

JCCU

Quality Assurance Report

March 21, 2016 to March 20, 2017

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For Safety and Security



Director's Greetings on Publication of the Fiscal 2016 Activity Report

Takahiro Yabuta

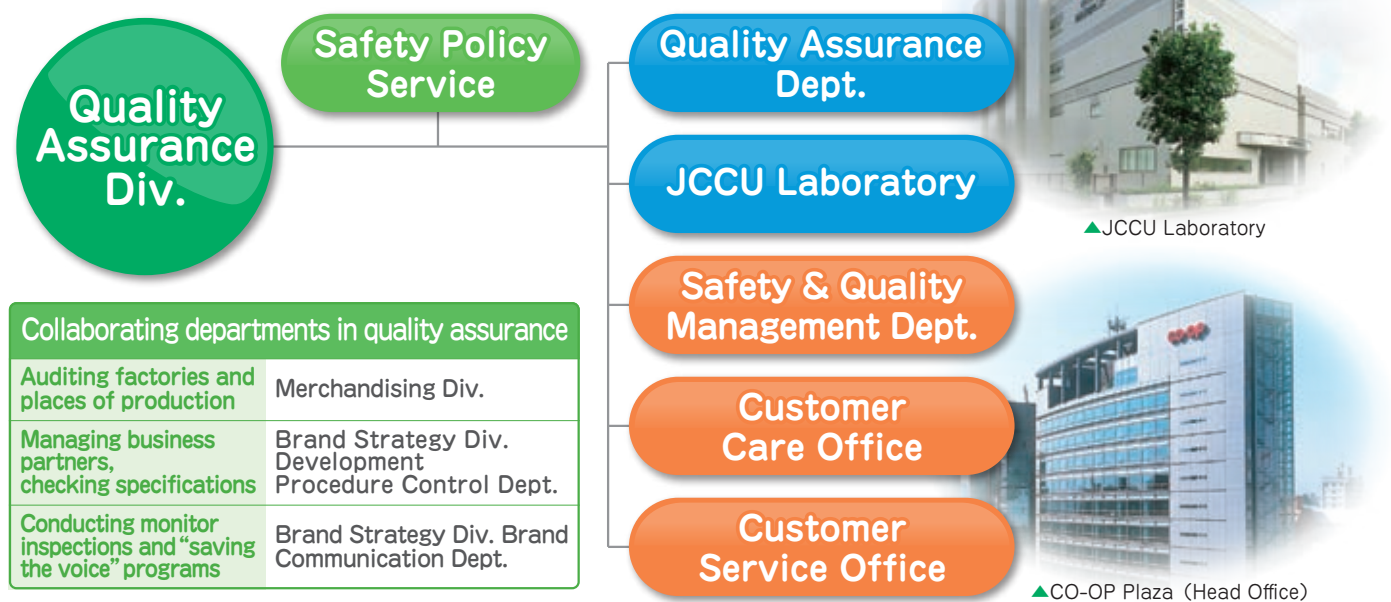
Operating Officer, Quality Assurance Div.

In fiscal 2016, we focused on quality risk management, which would support development and improvement of CO·OP products. In addition to further reinforcement of product inspection and factory audit, we have also introduced a contact management system that can be shared nationwide to further improve speed and effectiveness of the process to handle complaints from members, from receive to investigation and responses.

Japanese Consumers' Co-operative Union (JCCU) has a role not only for safety and quality of CO·OP products but also for food safety in Japanese society. In fiscal 2016, we actively submitted our opinions on food labeling to government agencies. We also worked with our business partners and other distribution companies to develop new food safety management standards in order to improve safety of domestic food production.

We are also developing partnerships with member co-ops nationwide in such efforts as product inspection, factory audit of business partners, complaint handling, and development of quality management staff. While this report introduces JCCU's initiatives and their results, we also include information on collaboration with member co-ops nationwide. I hope you find this report helpful in understanding quality assurance by the entire co-op community.

Quality Assurance Structure in JCCU



Flow of Quality Assurance System of CO·OP Products



Quality Assurance System of CO·OP Products

As of April 2017, CO·OP products are 4,962 items from 1,291 factories of 625 companies.

JCCU controls the quality of each product from product design to delivery to members, based on its own quality and safety management system. Control points are set for “Product designing”, “Raw material management”, “Test and first production”, “Product manufacturing” and “Delivery to members” respectively to confirm the quality through raw material inspection, factory audit and product inspection.

When received an inquiry or a complaint about a product, package labeling and/or product specification is reviewed and cause of problem is analyzed to improve product quality and prevent accidents. In case a serious accident happened, JCCU will respond in cooperation with its member co-ops nationwide.

JCCU Quality Assurance Division not only assures the quality of CO·OP products but also engages with the quality assurance of the entire co-op as a federation. As an organization with both sides of consumer and business, JCCU gets actively involved in administrative measures and policies, food safety administration.

Product Inspection

Since its establishment in 1973, JCCU Laboratory has scientifically demonstrated the quality of CO·OP products and supports the commodity business in order to deliver safe and secure CO·OP products to members.

In fiscal 2016, the Laboratory conducted 21,811 tests. The number of tests at development showed significant growth due to development of new products and renewal of existing products for brand renovation. The Laboratory also strived to provide data for quality improvement by linking research on pre-development products, tests at development and tests of existing products.

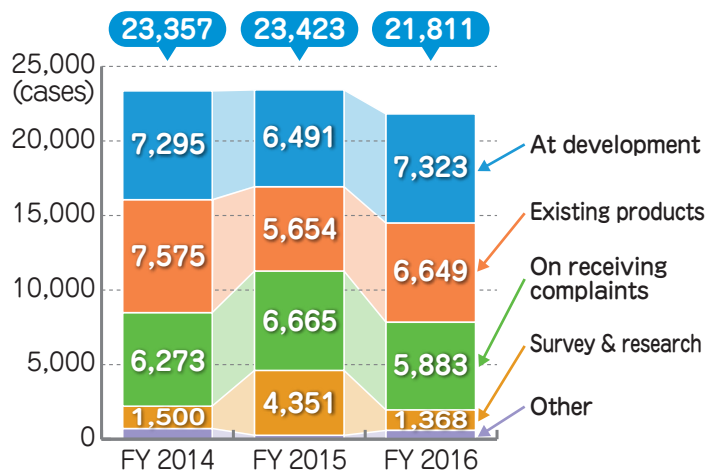


▲ Over 70 staff members are working on the inspection and related operations at JCCU Laboratory.

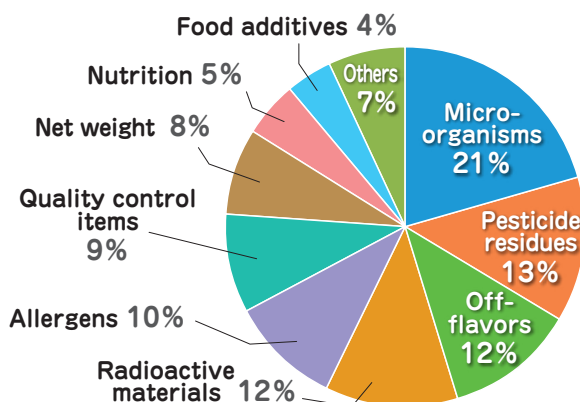
Figures and facts 2016

Type of test	Main purpose of the test	No. of Tests	Ratio
At development	Nutrition analysis (to decide Nutrition indication), to evaluate sanitary control, allergen control of the factory, to confirm safety of raw material	7,323	33.6%
Existing products	To confirm the product in accordance with the specification, to find disorder of control	6,649	30.5%
On receiving complaints	To judge hazard to human from the product, to identify material of cause of off flavor and foreign material	5,883	27.0%
Survey & research	To research change by time of nutrition and microorganisms, to survey products in general	1,368	6.3%
Other	As per inquiry from member co-ops, Merchandising Dept., etc.	588	2.7%
Total		21,811	

《 Product inspection 》



《 Items inspected 》



Inspection is conducted according to purposes

Collaboration with member co-ops nationwide

We work with Product Inspection Centers and Laboratories of member co-ops to share information and the latest trends as well as to jointly organize workshops and training programs. In fiscal 2015, 29 participating co-ops* conducted a total of 286,661 tests. Also, in fiscal 2016, 8 co-ops* conducted 6,429 joint tests, mainly on refrigerated and frozen foods. While JCCU focuses on inspection of CO·OP products, member co-ops can inspect products ready to be delivered to individual members; we work together to contribute to the business and movement of co-ops that engage in safety and security of the products.

* Including JCCU.



▲ We organize joint training programs according to types of inspection and skill levels of staff.

Factory Audit

Management of the factories that actually manufacture CO-OP products is a key to quality assurance. Quality Assurance Department and Merchandising Division cooperate to carry out factory audits. Problems found during the audits will be requested of the corrective action with deadline. After that the implementation of countermeasures will be confirmed.

In fiscal 2016, factory audits were conducted 1,964 times. The number of audits for new registration showed significant growth due to development of new products. Factory audits are conducted based on priority management themes that are set to prevent serious and frequent accidents.

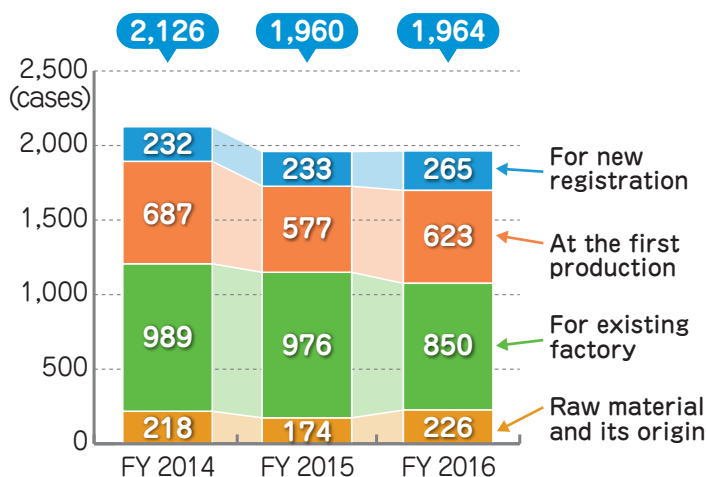


▲ Observation of production and check of manufacturing management.

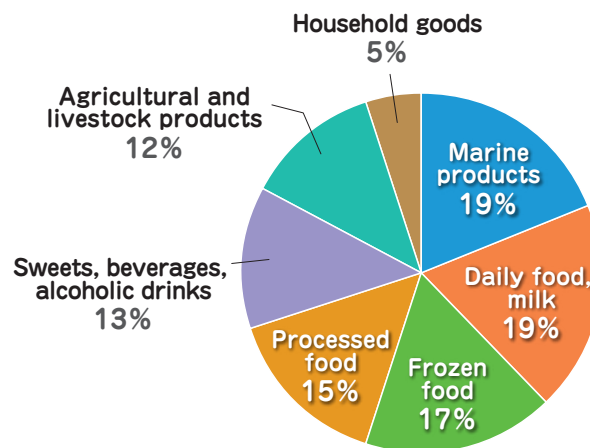
Figures and facts 2016

Type of audit	Main purpose of audit	No. of Audits	Ratio
For new registration	To judge if the factory clears the criteria	265	13.5%
At the first production	To confirm production process in accordance with agreed specification	623	31.7%
For existing factory	To confirm management and control for renewal of registration	850	43.3%
Raw material and its origin	To confirm control of raw material production and harvesting process at origin	226	11.5%
Total		1,964	

《 Factory audit 》



《 Product categories 》



Collaboration with member co-ops nationwide

Each member co-op also carries out factory audits, working with us to jointly conduct the audits, to share the results and to improve skills. In fiscal 2016, JCCU revised a system to manage the results of factory audits; this has enabled joint use with member co-ops. The 8 participating co-ops* in the initiative for joint use brought their annual audit plans. When multiple co-ops planned to audit the same factory, they divided the auditing role. We also shared results of the 737 audits. Moreover, we are currently working together to develop and promote an educational material to raise the overall quality level of co-op factory audit.

* Including JCCU.



▲ Task Force on Joint Factory Audit, sharing auditing cases to improve skills.

Assessing Risks in Product Development

When developing a CO-OP product, we identify potential accidents and complaints that can derive from its characteristics then determine what to reinforce in its safety and quality beforehand. We identify risks of the product in terms of not only food safety but also potential deterioration of its smell and taste; then, we reduce each risk before putting the product on the market.

In fiscal 2016, we conducted risk assessments for products imported from Coop Italia and a new series of food products for babies and toddlers. We are promoting activities to prevent product accidents.



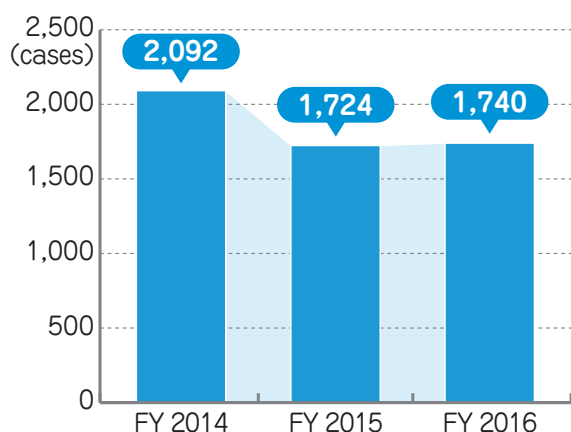
▲ We assess risks while working closely with Safety Policy staff who have extensive knowledge of chemical substances (food additives, cosmetic ingredients).

Figures and facts 2016

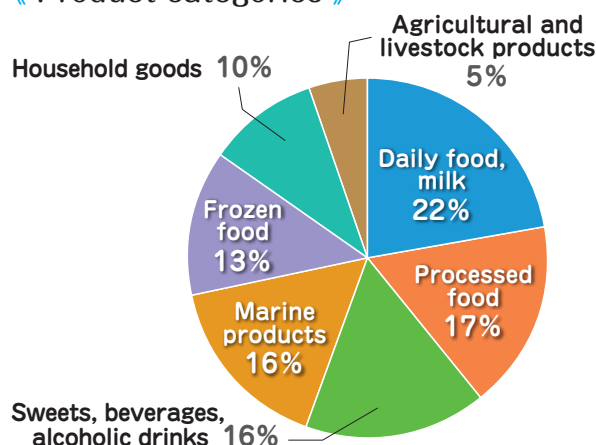
Key points of risk assessment

- ✓ Taking measures against specified microorganisms, chemical substances, foreign materials and off-flavors
- ✓ Setting use-by and best-before dates based on scientific and reasonable bases
- ✓ For ingredients from specified places of production, checking stability of quality as well as origins and breeds
- ✓ Checking whether it will lead to an unexpected accident through misuse

《 Risk assessment 》



《 Product categories 》



TOPICS

We developed a new series of products for babies and toddlers

In 2016, we decided to develop frozen foods as co-ops' unique products for babies and toddlers. There is no management standard for frozen baby foods because baby foods on the market are generally pre-packed products (sterilized with pressure and heat), that are kept at room temperature, or freeze-dried products. We started with identifying requirements for this series, including "What ingredients should we use?", "How big and how hard should the food be?" and "What about microorganisms and food additives?"

After identifying the requirements for CO-OP products for babies and toddlers, the next steps were to determine product specifications to meet these requirements and to identify manufacturing factories that could make the products at the required quality level in a stable and reliable manner. We re-audited factories, including those of the existing business partners, based on the requirements to manufacture products for babies and toddlers.

Problems with food allergies are frequently expressed as concern particularly regarding food for babies and toddlers. JCCU Laboratory conducts a food allergen test for each production lot to ensure safety to members.



▲ Merchandising and Quality Management staff. They worked together to make the launch happen.



Managing and Inspecting Raw Materials

We ensure safety of raw materials (mainly agricultural, livestock and marine products) by inspecting them before processing as needed, including pesticides and veterinary drugs residue tests.

For a product that focuses on a specific place of production or breed, we develop it after securing stable supply of the raw materials according to its specification. For the ingredients with especially high market value, we reinforce their management as “specially-managed ingredients” to ensure proper handling. For such ingredients, we audited their processing factories and places of production.



▲ An examples of the products with a sign “Japanese ingredients”. Thorough management of raw materials is essential.

Auditing factories and places of production of raw materials (specially-managed ingredients)	No. of Audits
Auditing factories that use specially-managed ingredients for manufacturing	228
Auditing factories and places of production of specially-managed ingredients	711

Inspecting raw materials (including those not specified as specially-managed ingredients)	No. of Tests
Pesticide residues	383
Heavy metals	172
Veterinary drug residues	79
GMOs (genetically modified organisms)	76
Others (food additives, natural toxins, allergens, etc.)	205

Management of Imported Products

For imported products, we have set management policies to ensure safety at each step, such as raw materials, manufacturing and processing, storing, and transporting. Based on these policies, we identify risks for each product then conduct inspection and audit.

In particular, since JCCU is the direct importer of the products imported through its subsidiary (CO-OPTRADE JAPAN LTD., CTJ), we engage in detailed controlling and checking.

In fiscal 2016, while we checked the progress of development at monthly quality meetings with CTJ, we collaborated with CTJ’s local staff and Product Department staff to solve issues on individual products. In addition to regular factory audit, we also conducted audit, inspection and checking in order to solve issues as well as to confirm that the situations were solved and stabilized.

Since the quality of imported products depend on the skills of local CTJ staff, we also provided training programs to the staff. We particularly focus on smell because it can lead to a number of complaints. We incorporate our lessons from previous complaints into our preventive measures.

Key points of audit	No. of Audits
Are products manufactured according to the set rules?	382
How is the factory managed?	571



▲ At the CTJ Southeast Asia Joint Workshop, we provided training on water that is used at the factories.

Responding to Inquiries

The contact information on JCCU Customer Service Office is provided on packages of CO·OP products; the Office takes all kinds of inquiries on products from members across the country, mainly over the phone. Their inquiries are on a variety of subjects, including specifications and design of the product, purchasing, opinions and requests.

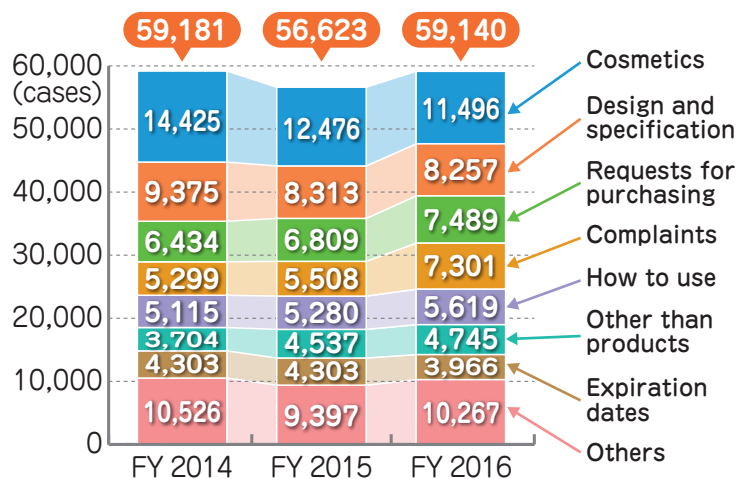
In fiscal 2016, the Office received 59,140 inquiries. In order to incorporate their voice into future product development, the Office worked on 15,312 cases of “saving the voice”, in which staff actively listened to the reasons for their questions or opinions as well as what had happened when using the product.



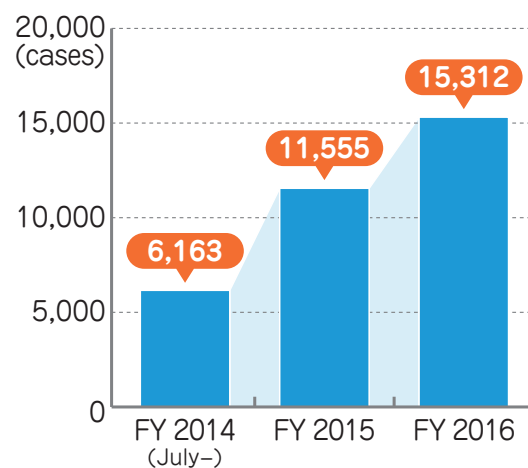
▲ At Customer Service Office, about 20 staff members respond to inquiries.

Figures and facts 2016

《 Responding to inquiries 》



《 “Saving the voice” 》



TOPICS

Striving to promptly address concerns and questions through enhanced information provision

Some of the members' inquiries and complaints are related to characteristics of the product. If members have necessary information, they can feel safer about and promptly handle many of such cases.

If delivery or store staff can immediately answer members' questions, we should be able to prevent some of the complaints. Customer Care Office makes “Product *Naruhodo* Sheets” that provide member co-ops with information on characteristics of the products; in fiscal 2016, 12 sheets were newly provided. These sheets are widely used by member co-ops, such as their Quality Management and Product departments, as educational tools and introduced in their magazines and on their websites.

For individual members, we have launched “CO·OP product Q&A” on our website “CO·OP product site”, introducing frequently asked inquiries and questions. In fiscal 2016, 39 cases were updated and 99 new cases were added. The page covers a variety of issues, from general questions to those unique to a specific product. We will keep leveraging this site to actively and directly provide information to members.



▲ An example of “Product *Naruhodo* Sheets”. It provides information as a Q&A dialogue.



▲ An example of “CO·OP Product Q&A”. You can search information using categories and key words.

Responding to Complaints

Members sometimes contact us regarding a defect of or a trouble with a CO·OP product; we call such cases “complaints”. Customer Care Office checks all the complained products nationwide, requests their analyses, and provides the results to member co-ops and individual members.

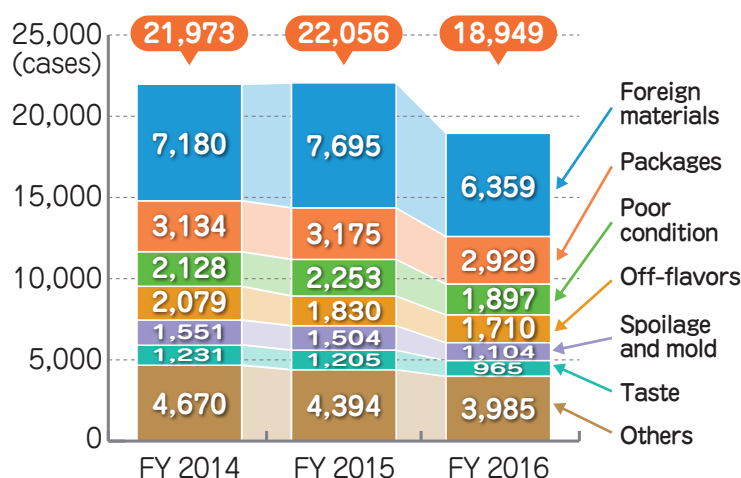
In fiscal 2016, the Office handled 18,949 complaints; the number decreased from the previous year. While focusing on frequent complaints, the Office strives for better product quality by requesting improvement to Merchandising Division.



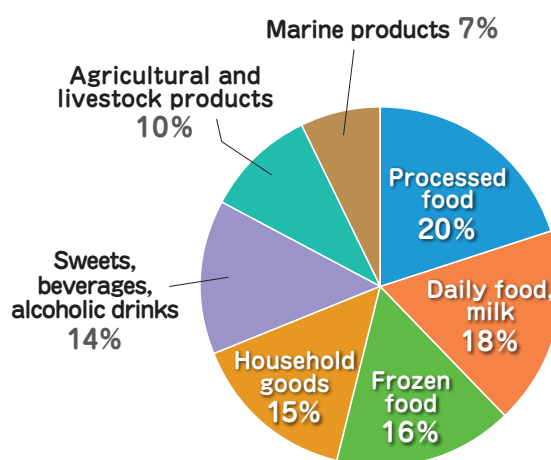
▲ Customer Care Office first checks the product that received a complaint.

Figures and facts 2016

《 Responding to complaints 》



《 Product categories 》



《 Inspection of complained products 》

Type of inspection	No. of Tests	Ratio
Off-flavors	2,475	42.1%
Pesticide residues	2,019	34.3%
Microorganisms	828	14.1%
Others	561	9.5%



▲ By introducing new equipment and innovating methods, we have shortened the time and improved accuracy of quantitative analyses of off-flavors.

POINT!

Both JCCU Laboratory and our business partners conduct investigation and inspection on all the products that received complaints on an off-flavor. For other complaints as well, we conduct inspection according to their content and situation to identify causes and to make improvements.

Collaboration with member co-ops nationwide

Our contact management system “QuickPro II”, which fully launched in fiscal 2016, has been expanded to 11 member co-ops nationwide, in which about 160,000 complaints have been registered. By using a unified system with member co-ops and by sharing information on non-CO·OP products as well, we can obtain information on accidents and respond to each case promptly.

Obtaining the information on a manufacturing factory is essential in responding to accidents. Therefore, we have set shared codes for manufacturing factories of products handled by each member co-op; we have registered 9,292 factories by April 2017.



▲ Task Force to Reinforce Collaboration in Handling Product Complaints and Accidents. It coordinates activities for collaborative information handling.

Finding Early Signs, Responding to Accidents, and Identifying Causes

Based on the lessons from previous product accidents, Safety and Quality Management Department checks all the complaints from members then promptly determines how to handle each of them based on its harmfulness (how harmful it could be for people and goods) and diffusivity (how frequently and widely it could spread). In fiscal 2016, they determined 3,138 cases as urgent and handled them immediately.

The department plays a role as a control tower in case of a serious product accident, giving directions to prevent the damage from spreading, to thoroughly investigate its causes and to take appropriate measures.

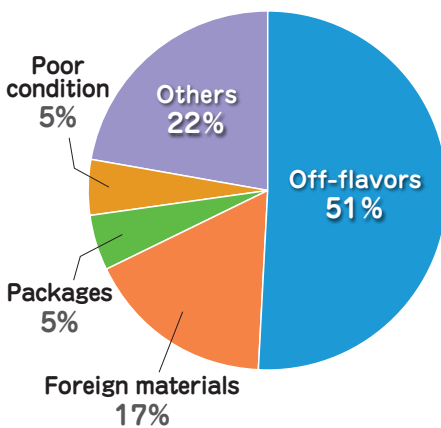


▲ In response to a complaint on an off-flavor, they are tasting the product to determine its harmfulness and diffusivity.

Figures and facts 2016

◆ How complaints/accidents are handled ◆

《 Complaints that led to immediate investigation 》



18,949 cases

Details of the 3,138 cases

Check the complaint/product

Determine the response based on harmfulness/diffusivity

Request immediate investigation

By the next business day

Determine the response based on investigation

Increase the level of action

Complete the measure

TOPICS

We work on new initiatives to identify causes and build up communication for solution

Serious product accidents happen because "something" goes beyond what has been expected in raw materials and manufacturing processes and so on. Finding this "something" promptly is the first step for investigation and improvement.

In fiscal 2016, regarding complaints on off-flavors, we tried new methods to identify causes beyond the conventional factory audit.

[Initiative 1] Boneless mackerel

We brought various kinds of test equipment from JCCU to the factory in Vietnam to identify the cause. This effort had led to improvement.

[Initiative 2] Tatsuta-age (Japanese fried chicken)

A lack of methods to analyze off-flavors of food was a hurdle. In response, staff in the manufacturing factory (in Thailand) and JCCU reviewed their inspection methods respectively, sorted out the methods and results, and led these efforts to improvement.

[Initiative 3] Chicken for salad

After the thorough inspection, we have identified an increase in microorganisms as the cause of the off-flavor not related to spoilage. In order to control these microorganisms, we tested a number of different combinations of conditions, such as salinity, moisture and heating; these efforts have led to improvement.



▲ In order to identify the cause of the off-flavor, we brought various kinds of test equipment to the factory.



▲ We tasted the product with members of the manufacturing factory and had a number of discussions.

Examples of Successful Improvement

Improving the process based on a complaint

【Omelette with rice】

We received a complaint that a small stone had been found in the rice. After the investigation, we found that it had most likely come from rice. We requested the rice manufacturer for more thorough measures to remove foreign materials when polishing rice. We also decided to change packages for protection when shipping the rice to prevent physical agents. These measures have been working effectively.



Improving the product specification based on an inquiry

【Udon noodles with shrimp tempura】

We received a comment, “I would like to put the shrimp *tempura* later so that I can enjoy the crispy batter.” We used to put everything together and freeze them, including the shrimp *tempura*, other toppings and *udon*. By changing the process to put the shrimp *tempura*, we were able to separate it from other ingredients. This change has enabled members to cook the shrimp *tempura* in a microwave separately then put it on top of the *udon* cooked in a pot.



Improving the label through product inspection based on an inquiry

【Bread】

We received an inquiry, “Can I keep bread in a freezer?” In order to check how bread would change when kept in a freezer, JCCU Laboratory examined this matter, checked in what way and for how long the product would generally stay in good condition, then added a label on how to keep the product.



Improving the product before the launch based on product inspection

【Meatballs】

Chicken can contain egg allergens that derive from ovaries depending on its growth stage. Therefore, it may cause egg allergy reactions even without chicken eggs.

When developing meatballs without chicken eggs, we inspected its prototype to check the above matter then detected egg allergens. We checked the details of each ingredient and switched chicken to the one without any egg allergen.

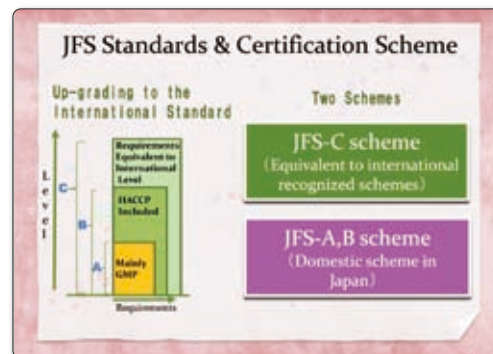


Related Activities

Expanding Public-Private Dialogue on Food Safety

In order for co-ops to contribute to the development of a social system for food safety, we continue to participate in discussion groups of government agencies on the HACCP (Hazard Analysis and Critical Control Point) legislation and the efforts on GFSI (Global Food Safety Initiative). We also take part in board and technical meetings of JFSM (Japan Food Safety Management Association). Through these efforts, we actively work on the development and promotion of new food safety management standards in Japan.

While standards on food safety have existed for a while, there have been challenges for their effective use, such as difficulties to understand due to translation and gaps with Japanese food culture that includes eating raw and fermented food. In response, JFSM has developed 3 standards: C Certification Scheme, which can be used internationally, and A/B programs that give steps for the C Certification. Their operations started in fiscal 2016. We hope our business partners will also use these to respond to the HACCP legislation.



▲An outline of the JFS standards by JFSM. They strive to develop standards that are user-friendly for Japanese people and consistent with international standards.

Collaboration with member co-ops nationwide

To promote joint efforts and collaboration

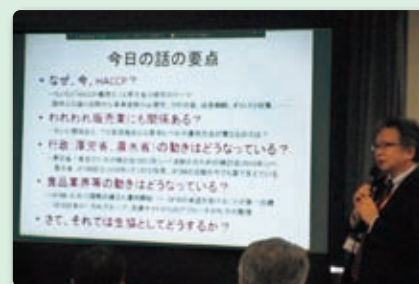
In fiscal 2016, we continued to promote joint efforts and collaboration in quality assurance. In handling complaints, we organized a task force in the board, which operated and solved issues regarding the contact management system “QuickPro II” and developed “Guidelines on Complaint Handling”. Regarding product inspection and factory audit, we organized 2 task forces to promote joint efforts in audit and inspection, to share their results, as well as to develop guidelines and handbooks.

For fiscal 2017, we are striving to further promote joint efforts and networking in quality assurance. We will expand these efforts to staff development in factory audit, product inspection and quality management to further reinforce collaboration among co-ops. To this end, we have decided to dissolve the task force in the board and develop it into “Committee to Reinforce Collaboration in Quality Assurance”. Since existing task forces would be included in the new committee, each task force summed up its accomplishments and developed future agenda.

In each specialized field, we organized gatherings on product inspection, quality management, household goods quality management and complaint handling to exchange experiences and knowledge with relevant staff of member co-ops.

Collaboration among co-ops nationwide for human resource development

In the second mid-term plan of its 2020 Vision, JCCU has “development of human resources who would build the future of co-ops” as one of the priority issues. As part of the efforts in this regard, JCCU and some member co-ops have decided to jointly develop training policies and goals, based on which quality management staff would be seconded for two years for skill development. This program on mutual education started with Co-op CS Net (Federation, Head office:Hiroshima) and Co-op Kinki (Federation, Head office:Osaka).



▲At Gathering for Quality Management Staff, the participants learned directions and challenges regarding the HACCP legislative movement.



▲Co-op CS Net staff, assigned to JCCU Laboratory for training.