating digital content, the total number of downloads for smartphones and tablets has surpassed 2 million as of June 2013.

<Via Open Lecture>

In order to communicate the latest information regarding the high content of polyphenols in coffee, lectures including seminars cohosted by academic societies are being held annually to actively promote educational activities involving coffee polyphenols and health. In May 2013, the Nestlé-sponsored lecture entitled “Skin cell damage made by ultraviolet rays and protective effects of coffee polyphenols” was held at the 67th Annual Meeting of the Japan Society of Nutrition and Food Science in Nagoya, where the latest research results concerning the mechanism of



Nestlé Health Science - Supports the healthy daily lives of the elderly



Nestlé Balance Recipe
PC: nestle.jp/recipe/
Mobile: m.nestle.jp/recipe

spot generation and skin spot prevention effects of coffee polyphenols were presented.

Nestlé's Research & Development Network

Nestlé has the world's largest nutritional research network as a private organization with approximately 5,000 employees, and has the Nestlé Research Center in Switzerland as its core center, as well as 32 research and development centers worldwide.

As part of Nestlé Research Center (Switzerland), Nestlé Research Tokyo opened in 2009 on the premises of the University of Tokyo, focusing on fundamental research on nutrition and health. By launching the joint research program Food and Life, topics concerning health

and nutrition are studied there, namely coffee and health, healthy aging, metabolic syndrome, and functional foods. Nestlé Research Tokyo and the Food and Life research program with the University of Tokyo conducted the "Food and Life Science Forum-Sarcopenia and Aging/Significance of Nutrition and Exercise" in September 2012.

Sarcopenia, the age-related loss of muscle mass that may lead to falls and fractures, is emerging as a major health concern in Japan and many other developed countries. In this symposium, the leading lecturers presented the latest research results and views on how the combination of exercise and adequate nutrition tailored to the needs of the elderly can help prevent sarcopenia.



Photo taken from the Food and Life Science Forum



Minoru Yamada, Assistant Professor, Human Health Sciences, Graduate School of Medicine, Kyoto University

Stakeholder voice

By the time you reach 40 years old, your muscle mass will have gradually decreased, resulting in reduced muscle strength. Such age-related loss of muscle mass is called sarcopenia. As your muscle strength decreases, your movements will become limited. For example, you may experience difficulty in climbing up or down stairs, which may result in a physical condition requiring nursing care. What then?

The answer is to engage in preventive efforts while you are still fit and healthy.

Exercise and nutrition are the best ways to prevent or improve sarcopenia. It is important to eat enough protein, which is used to build muscle mass, and to develop good fitness habits. I believe that nutritional efforts by Nestlé will become even more important in the super-aging Japanese society.

Establishment of Nestlé Nutrition Council

Since 1993, the Nestlé Nutrition Council, Japan, which was established to develop nutritional science in Japan and disseminate information on nutrition and health, has engaged in activities that contribute to the progression

of nutrition science. In addition to providing grants and awards for assisting researchers, the council's major activities include holding multihued lectures on health and nutrition and publishing books by researchers from home and abroad. In 2012, eight grants were given to research projects and four awards to

young researchers. In addition, a lecture entitled "Nutrition and the immune system" was held, and a book titled "Nutrition in Epigenetics" written by top researchers was published.
<http://nncj.nestle.co.jp/ja>



Water and Environmental Sustainability

Our ambition is to produce tasty yet 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 impact of our operations and products, as well as those associated with the wider value chain, thereby contributing to a better future and creating shared value for both Nestlé and society.

Methane Fermentation Wastewater Treatment System

With an investment of about 300 million yen, the Shimada Factory in 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. This wastewater treatment 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 biogas (mainly methane gas) generated by the methane fermentation wastewater treatment system as supplementary fuel for the boiler, and the energy savings through this system is estimated to be at around 70 liters of crude oil per hour.

Cogeneration System

The cogeneration system was introduced at the Himeji Factory in 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 a maximum of 92% (typically 70–80%) by introducing a fuel supply system where liquid natural gas (LNG) is transported by a tanker and stored in an LNG satellite base in the factory. These cutting-edge technologies have been highly acclaimed for their innovativeness; in fact, 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 savings and a 30% reduction in CO₂ emissions when compared with the previous system. At the Shimada Factory, the traditional heavy fuel oil has been replaced with the 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 coffee extraction 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 at the Himeji Factory in 1986. Since approximately 20% of the annual energy consumption is served by these 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 in 2005. The system was



Bottled coffee manufacturing plant at the Kasumigaura Factory

also introduced at the Shimada Factory in April 2011.

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 are minimized. Nestlé has been committed to our 15-year plan to phase out Freon refrigerants at all factories that produce freeze-dried coffee, such as our NESCAFÉ GOLDBLEND. While Nestlé worldwide achieved complete removal of such refrigerants five years ahead of the target date set by the Montreal Protocol, Nestlé-in-Japan achieved its removal 10 years in advance of the deadline. Following installation of the new system, the Shimada Factory was able to reduce power consumption by 26% and water consumption by 15% between March and July 2011, compared to the same period in the previous year.

New Bottled Coffee Manufacturing Plant at the Kasumigaura Factory

At the new bottled coffee manufacturing plant of the Kasumigaura Factory in Ibaraki prefecture, which was completed in June 2012, a “sterile-filling process” generally requiring less water than with “UHT hot-pack filling” was adopted. In addition, with the most advanced machine introduced at the new factory, about 240 tons of water can be saved per day compared with the previous sterile-filling process. This is worth the water amount used by about 330 average households. Also at the new plant, rather than a generally used oil-fired boiler, a boiler using more eco-friendly liquefied natural gas is used. Compared with heavy oil, liquefied natural gas can reduce emissions of nitrogen oxides (NO_x) and sulfur oxides (SO_x) that cause air pollution, and carbon dioxide emissions, which could lead to global warming.

The cutting-edge sterile-filling process

used at the new plant makes it possible to reduce the amount of PET bottles used. Family-sized PET bottles (900 ml) are the lightest* package in Japan, including the cap and label. The new line adopts labels of 30 µm in thickness, achieving thinner labels. In the future, we will strive to reduce the number of resources used and also pay attention to the reduction of general waste produced from the factory.

* Family-sized (900 ml): Total weight of cap, label, and PET bottle (based on our survey as of June 2013)

Nestlé's Environmental Activities

While the production volume at the factories of Nestlé-in-Japan increased by 66% from 2002 to 2012, there were decreases in total energy consumption by 13%, total greenhouse gas emission by 19%, total water consumption by 10%, and total water discharge by 23%.

[Obtaining International Standard Certifications]

All three Nestlé factories in Japan (i.e., Himeji Factory, Hyogo; Shimada Factory, Shizuoka; and Kasumigaura Factory, Ibaraki) obtained certifications for three international standards: ISO14001 (environmental management system standard), ISO22000 (food safety management system) by December 2008, and FSSC22000 (Food Safety System Certification 22000), a widely recognized certification in the food industry, in 2011.

Initiative to Eliminate Waste and Irregularity

Nestlé has been promoting the Nestlé Continuous Excellence program, a continuous operation improvement initiative with a focus on consumers, around the world since 2008.

The objectives include the following three Cs:

- Delighting Consumers
- Delivering a Competitive Advantage
- Excelling in Compliance

Vigorous efforts are ongoing at our three domestic factories as well as at the headquarters to eliminate waste and irregularity throughout the entire value chain, from procuring raw materials to delivering products to the consumer. Pursuing these activities in our daily business leads to higher efficiency in terms of inventory and production costs, as well as a reduction of lead time and complaints.

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 recycles all food waste into animal feed. Food wastes such as wafers are transported to ostrich farms, hog farms, or cow farms nearby and are used as animal feed.

Project WET

The Project WET (Water Education for Teachers) is an international initiative designed to enhance awareness among children around the world about water issues using creative educational tools. Since 1992, Nestlé Waters, headquartered in France, has been a main sponsor of Project WET's activities to provide global support.

In Japan, Project WET is promoted by the River Foundation, and Nestlé-in-Japan got involved in activities in 2012 mainly at its factories. There are already 10 staff members qualified as “educators” who are eligible to instruct children using the WET tools, and they



are working to help students in primary schools close to the factories deepen their knowledge, understanding, and responsibility about water and water resources.

Efforts in the Offices

The introduction of multifunctional FAX machines and document management software in the summer of 2011 has enabled the Nestlé Customer Service Center to switch to a paperless operation system to receive orders from customers, achieving a 99.5% reduction in monthly paper usage. Other efforts throughout the organization, such as introducing electronic paper and reviewing the flow of documents, have led to a 26.6% reduction in paper usage in 2012 compared to 2010.

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, which 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”, an award from the director-general of the Maritime Bureau, MLIT in 2010, for completely switching the delivery mode to ferry to deliver products produced at three domestic factories to Hokkaido. In a bid to achieve more eco-friendly transport and distribution, efforts are underway, such as improving truck load efficiency to reduce the total number of trucks and introducing large trailers and looped transport (effective use of trucks) to improve transport efficiency. As for the physical distribution to our clients, direct shipment from factories as well as from cooperative manufacturers is now implemented, contributing to a reduction in transport distance



Our Storage Reservoir class using WET tools at Himeji Factory

and inventory, thus allowing products to be delivered in fresher condition.

Aside from the activities for CO₂ reduction during transport, we encourage delivery centers as our partner distribution companies to obtain ISO14001 (Environment Management System) certification. Three companies among them have already acquired the certification, and other major delivery centers are now preparing to acquire the certificate. In the meantime, we will continue to identify further opportunities for eco-friendly transport and distribution.

Company Cars

Nestlé drew up a “Car Fleet Roadmap” globally to reduce the emission of CO₂, which is a greenhouse gas source, and gasoline consumption. Nestlé-in-Japan promotes the introduction of vehicles with superior environmental performance. For example, the replacement of company cars is underway, starting with about 100 hybrid cars for executives, followed by about 450 hybrid cars with

the best fuel efficiency in the world to be used for sales activities.

Our People

Nestlé is convinced that it is our people who form the strength of the company, and thus we hire people who share our values and principles. The overriding principle is that our employees 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 Nestlé with the skilled workforce we need to succeed.

Creating a Dynamic Team

With the ultimate goal of putting together a dynamic team comprising members with diverse characteristics who are able to learn from each other, a new year-round recruiting process in which students can choose the timing and method of recruitment called the “Nestlé Pass Course” was introduced in 2011; it also allows applicants to apply as many times as they wish. Candidates can apply by either selecting two entry courses from a total of eight or by being granted a “Nestlé Pass” upon participation in a year-round internship program



Training for newly hired employees

that will enable them to take part in our “Nestlé Challenge Program” for the employees at a time of their choosing followed by an interview for recruitment.

In addition, the “Nestlé Associate System” was introduced in March 2012 to offer prospective recruits (associates) support for designing a career plan based on the same Progress & Development Guide (PDG) used for all Nestlé employees worldwide, which gives them the opportunity to experience training the Nestlé way and to enrich their student

life.

The “Nestlé Innovation Award” that began in 2011 aims to have all employees actively participate in establishing new business models for Nestlé-in-Japan. By encouraging an entrepreneurial spirit among employees to create, select, and follow through on ideas, the company aims to enhance its competitiveness in the market. Excellent ideas are rewarded in a variety of ways, including financial bonuses and trips to the Swiss headquarters.



Training programs tailored to career phase

Diversity@Nestlé-in-Japan

An organization comprising more diversified employees is more likely to generate new ideas and innovation. Nestlé-in-Japan has been working toward diversity so that highly motivated employees have an opportunity for growth regardless of their gender, nationality, and age, and can enjoy working at Nestlé.

To allow employees to make their own career choices, our career formation support program, also called the mentoring program, started in 2010 to provide continuous career building support for employees by conducting twice a month, one-on-one phone or in-person consultation with experienced executives and management members. Participation in the program is based on self-recommendation, and the majority of participants in the program in 2013 were women, significantly contributing to the career formation of female employees.

<Support Work-Life Harmony>

To promote the career development of female employees and child care support by male employees, our corporate nursery, “Nesurekko House”, was opened at the Kasumigaura Factory in April 2012. In addition, both male and female employees are entitled to take up to 10 days

of paid childcare leave, and in 2010 we launched a system to allow employees who are entitled to take prenatal maternity leave, childcare leave, and family-care leave to work from home for up to 6 months per application. So far, more than 60 male employees utilized this childcare leave. Starting from 2011, all lights have been off, and employees have been leaving the office by 7 p.m. in line with “No Overtime”.



In June 2011, we obtained the “Next-Generation Certification Mark (Kurumin)” (the Ministry of Health, Labour and Welfare) 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

Nestlé has been conducting “Mental Health Self-Care Training” for all employees since 2010 to support their mental health. 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 factories in Nestlé-in-Japan (i.e., Himeji, Shimada, and Kasumigaura) are certified 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 workplace safety awareness. The Compliance Assessment of Human Resources, Occupational Health and Safety, Environment, and Business Integrity (CARE), Nestlé’s independent audit program in the respective four areas, has been implemented to cover all Nestlé locations in Japan since 2007.

Education on Compliance Awareness

What compliance means for Nestlé is to put into practice the “Nestlé Corporate Business Principles”, which naturally includes adherence to the rules. To help every employee thoroughly understand and practice this while interacting with stakeholders and people in the workplace, we conduct compliance training and awareness-raising activities. During training programs for new, third-, and fifth-year employees, new assistant managers, and section chiefs, participants actively join discussions to think and raise their awareness about the fair and honest behavior of individuals as well as organizations.



CEO Bulcke visits our corporate nursery within the Kasumigaura Factory, Nesurekko House.

Social Contribution and Volunteer Activities

Community Clean-Up Activities

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

Environmental Preservation Activities

In support of the Rokko Mountain Range Greenbelt Development Project by the Kinki Regional Development Bureau, Ministry of Land, Infrastructure and Transport, we have been participating in the forest caretaker activity since 2009 to restore forests and ensure they are disaster resistant. In addition, we are conducting maintenance, such as thinning and tree planting in our area (named "Wellness-no-Mori"), at the foot of Mt. Rokko.

Collect and Donate

We also participate in the "Eco Cap Promotion Network", a nonprofit organization that promotes volunteer activities to donate vaccines to underprivileged

children worldwide 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 drives for over 30 years.

Food Bank

We are working with Second Harvest Japan and Food Bank Kansai to support their regular free distributions of food to those in need. While receiving assurances regarding measures to control temperatures and the prevention of resale, we have been providing products such as beverages and chocolate to this valuable cause. Moreover, our employees regularly take part in volunteer

activities such as the Second Harvest Japan soup kitchen held every Saturday in Ueno Park.

Nestlé Yuzuriba

Nestlé Yuzuriba is a social service that allows people to give and receive everyday goods for free. This began in 2011 at the Nestlé Amuse website. The number of goods exchanged through Facebook has exceeded 2,000 (as of June 2013).

Activities in Sponsored Events

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



Employee volunteers on Kobe Luminarie Heartfelt Day



Tatsuo Yada, former mayor of Kobe city

Stakeholder voice

Kobe Luminarie, which started as a memorial event for the Great Hanshin-Awaji Earthquake, celebrated its 18th anniversary last year and was visited by 3.4 million people over a period of 12 days. I really appreciate that before the opening, Nestlé-in-Japan gave us greater support than ever before, which enabled us to hold the Heartfelt Day event for the elderly and disabled to enjoy the Luminarie illumination at their leisure. Many of your employees and their family members were considerate enough to help us out as volunteers and extend a truly warm welcome to the visitors who had big smiles on their faces. I am sincerely grateful for all of your help.