



**Corporate Citizenship Report**

Kikkoman Group  
Corporate Citizenship Report

2007

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# About This Report

## Editorial Policy

Kikkoman began publishing its "Environmental Report" in 1998 for the purpose of annually reporting on its environment-related activities. In 2004, the report was renamed the "Kikkoman Group Sustainability Report," with its coverage expanded to include updates on group-wide environmental management initiatives.

In 2006, Kikkoman widened the scope of its report on corporate social responsibility and added more information on social aspects, including its relationships with various stakeholders. Reflecting these enhancements, the report was renamed the "Kikkoman Group Corporate Citizenship Report" and this is the 2<sup>nd</sup> edition.

The year 2007 marks the 50<sup>th</sup> anniversary of Kikkoman's full-fledged entry into the United States market. In this report's feature story, we look back on our half-century of overseas business activities and discuss "approaches to corporate social responsibility in overseas operations."

We also talk about "Shokuiku" (literally, "food education"), which Kikkoman, as a food company, has firmly committed to and we provide an update on what we have accomplished.

Detailed information on environmental accounting is available on our website at:  
<http://www.kikkoman.co.jp/csr/>

## Reference Guidelines

- 2002 Sustainability Reporting Guidelines, Global Reporting Initiative (GRI)
- G3 Sustainability Reporting Guidelines, GRI
- Environmental Reporting Guidelines (Fiscal Year 2003 Version), Ministry of the Environment (Japan)

## Organizational Scope

In principle, this report summarizes the activities of the Kikkoman Group, which comprises Kikkoman Corporation and 44 consolidated subsidiaries and affiliates subject to reporting under the equity method (as of March 31, 2007) that operate in Japan and overseas. In this report, the Kikkoman Group is referred to as the "Kikkoman Group" or "the Group" while Kikkoman Corporation is referred to as "Kikkoman" or "the Company." Otherwise, the name of the company is specifically identified.

## Reporting Period

Fiscal 2007 (April 1, 2006 - March 31, 2007)

This report may partially contain some activities that were initiated prior to April 2006 or after April 2007.

## Issue Date

July 2007

Previous Issue: June 2006

Next Issue: Scheduled for June 2008

## General Notes

This report includes not only present and past facts of the Kikkoman Group but also forward-looking statements about future projections based on plans and perspectives at the time of its issue. These projected statements are based on our management assumptions, available at the time of inclusion in the report. Therefore, there might be cases in which actual results of future business operations and/or events differ from our projections due to changes in various conditions.

# Kikkoman Group Overview (As of March 31, 2007)

**Date of Establishment:** December 7, 1917

**Head Office:** 250 Noda, Noda-shi, Chiba 278-8601, Japan

**Representatives:** Yuzaburo Mogi, Chairman and CEO  
Takashi Ushiku, President and COO

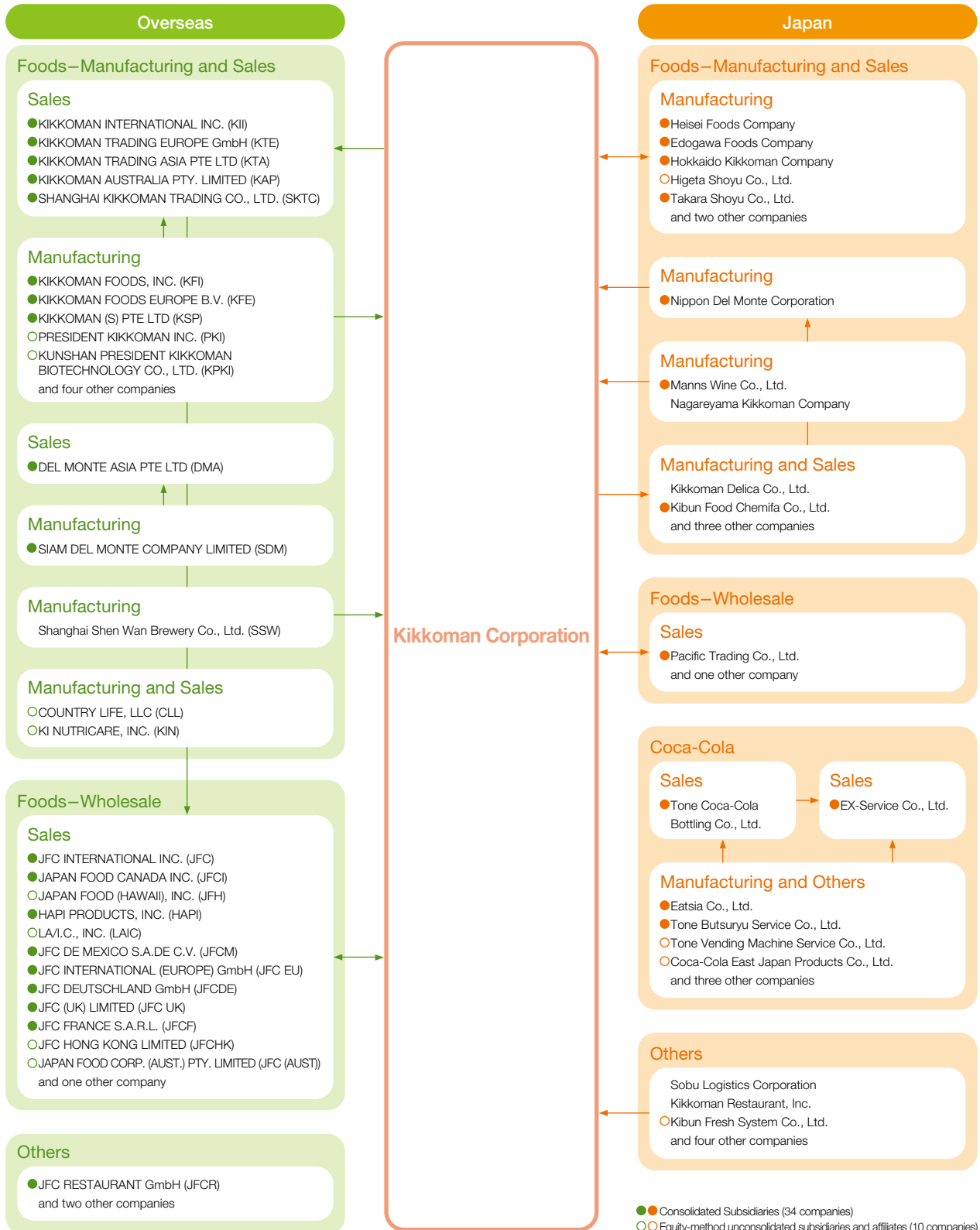
**Paid-in Capital:** ¥11,599 million

**Number of Employees:** 7,065

**Number of Group Companies:** 44

Note: The data refer to Kikkoman Corporation except for "Number of Employees" and "Number of Group Companies."

## Affiliates

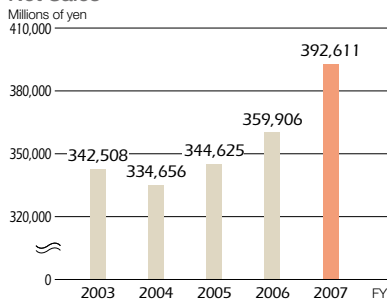


## Domestic and Global Network

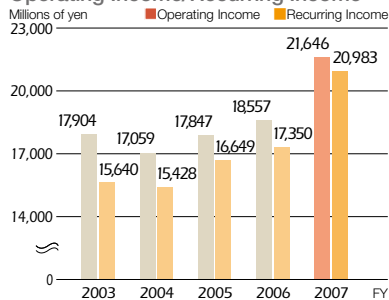


## Financial Highlights

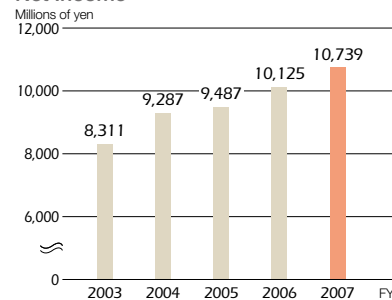
### Net Sales



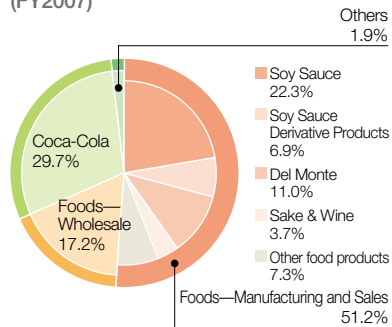
### Operating Income/Recurring Income



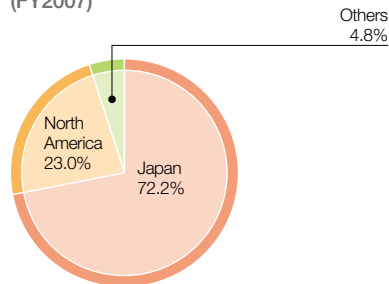
### Net Income



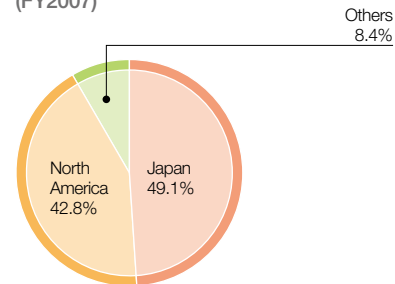
### Net Sales by Business Segment (FY2007)



### Net Sales by Geographical Segment (FY2007)



### Operating Income by Geographical Segment (FY2007)



Note: "Net Sales" and "Net Sales by Geographical Segment" exclude intragroup sales and transfers.

## Management Philosophy

The management philosophy of the Kikkoman Group is based on the following three pillars:

1. To pursue the fundamental principle "consumer-oriented"
2. To provide high-quality products and services and to promote the international exchange of food culture
3. To become a company whose existence is meaningful to the global society

### Action Guideline

Each of us will:

1. Keep challenging to "improve" our work habits.
2. Make effective use of "time" which is given equally to all.
3. Think and act from the "consumer" standpoint.
4. Act as a "global citizen."
5. Value "teamwork" while making the most of individual talents, and foster next-generation leaders.

## Environmental Philosophy

The Kikkoman Group will respect the working of nature, and contribute to the realization of a society comfortable to live in through our corporate activities keeping harmony with the environment.

### Action Guideline

We act on our Environmental Philosophy with vigor and creativity.

1. Each of us will try to keep in harmony with the environment in performing one's own duties in all sectors (development, procurement, production, sales and support).
2. In addition to observing laws, we will formulate and observe the rules and regulations of our own.
3. As a member of society, we will participate actively in environmental preservation activities in our local communities.
4. We will study the environment and deepen our understanding.
5. We will think and act from a global point of view.



Chairman and CEO

### Kikkoman's Commitment to Fulfilling Corporate Social Responsibility

In recent years, we see and hear increasing mention of “corporate social responsibility (CSR)” in the media. However, CSR is not a new concept. I believe it is something that all companies should be involved in as responsible corporate citizens. Kikkoman has long operated in the belief that a company is a public institution that serves society. Our Group Management Philosophy clearly states our intention “to become a company whose existence is meaningful to the global society.” In 2001, we announced our participation in the United Nations Global Compact initiative. In short, turning our philosophy and vision into actions is what fulfilling our social responsibility is all about.

### What We Accomplished in FY2007

First, we established the Customer Satisfaction (CS) Improvement Committee in April 2006. In the course of a year, our Consumer Center receives as many as 20,000 inquiries, comments and complaints from customers, and we highly value their feedback. The Committee is tasked with responding to it in a timely and customer-focused manner in order to better utilize their input. Department heads share the customer feedback, and this process has helped us bring about several product developments and improvements.

Second, the year 2006 marked the 20<sup>th</sup> anniversary of the Quality Assurance Committee, which is responsible for managing the Kikkoman Group's quality assurance system. Recognizing that more and more consumers are paying closer attention to food safety, we formulated the “Kikkoman Group Quality Policy” in November 2006. This is our commitment as a group to maintaining and enhancing our ongoing efforts to deliver high-quality products and services to customers. I am confident that enforcing the quality policy across the Group will help us retain the continued trust of our customers.

In recent years, we have seen a growing public interest in “*Shokuiku* (food education),” recognizing the importance of building a sound body and mind through good dietary habits. Since FY2006, we have stepped up our efforts to respond to this national issue and, as one of our commitments as a food company, we have engaged in various *Shokuiku*-related activities. We place great importance on our employees' involvement in *Shokuiku* and ask each employee to internalize the idea behind *Shokuiku* and act on it. During FY2007, the second year of our activities, we provided schoolchildren with information and knowledge and, more importantly, hands-on *Shokuiku* experience by having our staff speak to them at elementary schools and inviting them to tour our factories for an interactive experience.

## Approach to Corporate Social Responsibility in Overseas Operations

The year 2007 marks the 50<sup>th</sup> anniversary of Kikkoman's full-scale sales and marketing entry into the United States market. Currently, the Kikkoman Group operates six production facilities outside Japan, from which we distribute our products all over the world. By executing a sound management philosophy in our overseas operations, we have been able to see Kikkoman Soy Sauce, a Japanese seasoning, become widely accepted into the food cultures of many countries.

When we began marketing soy sauce in the U.S. half a century ago, very few Americans were familiar with the product. In the belief that American consumers would come to enjoy the good flavor and taste of naturally brewed soy sauce, we mounted an ongoing series of in-store promotions at supermarkets from coast to coast. It was around this time that I was studying in the U.S. and had an opportunity to assist with the sales promotion efforts. The encouraging positive consumer reaction to soy sauce reinforced our original conviction. Today, one can find bottles of soy sauce in the kitchens of many homes throughout the U.S., and Kikkoman's share of the consumer market stands at more than 55%. I have no doubt that all this has been made possible by our continued efforts to listen to our customers and offer high-quality products to them.

In Japan and abroad, we have strived to earn the trust of the communities we serve. Speaking from my own experience, in 1972 we made the decision to build a soy sauce plant in the U.S. We had selected a site and were about to begin construction of the plant when local residents began to oppose the project, voicing their concerns over potential environmental problems. We immediately launched a community relations campaign through which we explained the various activities we had been carrying out in Japan. In the end, we were able to gain the understanding of the local community and construction of the plant went ahead. From this episode I learned that, in order for a production plant to be successful in the long run, it is essential to have a mutually beneficial co-existence with the local community in particular, and in a broader sense, with society as a whole. Since then, as we expand our overseas operations, we have made it standard policy to hire managers from local communities and to do everything we can to be a good corporate citizen.

At this historic juncture, as we celebrate the 50<sup>th</sup> anniversary of our entry into the United States market, it is with renewed vigor that we pursue our Management Philosophy in the hope that people around the world will wish Kikkoman to be around for many years to come.

July 2007

## The Ten Principles of the Global Compact



### United Nations Global Compact

The Global Compact is an initiative proposed by then UN Secretary-General Kofi Annan at the World Economic Forum held in 1999 and was officially launched at UN Headquarters in 2000. The Global Compact asks participating companies to embrace, support and enact ten universally accepted principles in the areas of human rights, labor standards, the environment, and anti-corruption.

### Human Rights

#### Principle One

Businesses should support and respect the protection of internationally proclaimed human rights within their sphere of influence; and

#### Principle Two

make sure that they are not complicit in human rights abuses.

### Labor Standards

#### Principle Three

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

#### Principle Four

the elimination of all forms of forced and compulsory labor;

#### Principle Five

the effective abolition of child labor; and

#### Principle Six

the elimination of discrimination in respect of employment and occupation.

### Environment

#### Principle Seven

Businesses should support a precautionary approach to environmental challenges;

#### Principle Eight

undertake initiatives to promote greater environmental responsibility; and

#### Principle Nine

encourage the development and diffusion of environmentally friendly technologies.

### Anti-Corruption

#### Principle Ten

Businesses should work against corruption in all its forms, including extortion and bribery.



Supermarket in-store demonstration (1960s)

## Feature 1 Kikkoman's Commitment to Good Corporate Citizenship

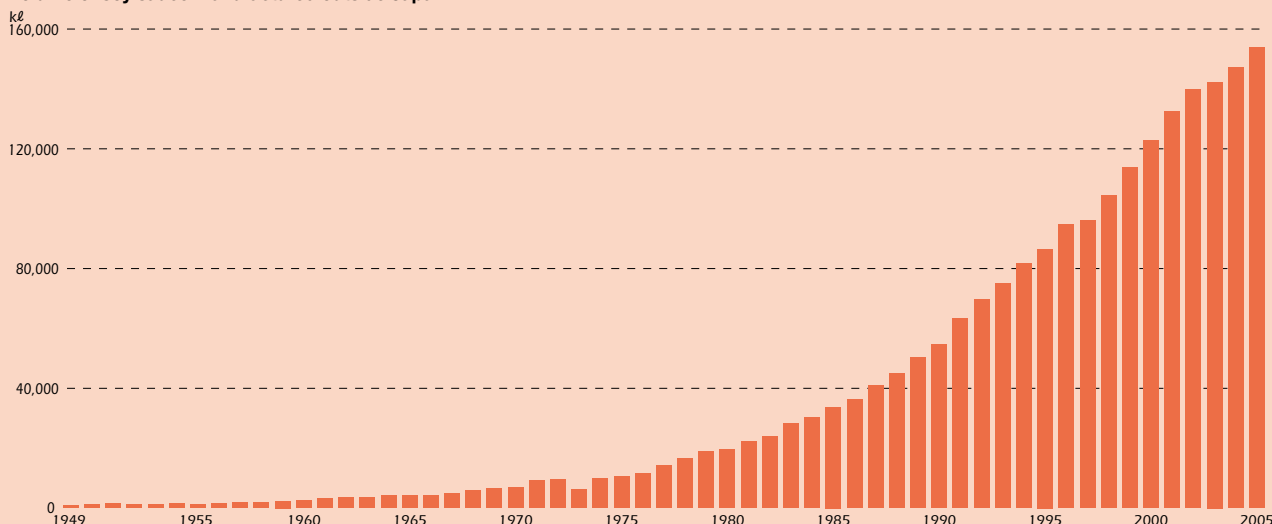
# Approach to Corporate Social Responsibility (CSR) in Overseas Operations

The year 2007 marks the 50<sup>th</sup> Anniversary of Kikkoman's full-fledged entry into the United States market. Over the half-century since we made our first foray beyond Japan to develop a new market for soy sauce, we have carried out a series of marketing and promotional activities aimed at raising American consumers' awareness and use of soy sauce. And, recognizing the importance of acting as a responsible corporate citizen when conducting business, we have also made determined efforts to operate in an environmentally friendly manner and to be a good neighbor within the community.

These efforts have yielded a major dividend in the form of wholehearted acceptance of Kikkoman soy sauce by American consumers. This remarkable success in the U.S. market has provided a springboard from which to launch wide-ranging consumer awareness campaigns for soy sauce on a global scale.



Volume of soy sauce manufactured outside Japan



# in North America

## KIKKOMAN INTERNATIONAL INC. (KII)

**Established:** 1957  
**Number of Employees:** 67  
**Business:** Sales and marketing of soy sauce and other food products

## JFC INTERNATIONAL INC. (JFC)

**Established:** 1958  
**Number of Employees:** 492  
**Business:** Wholesaling of oriental foods and other food products

## KIKKOMAN FOODS, INC. (KFI)

**Established:** 1972  
**Plants:** Wisconsin Plant (since 1972), California Plant (since 1998)  
**Number of Employees:** 187  
**Business:** Manufacturing of soy sauce and other food products

\*Number of Employees\* and \*Business\* are current as of March 31, 2007.

### ▶ Providing useful information to customers through product labels and website

In accordance with U.S. Food and Drug Administration (FDA)<sup>1)</sup> regulations, Kikkoman International Inc. (KII) discloses a list of ingredients and nutritional facts on all product labels to provide consumers with an accurate understanding of the quality of its products and what they are made from.

In addition, consumers are invited to call or email to inquire about the products, obtain recipe suggestions, or provide feedback. We welcome such interaction and do our best to respond fully to all contact. We also use that interaction to provide better service to our customers by compiling comments, suggestions and complaints into monthly reports, which are disseminated to all of our regional branches.

KII works with Kikkoman Foods, Inc. (KFI) and Kikkoman Marketing and Planning, Inc. (KMP, responsible for product development and quality control support)—to respond to commercial and industrial customers' inquiries concerning ingredients and manufacturing methods used for Kikkoman products by providing product specification sheets containing nutritional analysis data, and other analysis certificates.

JFC International Inc. (JFC) publishes information and recipe suggestions for the products they carry on its company website. This service is highly appreciated by restaurateurs and other customers.

**1) U.S. Food and Drug Administration (FDA) Regulations:** Regulations designed to ensure the safety and effectiveness of all non-meat processed foods, cosmetics and drugs. For instance, the presence of any of eight major allergenic substances—soybeans, wheat, milk, egg, peanuts, tree nuts, fish and crustacean shellfish—in food products must be indicated on their labels.

### ▶ Applying fair supplier selection criteria with respect to quality, price and service

KFI purchases raw materials for soy sauce, containers and packaging materials from about 60 different suppliers in the U.S., Canada and other countries.

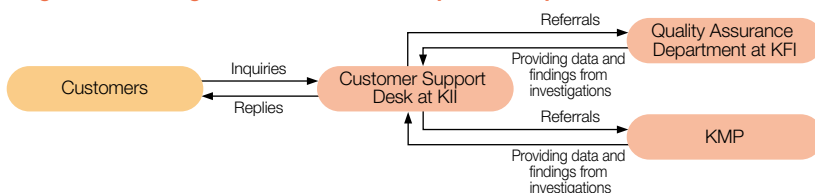
When selecting suppliers, we ensure that we solicit written quotes from all candidates, and we review them in terms of quality, price and service, so that no decision can be influenced by personal preferences or considerations of purchasing department personnel. We also have multiple suppliers for single items in compliance with the FDA's Good Manufacturing Practice (GMP)<sup>1)</sup> guidelines.

In order to maintain sound and proper business relationships with suppliers, we insist on written contracts specifying prices, quantities and quality assurance, and we review all supplier contracts prior to renewal. When we place orders, we make sure that multiple employees double-check order sheets prepared by purchasing staff, in order to minimize the risk of biased order placements.

JFC procures key products solely through the Merchandise Division at Headquarters in order to maintain integrity in supplier selection.

**1) GMP (Good Manufacturing Practice):** Standard for plant facilities and procedures for the production of food.

### Diagram illustrating how we handle and respond to inquiries from customers



## column

### Marketing Soy Sauce in the United States

Kikkoman established KII in 1957 with the aim of making inroads into the U.S. market. In order to encourage wide acceptance and use of the sauce by American consumers, we determined at an early stage that soy sauce should be repositioned and marketed as a new type of seasoning that was appropriate for American cuisine rather than as a seasoning specifically for use with Japanese cuisine. A typical example of our marketing activities at the time was in-store demonstrations at supermarkets. The demonstrator simply poured soy sauce over beef broiled in a skillet, and the resulting savory aroma attracted hordes of shoppers to try the taste.



Kikkoman products on display in a supermarket (1960s)

▶ Ensuring food safety based on Kikkoman Group Quality Policy

KFI has a Quality Assurance Division, which is tasked with undertaking quality control practices in accordance with the Kikkoman Group Quality Policy, GMP and HACCP<sup>1)</sup>. KFI has been audited and certified by the American Institute of Baking (AIB)<sup>2)</sup>. As it is common practice in the United States for commercial and industrial customers to require vendors such as KFI to enforce rigorous hygiene control over its products, KFI has commissioned food hygiene audits by two independent external auditors. KFI plans to seek a further audit by the Food Products Association (FPA)<sup>3)</sup> in order to satisfy customers' increasing food-safety requirements.

As part of ongoing quality control practices, KFI maintains records of manufacturing processes and implements intensive training programs for employees on hygiene control, as well as auditing its suppliers' quality control systems in accordance with the GMP requirements as provided by the FDA.

- 1) HACCP stands for "Hazard Analysis Critical Control Point System" and is a systematic prevention-based approach to food safety.
- 2) **American Institute of Baking (AIB):** an industry body committed to the most stringent standards of food safety, which conducts rigorous independent inspections, audits, and staff training.
- 3) **Food Products Association (FPA):** a trade association serving the food industry, whose audit program provides the industry's most comprehensive approach to assessment of a company's overall food quality and safety systems.



Pre-shipment quality inspection

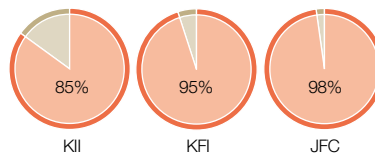
▶ Realizing diversity and equal opportunity in hiring and promotion, and fostering employee development

KII and JFC provide each employee with a manual that promotes and explains Affirmative Action, in order to help them understand the importance of achieving diversity in the workforce and ensuring equal opportunity in hiring and promotion. Every two years, in compliance with Californian state legislation, both companies provide employees with training and education on the subject of sexual harassment.

KFI states in its Company Policy that the company shall employ skilled workers regardless of their ethnic and religious background, gender, age or disability, thus ensuring equal employment opportunities.

With regard to employee development, KFI and KII actively encourage their employees to improve their skills by reimbursing course fees of those who attend off-site training programs.

Proportion of locally-hired employees (as of February 28, 2007)



▶ Intensive occupational health and safety education and training programs

KFI has established a Safety Committee, comprising field administrators and middle managers, as part of the environmental management system implemented under ISO14001. The Committee is tasked with managing occupational health and safety.

At the Wisconsin Plant, managers are regularly trained in occupational health and safety at sessions facilitated by outside consultants. The California Plant issues each employee with a list of good practices to be adopted in order to ensure that occupational health and safety management is properly enforced.

JFC focuses its safety efforts on reducing work-related injuries caused by accidents. These efforts include holding bimonthly safety committee meetings, at which personnel in charge of workplace health and safety management at headquarters and regional offices come together to share information about the causes of recent accidents and to discuss preventative measures. In addition, in order to raise employees' safety awareness, KFI holds DOT (Department of Transportation) Meetings aimed at ensuring compliance with regulations for driving trucks, and provides safety manuals to those employees who drive other types of company vehicles.



Participants in a DOT Meeting

**Teriyaki has helped make soy sauce popular in the U.S.**



To encourage Americans to use soy sauce while barbecuing, Kikkoman used the tag line "Delicious on Meat" when we started marketing soy sauce in the United States. The combination of broiled meat with soy sauce gave rise to a new style, and a new term, *teriyaki*. This blend of flavors has gained such widespread popularity that *teriyaki* beef and chicken have been added to the menus of many restaurants, and have become firm American home-cooking favorites since the 1960s. In 1970, the word *teriyaki* made it into Webster's New World Dictionary and became part of the English language. Today, you may find an assortment of soy-sauce-based seasonings on many American dining tables.

Feature 1 Kikkoman's Commitment to Good Corporate Citizenship

Approaches to Corporate Social Responsibility (CSR) in Overseas Operations

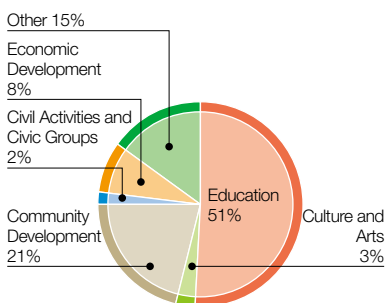
► **Community outreach programs—donations and volunteer activities**

KFI carries out community outreach programs, including donations and volunteer activities, as part of its sincere commitment to promoting educational and cultural development within its neighboring communities.

In 1993, to commemorate its 20<sup>th</sup> anniversary, KFI established the Kikkoman Foods Foundation with the aim of providing financial support for projects ranging from education, culture and environmental preservation to economic development. Today, the Foundation offers scholarships to high schools in the vicinities of the Wisconsin and California Plants, makes donations to universities and research institutions, and provides funding support for exchange student programs between Japan and the United States.

KFI's and JFC's community outreach programs include donations to and participation in such community events as "Breast Cancer Walk" and the "100<sup>th</sup> Anniversary of Japan Town," and also financial support for NPOs.

**Kikkoman Foods Foundation fund allocation during FY2007**



**Manufacturing soy sauce in the U.S.**

In 1971, with sales of soy sauce in the United States steadily rising, we made the decision to build an integrated plant that would handle everything from manufacturing to shipping. No sooner had a site been selected and secured than local residents staged a protest against the proposed plant construction. Discovering that the protesters had been wrongly led to believe that the plant would cause pollution, we launched a community relations campaign, entailing a series of face-to-face dialogues with the residents at town assemblies, county assemblies and town meetings. We successfully communicated Kikkoman's history of having benefited from agricultural development and having been a good neighbor in the community. The residents reacted very positively to our message and ultimately accepted our plan to build the plant. KFI was established the following year



KFI's Wisconsin Plant ready to go into operation

and started shipping U.S.-made soy sauce in 1973. This "Kikkoman Plant in America," which employs local residents and is integrated comfortably into the community, has become a model for successful establishment of an overseas operation.

► **Our determined efforts for environmental preservation include reducing energy consumption, waste generation, and preventing water pollution**

As there is no river nearby in the community where KFI's Wisconsin Plant is located, severe restrictions are imposed on the volume and effluent content of industrial wastewater. To comply with these stringent regulations, the Plant has installed equipment for reducing the amounts of suspended solids in wastewater. In addition, a purifier is used to effectively cleanse gases (generated during the manufacture of powdered products) before they are emitted into the atmosphere. Since 2006, the plant has been recovering and recycling heat energy generated during the purification process and using it in powdered product production.

At the California Plant, efforts have been made to reduce energy consumption by



Presentation ceremony for the Sacramento County Pollution Prevention Awards

monitoring electricity usage and by installing skylights to allow daylight into the plant. The Plant also reduces waste by selling soy sauce production residue as livestock feed. Local authorities have recognized all of these efforts. In fiscal 2007, the plant received a State of California Waste Reduction Awards Program (WRAP) Award for the sixth consecutive year and for the seventh time, and a Sacramento County Pollution Prevention Award for the third consecutive year.

At JFC, the company's environmental preservation efforts include replacing the diesel-powered refrigerators in refrigerated trucks with electric units.

# in North America



## Approaches to Corporate Social Responsibility (CSR) in Overseas Operations

▶ **ISO22000 certified, committed to manufacturing safe products**  
KIKKOMAN (S) PTE. LTD. (KSP)



Meeting to prepare for ISO22000 certification

KSP in Singapore obtained certification for the ISO22000 Food Safety Management Standard in March 2007. ISO22000 is an international standard that combines elements of HACCP—a

systematic prevention-based approach to food safety—and ISO9001—a quality management standard.

KSP manufactures safe products by adhering to its food safety management system based on ISO22000.

▶ **Contributing to community agricultural development by providing corn seeds and cultivation advice**  
DEL MONTE ASIA PTE LTD (DMA)

DMA in Singapore extends agricultural development assistance to Trat Province in Thailand, where Siam Del Monte

Company Limited (producer of foods processed from vegetables and fruit) is located, by providing corn seeds and cultivation advice to help an increasing number of farmers realize a stable source of income.

In addition, the company donates personal computers to schools, to help promote education in the local community.



Presenting a list of donations to a community school

**KIKKOMAN TRADING EUROPE GmbH (KTE)**  
Established: 1998  
Number of Employees: 12  
Business: Sales and marketing of soy sauce and other food products

**KIKKOMAN FOODS EUROPE B.V. (KFE)**  
Established: 1996  
Number of Employees: 47  
Business: Manufacturing of soy sauce and other food products

**KIKKOMAN (S) PTE. LTD. (KSP)**  
Established: 1983  
Number of Employees: 57  
Business: Manufacturing of soy sauce and other food products

**DEL MONTE ASIA PTE LTD (DMA)**  
Established: 1990  
Number of Employees: 13  
Business: Sales and marketing of Del Monte products

\*"Number of Employees" and "Business Operation" are current as of March 31, 2007.

# in Europe

# in Asia

▶ **Holding cooking contests and workshops to foster Japanese food culture in Europe**  
KIKKOMAN TRADING EUROPE GmbH (KTE)

KTE in Germany invites cooking school students who are studying to become the new wave of French chefs to participate in a cooking contest for dishes that use soy sauce. The company also holds a series of workshops on Japanese food ingredients to provide information on the basics of Japanese cuisine and soy sauce usage tips to restaurant owners and chefs throughout Europe and Russia.

Through these activities, we aim to enlighten Europeans on Japanese food



Russian chefs participating in a workshop on Japanese food ingredients

culture, which we hope will be infused into the traditional food culture of each country, leading to the creation of a new style of cuisine.

▶ **Participating in water resource conservation project that harnesses nature**  
KIKKOMAN FOODS EUROPE B.V. (KFE)

Lake Zuidlaarde in Groningen, Netherlands, which supplies water to the local area, has recently become polluted, resulting in a decline in the numbers of lake-based fauna such as fish, small animals and wild birds.

In 2000, KFE, which relies on the lake as a source of industrial water, became a primary sponsor for a water resources conservation project promoted by the local government and an NGO. Under this project, windmills have been built on the shores to pump polluted water out of the lake. The extracted water is then

used to create a natural wetland in which aquatic life and microbes work to remove the impurities. Ultimately, the newly clean water is returned to the lake. The project has drawn considerable attention as an example of a successful effort to harness nature in improving water quality.



Windmill, named "Molen Kikkoman," installed beside the lake



## Feature 2 “Creating Delightful Memories with Good Food”

# Kikkoman Group’s Approach to “Shokuiku” (Food Education)

As a responsible food company, Kikkoman has been engaged in *Shokuiku* (food education).

This initiative started out in 2004 as a *Shokuiku* Project under the philosophy referred to as “Kikkoman’s Three Wishes” and a set of operational guidelines called “Kikkoman’s *Shokuiku* Promotion Policies.”

In the following year, we coined the program slogan “Creating Delightful Memories with Good Food” and unveiled “Kikkoman’s *Shokuiku* Commitment” to show our firm commitment to the cause.

Our *Shokuiku* program offers a wide range of activities including factory tours to see how soy sauce is brewed, visiting lectures for schoolchildren by our employees, inviting parents and their children to special food events, and holding cooking classes.

### Kikkoman’s *Shokuiku* Framework

#### *Shokuiku* Slogan

“Creating Delightful Memories with Good Food”

#### Three Wishes

Kikkoman’s passion for food and *shokuiku*

- ① Eating well nourishes the mind. We wish to nourish the mind with good food.
- ② Good food makes good health. We wish good health to all, through good eating.
- ③ A smile shared over a meal endures forever. We wish to share and exchange the joy of food worldwide.

#### *Shokuiku* Promotion Policies

Guidelines for daily activities

##### *Shokuiku* (Food Education)

##### ① For families and children it means:

- well-balanced, nutritious homemade food;
- healthy growth, based on regular family meals where food itself is part of the family conversation;
- sharing good dietary rules via product labels, advertising and other means; and
- encouraging Kikkoman group employees and families to have food-centered lives—making the best use of their family meals for better communication.

##### ② In Japanese dietary culture it means:

- studying and developing our traditional food culture based on our experience of international food culture exchange;
- reasserting the positive aspects of the rice-centered diet in preventing lifestyle-related diseases and adapting to lifestyle changes; and
- enriching people’s lives through communal meals.

#### *Shokuiku* Activities

- |                   |                              |                   |                |
|-------------------|------------------------------|-------------------|----------------|
| Employee training | Messages from top management | Factory tours     | Advertisements |
| Visiting lectures | Internal publications        | Social activities | Website        |
|                   |                              |                   | Marketing      |

#### Captions to pictures

- ①②③ Factory tour to see a brewing process and to make soy sauce
- ④ Kikkoman employees conducting a class for a group of schoolchildren
- ⑤ Photo of our employee, taken at a young age, which appeared in a Kikkoman corporate ad
- ⑥ Parents and their children at a food event

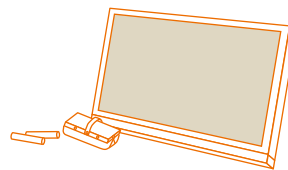
Kikkoman’s *Shokuiku* Commitment

Expression of Corporate Attitude

## Kikkoman Group's Approach to "Shokuiku" (Food Education)

The Kikkoman Group has been offering a variety of *Shokuiku* activities for our customers. In this section, we report on two *Shokuiku* activities: the "Kikkoman Soy Sauce Academy," in which Kikkoman employees visit elementary schools to talk about the ingredients of soy sauce, its manufacturing process and its benefits; and essay and recipe contests held under the theme "Creating Delightful Memories with Good Food."

# Kikkoman Soy Sauce Academy for Schoolchildren



**We have established a Soy Sauce Academy to give schoolchildren an opportunity to think about food and meals.**

The Academy, which became operational in 2005, deploys Kikkoman employees to elementary schools to give classes primarily to third and fourth graders, using original textbooks. The employees are encouraged to use ingenuity in their teaching script. To keep children at the center of a learning experience, they are given an opportunity

to handle the ingredients and participate in a quiz session. Teachers are chosen from among employees and, prior to assignment, undergo a training program based on role-playing.

As of March 31, 2007, our employee teachers numbered 165. During FY 2007, they visited 48 schools in pairs and held 118 classes for a total of 3,700

children. We offer fun-filled and exciting classes in which children can learn something new about soy sauce, with which they are already quite familiar.

We will continue this program throughout FY2008 with upgraded, easier-to-understand contents.

Comments made by participating elementary students

"I enjoyed smelling and touching the stuff. I liked the class. It was fun."

"I didn't know it took six months to make soy sauce. I will remember that whenever I use soy sauce."

"When I get home, I will tell my mom and dad about what I learned today."

"I'm excited to know that foods are full of surprising secrets."

"I want to be someone like a great soy sauce scientist."

**Teacher's comment**  
"This was a big help in proactive learning"



Ms. Noriko Ukai  
Oguma Elementary School  
Hashima City, Gifu Prefecture

"Soy sauce is so familiar to children. But, they were both surprised and delighted to learn that it was full of wonders and secrets."

"This was done as part of a regular Japanese class 'Let's Become a Food Scientist' for third graders, and the experience from the Soy Sauce Academy successfully motivated them to learn proactively. It will be beneficial if we can incorporate it into one of our regular courses."

**Employee teacher's comment**  
"Our goal is to provide children with memorable and fulfilling classes."



Ms. Junko Ozaki  
Foreign Operations Department  
Kikkoman Corporation

"You need to be physically fit to conduct classes for bubbly elementary students. I always enjoy giving one and find the experience very rewarding. I hope children will learn to enjoy good meals and pay more attention to what they eat every day. I'm excited to have this opportunity to interact with young children and conduct classes that will linger as pleasant memories in years to come."

### Message from a project leader

**"Nothing is more encouraging than having direct feedback from participating students and their teachers."**

"In FY2007, in an effort to expand our Soy Sauce Academy program, we installed a dedicated administrative office within the Public Relations & Investor Relations Department and began offering an online class application facility so that more schools could participate. This helped to substantially increase the number of students who took classes during FY2007 over the previous year's participation level. Every time we hold a Soy Sauce Academy class, we receive comments and feedback from participating students and their teachers. Comments such as 'We hope Kikkoman continues this well-designed program to educate children on the importance of food and meals.' are particularly encouraging to all of us on the project. We use the feedback to continuously improve our education program. Our goal is to talk to more and more children about food and meals."



Haruhiko Fukasawa  
Soy Sauce Academy  
Project Leader  
(Shokuiku Project)  
Foreign Operations  
Department  
Kikkoman Corporation

Share your “delightful memories with good food”

## Essay & Recipe Contests



Essay and recipe contests aimed at passing on the concept of “delightful memories with good food” from one generation to the next.

We held a “Share Your Delightful Memories with Good Food” essay contest and an “Our Home Cooking to Pass on to Our Children and Grandchildren” recipe contest, both designed to encourage today’s adults to hand “delightful memories with good

food” down to the next generation.

People remember both what they ate and how they ate it. The taste of food varies significantly depending on whom you eat with and how you feel during the meal. Some 2,100 people participated in the two contests during FY2007.



**WEB** Prize-winning essays and recipes are available for viewing on our Japanese website.  
<http://www.kikkoman.co.jp/shokuiku/contest/index.html>

### ▶ Essay contest “Share Your Delightful Memories with Good Food”

#### Grand Prize Winner

- “Magic Bean Paste”  
by Ms. Sachiko Fukushima (Fukuoka Prefecture)

**(Excerpt)** “It was the morning that my eldest daughter was going to have an appraisal test at a swimming club. Her nervous look reminded me of an episode that took place thirty years ago. On the day I was scheduled to participate in a long-distance running race, my mother served me her special bean paste made from roasted peanuts, soybean paste and sugar. And, as secret ingredients, she added her love and a touch of ‘magic’. Thanks to my mother’s special bean paste, I was able to eat bowl after bowl of rice, even under pressure, which gave me enough strength to get going that morning. ‘I’d like to give my daughter the same love that my mother gave me on that day.’”

It is an extremely well written essay. This delightful memory with good food on a particular day has been with the author for 30 years. It illustrates for the next generation how food can play an important role in relaying love and care among family members.

#### Runners-up

- “A Rice Ball” by Ms. Maiko Adachi (Aichi Prefecture)
- “Omelet My Father Made for Me”  
by Ms. Tomoko Usuki (Hyogo Prefecture)

Special awards were given for 11 essays and an encouragement prize for one



#### Judge's Comment

Mr. Yasuhiko Nakamura  
Chairman, Japan Shokuiku Gakkai  
(Japanese Society of Shokuiku)  
Affiliate Professor at Tokyo  
University of Agriculture

“I have voiced my concerns about Japanese people’s poor dietary habits on numerous occasions. Not to mention the increasing reliance on fast food and a lack of balanced meals, which mean that the idea of a whole family sitting down at a dining table is becoming a thing of the past.

“When I read the essays submitted by contestants, I was relieved to learn that many people still care about what they eat.

The Grand Prize winner “Magic Bean Paste” and one of the runners-up “Omelet My Father Made for Me” are about how food helps to bring a family close together. Another runner-up “A Rice Ball” is about what one depressed woman went through after the devastating Great Hanshin Earthquake. An old lady in an apron, who was a total stranger, gave her a rice ball after the quake, which gave her strength and the will to live. A small rice ball did the trick in bringing her back into society.

“All the submitted efforts impressed me in one way or another. What they tell us is that food plays a vital role in bringing families and society together. Food means a lot to all of us. I believe Shokuiku starts in everyday life at everybody’s home.”

### ▶ Recipe Contest “Our Home Cooking to Pass on to Our Children and Grandchildren”

#### Grand Prize Winner

- A hearty breakfast helps you overcome summer fatigue  
“Dashi—Minced and Seasoned Mixed Vegetables over Rice”  
Ms. Sachiko Yamashina (Yamagata Prefecture)

**(Episode)** “Dashi is traditional Yamagata cuisine, utilizing summer vegetables in season. One of my son’s friends, who said he usually skipped breakfast, ate a large bowl of rice topped with Dashi. The ramen noodle shop where my daughter works part-time started offering complementary Dashi with an order of rice. Our family’s special Dashi, whose recipe I learned from my mother, has become an instant hit among my children’s friends.”

#### Runners-up

- “Stuffed Chinese Yam”  
by Ms. Fumiko Narusawa (Iwate Prefecture)
  - “Broiled Pacific Sauri over Rice”  
by Ms. JS-Cesario (Hyogo Prefecture)
- Special awards given for 30 recipes



#### Judge's Comment

Ms. Hiroko Suzuki  
General Manager,  
Home Cooking Laboratory  
Tsujii Academy,  
Tsujii Cooking School

“We live in an age when we can have anything we want to eat, whenever we want it, losing a sense of the season at the dining table. Therefore, having a recipe contest using food in season has turned out to be particularly meaningful.

“Food in season not only tastes better but is also nutritious and at its best. The contestants acknowledged this almost forgotten wisdom and created recipes featuring food in season. They brought out the best in this seasonal food during the September-November period when we held the contest, such as the sweetness of vegetables and the tastiness of silvery fish. I was impressed with their creativity and thoughtfulness.”



- ▲ A hearty breakfast helps you overcome summer fatigue  
“Dashi—Minced and Seasoned Mixed Vegetables over Rice”
- ▶ “Stuffed Chinese Yam”
- ▼ “Broiled Pacific Sauri over Rice”



# Corporate Governance

To fulfill our responsibilities to all stakeholders, we are continuously improving and enhancing our corporate governance system. We are also establishing an internal control system to ensure the appropriateness of our operations.

## Basic Approach to Corporate Governance

We believe that responding appropriately to the changing business environment and maximizing corporate value through enhancement of Kikkoman Group management are the real basis for corporate management tasked with carrying out the mandate given by shareholders. Concurrently, one of our most important priorities at Kikkoman is to execute sound governance in order to fulfill our corporate responsibilities to all stakeholders.

## Corporate Governance Framework

Kikkoman employs a corporate auditor system. We have taken additional steps to improve and enhance our corporate governance framework with the aim of achieving greater management transparency, clearly defined responsibility, speedy decision-making, and stronger oversight. Specifically, we have introduced a corporate executive officer system, appointed outside directors and auditors, and formed a Nominating Committee and a Remuneration Committee.

In 2001, to expedite decision-making and clarify responsibilities for business execution, we introduced an executive officer system. The Board of Directors formulates group management strategies, makes important

decisions based on its internal decision-making guidelines, and oversees business execution by corporate executive officers.

In 2004, we established the positions of chairman of the board and chief executive officer (CEO), and president and chief operating officer (COO). The CEO is the highest-ranking decision-maker in our group management structure. Under the CEO, the Management Committee functions as a deliberative body for decision-making. The COO holds the ultimate responsibility for making operational decisions and ensuring execution of the business operations of Kikkoman Corporation. Under the COO, the Corporate Officers Meeting functions as a deliberative body for decision-making.

The corporate auditors conduct audits in accordance with the rules, auditing policies and audit plans established by the Board of Corporate Auditors. When planning and carrying out audits at the ends of the interim period and the fiscal year, the corporate auditors meet with the independent auditors to hear briefings on plans and reports, receive them, and exchange opinions. The corporate auditors work with the Internal Auditing Department to carry out their auditing duties.

In 2002, we established a Nominating Committee and a Remuneration Committee; each body comprising three directors, two of whom are outside directors. The Nominating Committee makes recommendations to the

Board of Directors on candidates for director, corporate auditor, and corporate executive officer. Candidates for corporate auditor are approved by the Board of Corporate Auditors. The Remuneration Committee formulates remuneration proposals for directors, corporate auditors, and corporate executive officers.

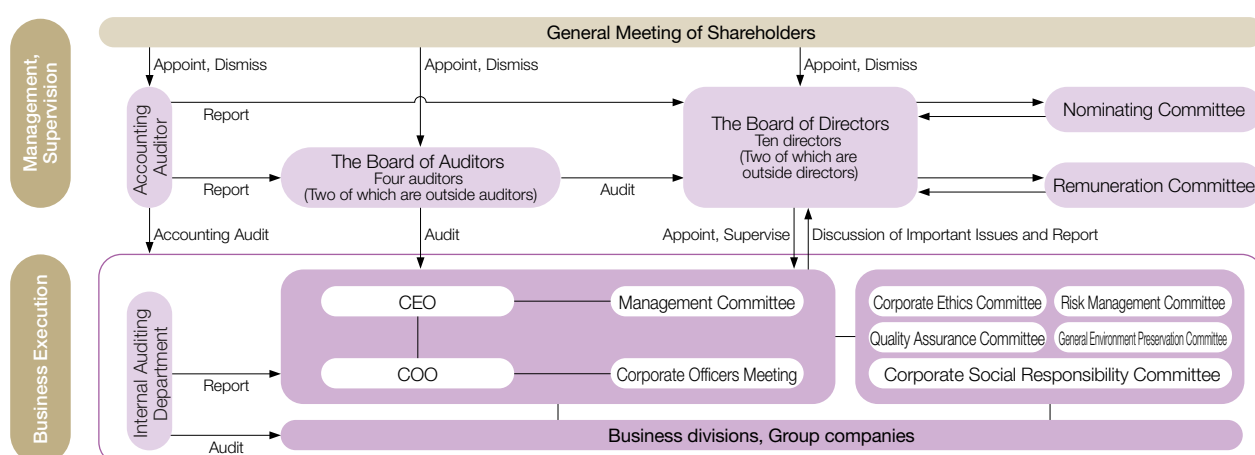
## Internal Control System

Establishing an internal control system that ensures proper implementation of operations is high on our corporate agenda. Accordingly, we have been making group-wide efforts to develop an enhanced framework for ensuring effective and efficient operations and compliance with laws and regulations.

In May 2006, the Board of Directors resolved to adopt a basic policy for "Establishing an Internal Control System," concerning an internal audit system, storage and administration of information, and management of group companies, to complement our corporate governance framework, compliance system and risk management system.

In addition, in December 2006, we initiated a taskforce with a brief to prepare for assessment and auditing of internal controls over financial reporting as required by the Financial Instruments and Exchange Law as of April 2008. In FY2008, the taskforce will lead our preparation for compliance with the law.

## Corporate Governance System (As of March 31, 2007)





# Compliance and Risk Management

We acknowledge that abiding by laws and regulations as well as social codes of conduct is a basic corporate social responsibility, and we are striving to raise our compliance awareness and enhance the system. We also have in place a company-wide risk management system, which is aimed at preventing perceived risks from emerging and ensuring preparedness against actual risks.

## Ensuring Compliance under Kikkoman's "Code of Conduct"

In 2002, Kikkoman established a Code of Conduct, which states that every officer and employee should execute his/her duties with a sense of ethics and mission, and should contribute to the development of society. The entire Kikkoman Group strives to put the code into practice.

We also set up in the same year a Corporate Ethics Committee to complement the Code of Conduct. The committee consists of two experts, such as lawyers, invited from outside the company and three directors and/or corporate executive officers of Kikkoman. They are responsible for reviewing and implementing all compliance-related policies and measures for the Group.

## Compliance Education and Awareness Programs

To raise awareness of and enforce corporate ethics based on our Code of Conduct, we provide compliance education during training sessions for all managers/supervisors, newly appointed managers/supervisors and new mid-career employees. Compliance education is also incorporated into our training programs for all new recruits.

All managerial employees holding positions of corporate officer, manager/supervisor or higher within Kikkoman Corporation, as well as the presidents of group companies, are obligated to submit an annual "written oath" to the CEO, pledging their compliance with the Code of Conduct. The entire group strives to practice compliance with corporate ethics and laws and regulations.

In FY2007, we stepped up our efforts on compliance education and awareness programs. For instance, general affairs staff from group companies in Japan met to ensure compliance with the Code of Conduct. In addition, we asked a greater number of employees to submit a "written oath."



Compliance education

## Ethics Hotline for Reporting Compliance Violations

Since 2002, we have had in place an ethics office, which provides a channel for employees to report on compliance violations, including violations of the Code of Conduct. Employees are made aware of the office through internal notices, company newsletters and training sessions.

The office provides two ethics hotlines; the external hotline is managed by an outside lawyer while the internal hotline is staffed with employees as part of the Secretariat of the Corporate Ethics Committee. Both hotlines receive reports via a dedicated phone line, fax, email or a dedicated post office box.

When the office receives a report, an internal investigation is conducted and appropriate measures are taken. The person who made the report receives feedback. The Corporate Ethics Committee Regulations stipulate protection for whistleblowers against any backlash or disadvantage resulting from submission of a report.

## Risk Management System

Each Corporate Officer is obligated to lead his/her division so as to prevent the emergence of perceived risks relating to our corporate activities.

We also have a Risk Management Committee in place to respond to crises that affect our corporate activities. In the event of natural disasters or product-related accidents, the committee meets to collect and centralize available information, issue and enforce specific instructions, and take preventative measures.

In FY2007, in an effort to enhance the company-wide risk management system, the monthly Corporate Officers Meeting reviewed related subjects and shared information.

In May 2007, we discovered that a portion of the ingredients Kikkoman imported from an independent supplier might have been irradiated and contained in a product called "Soy Act"—health food material marketed by Kikkoman. Because Japan's Food Sanitation Law prohibits the use of gamma ray irradiation for foodstuffs, the Risk Management Committee immediately responded to this issue and decided to voluntarily recall all products using the suspect ingredients and made the announcement through newspapers and the company website. We also notified our decision to customers who were using "Soy Act" in the manufacture of their own products. We are working to ensure that such a situation cannot recur by reviewing and upgrading the quality management system for materials that Kikkoman imports directly from overseas suppliers.



# Approach to Corporate Social Responsibility

We actively carry out initiatives to fulfill our responsibilities based on two frameworks for promoting social and environmental aspects.

## Kikkoman's Approach to Corporate Social Responsibility

We believe that the basis of corporate social responsibility (CSR) lies in actively practicing “what we can do for the future and for society” through our business operations, while fulfilling our responsibilities to our stakeholders.

In 2005, Kikkoman established a “Corporate Social Responsibility Committee,” a cross-divisional, cross-functional body, in order to step up CSR-related initiatives within the Group. Several departments are represented in this committee, including Public Relations & Investor Relations, Environment, General Affairs, Personnel, Corporate Planning and Foreign Operations.

The committee plays a central role in communicating and promoting CSR policies and initiatives internally, and in systematizing the diverse CSR activities that Kikkoman Group has been carrying out with stakeholders. This committee also works as a driving force to continuously improve these CSR-related activities through the PDCA (Plan-Do-Check-Act) management cycle.

## Environmental Preservation System

The Kikkoman Group has established a General Environment Preservation Committee as the top-level decision-making body for the group's environmental preservation activities. The committee is chaired by Kikkoman's president and comprises directors and

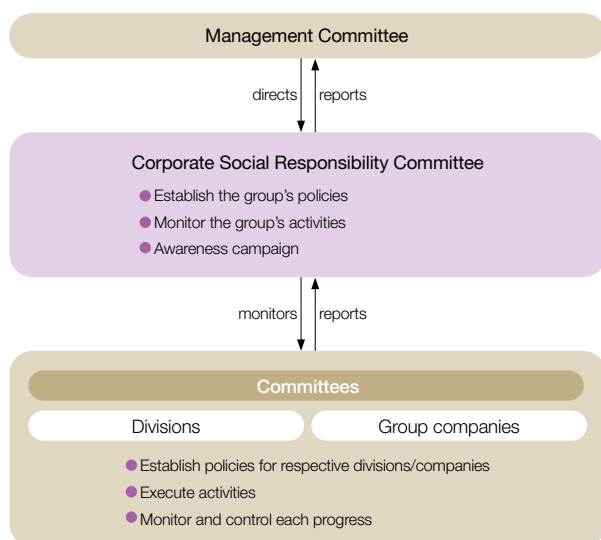
group company presidents.

Under the committee, we have two Environment Preservation Committees, one overseeing the production/engineering divisions and the other overseeing the sales and marketing/management divisions.

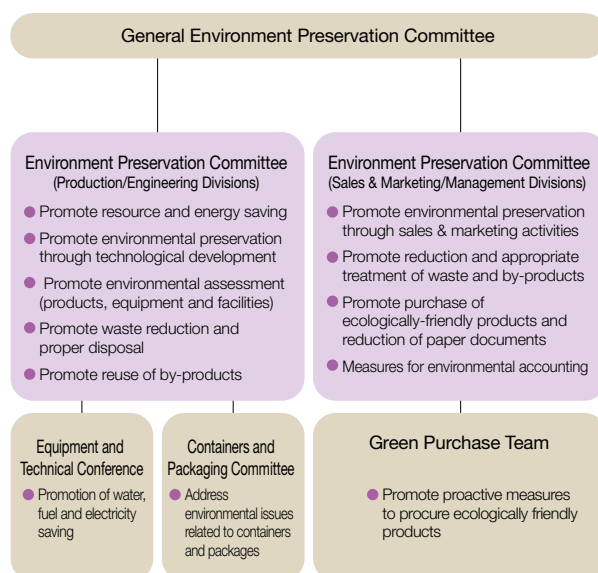
Guided by these committees, Kikkoman Group sets policies and targets for its environmental preservation activities, and periodically reviews them to improve the environmental management system.

The current Medium- and Long-term Environmental Preservation Objectives address: 1) prevention of global warming; 2) reduction and recycling of wastes and by-products; 3) promotion of environmental management system; 4) promotion of environmental education.

### Framework to Promote Corporate Social Responsibility



### Framework to Promote Environmental Preservation





# Providing Safe Products and Ensuring Customer Satisfaction

To ensure that we deliver delicious, safe and satisfying products to our customers around the world, we have developed and maintained a robust quality assurance system covering the entire process from product development through sales and marketing. We also utilize customer feedback to develop new products as well as to improve existing products and services.

### Quality Assurance Guarantees Food Safety

#### Kikkoman Group Quality Policy

In November 2006, based on our business philosophy of providing high quality products and services, we established Kikkoman Group Quality Policy, which serves as a basis for our quality assurance activities.

#### Quality Assurance System

Kikkoman has a quality assurance system that covers the entire product-related process.

In product development, we conduct and manage systematic quality assessment of ingredients and materials, production processes, packaging materials, safe logistics, and label accuracy. In particular, we ensure the safety of our ingredients and materials by stringently verifying the accuracy of information on residual agricultural chemicals, allergens, genetically modified organisms, organic authentication and place of origin.

In production, we implement strict quality controls based on our own Kikkoman Quality Control System (KQC).

In March 2007, we launched the "Kikkoman's Quality and Safety" section on our website to communicate our ongoing quality assurance activities to our customers and foster greater confidence in Kikkoman products.



Kikkoman's Quality and Safety  
<http://www.kikkoman.co.jp/anzen/>

#### ● Quality Assurance Department

In 1985, Kikkoman established a Quality Assurance Department, which was among the very first in the Japanese food industry. This department adopts the customer's point of view in order to thoroughly inspect the entire process from procurement of ingredients and materials to sales and marketing, with a focus on ensuring safety, legal compliance and social fairness.

We have a system in place that prevents any product that fails these inspections from reaching the marketplace. Our Quality Assurance Department plays a key role in ensuring Kikkoman's quality assurance.

#### ● Quality Assurance Committee

Our Quality Assurance Committee, established in 1986, is made up of top management and the related division heads. The committee meets every month to shape the group's food safety policy, address quality assurance issues, review important matters, and develop internal guidelines, all intended to upgrade our quality assurance activities.

#### Kikkoman Group Quality Policy

We strive to contribute to improving the dietary lives and health of people worldwide with our safe, high-quality products and services.

##### 1) The customer comes first:

We listen to our customers and make the customers' point of view our guide to providing better products and services.

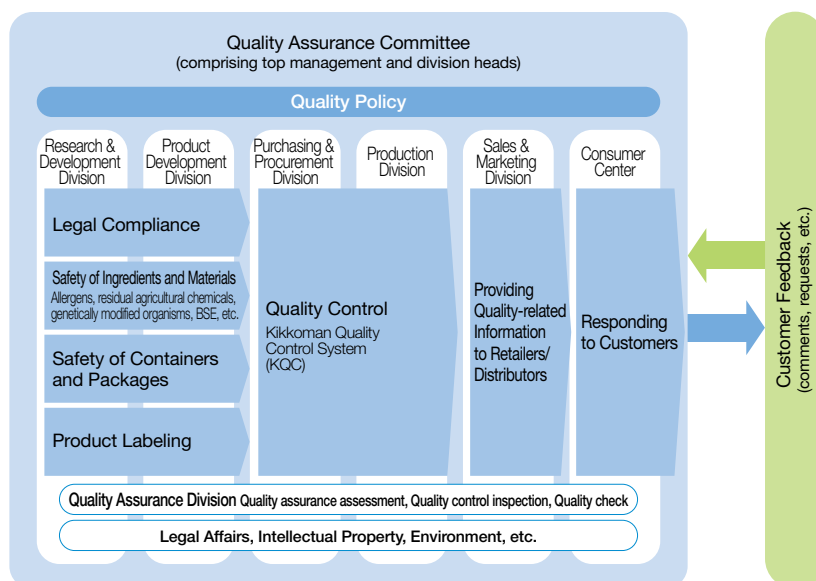
##### 2) We are committed to quality, safety and reliability:

We constantly strive for safety and higher quality to earn complete customer confidence in our products and services.

##### 3) Trust is our greatest asset:

We value our customers' trust above all else, and maintain it by complying with all laws and regulations, as well as by providing clear and easy-to-understand information.

#### Quality Assurance System





# Providing Safe Products and Ensuring Customer Satisfaction

### Quality Assurance in the Product Development Phase

#### ● Safety of Ingredients and Materials

Using safe ingredients and materials is a top priority in food safety. We track country of origin for all ingredients and materials we use and thoroughly examine them for safety and legal compliance, covering the following areas:

#### Screening for Residual Agricultural Chemicals

Kikkoman conducts screening for agricultural chemicals on all domestic and imported ingredients and materials. Since 2004, our Analysis Center has conducted additional voluntary checks for residual agricultural chemicals contained in soy sauce, *mirin* (Japanese sweet rice wine), grains, beans, vegetables, fruits, liquors and natural health foods.

In response to the Positive List System for Agricultural Chemical Residues in Foods under the revised Food Sanitation Law, in January 2007 our center established efficient and accurate analysis methods to facilitate timely detection of any of 300 commonly used agricultural chemicals.

In October 2006, Kikkoman received a technology award from Japan's Soy Sauce Technology Center for establishing methods to accurately detect and analyze agricultural chemicals contained in ingredients and by-products of soy sauce in order to ensure its safety.

#### Use of Non-GMO (Non-Genetically Modified) Produce

In response to customer demand in Japan, Kikkoman uses IP-handled<sup>1)</sup> non-GMO *marudaizu*<sup>2)</sup> (soybeans), a raw ingredient for soy sauce. Regular voluntary inspections ensure that such raw ingredients and materials are non-GMO products.

We have also shifted to non-GMO products for our defatted soybeans.

- 1) **marudaizu:** soybeans that are not defatting-processed
- 2) **IP (identity preserved) handling:** IP handling is a sorting control used in production and distribution. It controls the sorting of non-GMO produce and GMO produce at each phase of production, distribution and processing so that the two types of produce are never mixed. Documentation verifies the details of these controls.

#### Checking the Safety of Ingredients and Materials Made from Beef

To address the issue of BSE (mad cow disease), we use only ingredients and materials made from beef that has been verified as totally safe. Whenever possible, we substitute ingredients and materials that are not made from beef.

#### ● Product Labeling

##### Legal and Regulatory Compliance

Kikkoman vigorously checks the veracity of product labels and advertisements and determines if they comply with the JAS (Japan Agricultural Standard), the Food Sanitation Law, the Law to Prevent Unjustifiable Extra or Unexpected Benefit and Misleading Representation, the Fair Competition Codes, the Health Promotion Law, the Liquor Tax Law, the Pharmaceutical Law, as well as industry and internal guidelines. If any problem is detected, we immediately take corrective measures to ensure that our product labels comply with these laws and regulations.

##### Guaranteeing Social Fairness

Kikkoman verifies that product packaging and advertisements do not contain exaggerated or misleading information, and that all labeling and written information is fair and easy to understand in order to ensure social fairness.

##### Specific Label-listing of Allergens

When any of the five ingredients legally required to be listed on labels as 'known to cause allergic reactions' or any of the 20 ingredients for which listing is recommended are used in a product, we specifically list those ingredients

separately on the product packaging.

We also go a step further by ensuring the accuracy of our product labels through our own quality examinations and through voluntary inspections of ingredients and materials.



Label on a package of Japanese-style seasoning mix "Uchi-no-Gohan"

#### ● Container and Packaging Safety and Environmental Considerations

All containers and packaging are checked to ensure that the materials and shapes meet the standards of the Food Sanitation Law, as well as our own internal safety guidelines.

In addition, from the viewpoint of using containers and packaging with low environmental impact, our Containers and Packaging Committee verifies that all containers and packaging meet our internal environmental standards. We do not use any container that does not meet our standards.

### Quality Assurance in the Production Phase

#### ● Quality Control System

To ensure that we deliver safe and high-quality products to our customers, all of our plants in Japan are ISO9001 certified—the international standard for quality management systems. Furthermore, based on ISO9001, GMP<sup>1)</sup> and HACCP<sup>2)</sup>, we manage our production in accordance with the KQC (Kikkoman Quality Control), a standard developed independently by Kikkoman.

In addition, we conduct quality inspections at each process stage of production in order to ensure the safety of our products.

##### 1) GMP (Good Manufacturing Practice):

Standard for plant facilities and procedures for the production of food

##### 2) HACCP (Hazard Analysis Critical Control Point):

A system for preventing food accidents

## ● Monitoring Quality Control

Kikkoman monitors quality control practices based on the KQC system to ensure that our quality control system is continuously reviewed and improved.

Not only in Kikkoman's domestic plants but also in the group's major manufacturing facilities worldwide, internal inspectors regularly carry out comprehensive inspections of food sanitation and facility management in order to ensure that consumers in any country can use Kikkoman products with confidence.

## Pursuing Customer Satisfaction

### Consumer Center— Liaison with Consumers

The Consumer Center maintains close liaison with our customers—acting as the frontline in pursuit of the fundamental principle of “Consumer-oriented.”

The center responds accurately and

### Number and Details of Inquiries from Consumers

FY	Total number of inquiries received	Comments	Inquiries	Complaints
2003	19,807	1,022	17,482	1,303
2004	15,644	988	13,569	1,087
2005	17,022	1,194	14,734	1,094
2006	16,748	1,025	14,457	1,226
2007	19,518	1,135	16,785	1,598

promptly to inquiries, comments and complaints made by customers about our products, using the Kikkoman Quick Response System (KQRS), an online database containing a mass of product information and FAQs. When the KQRS cannot provide an answer to an inquiry, it is forwarded to appropriate departments to handle.

Furthermore, all customer feedback and our responses are promptly archived in a database named Kikkoman Crisis Communication Navigator (KCCN). Analysis of the accumulated information has proved to be a tremendous help in product development and improvement as well as in the prevention of food accidents.

### CS Improvement Committee Exploits Customer Feedback for Management

Kikkoman recognizes feedback from customers as one of the company's most valuable management resources. In April 2006, we established the

### How Kikkoman Handles Customer Feedback



Customer Satisfaction (CS) Improvement Committee, comprising top management and department heads from across the company, with the aim of enhancing the system for incorporating customer feedback into business decisions and operations.

The Consumer Center, working under the CS Improvement Committee, has the role of communicating customer feedback to senior management. Each year, the Center receives as many as 20,000 inquiries, comments and complaints from customers, and it analyzes each and every one of them. Significant issues identified through this analysis are brought before the CS Improvement Committee. The Committee is tasked with discussing and reviewing those issues in a timely manner and acting on them, which leads to new product development and improvements to existing products. Examples of product improvement materialized as a result of customer feedback are published on our website.

## Examples of Product Improvements Materialized through Customer Feedback

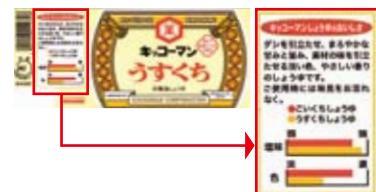
### “Best used by” date on Del Monte brand canned tomatoes

Formerly, we printed a “best used by” date where the ingredients were disclosed on a product label. After receiving many customer comments and inquiries that they didn’t know where to look for the “best used by” date or they wanted to know the “best used by” date, we changed the labeling layout so that customers can easily locate the date on the product.



### Labeling on Kikkoman Usukuchi (Light-Color) Soy Sauce

“Usukuchi” is a name given to a particular color of soy sauce in accordance with JAS (Japan Agricultural Standards). Light-color soy sauce has a slightly higher salt content than regular soy sauce. Customers living in eastern Japan are not familiar with light-color soy sauce and incorrectly assume it to be a lighter-flavored, less salty soy sauce. Therefore, we have added information on salt content and color to the labels on the product.





# Providing Safe Products and Ensuring Customer Satisfaction

### Consumer Considerations in our Advertising and Promotional Activities

We engage in advertising and promotional activities in compliance with applicable laws and regulations, such as the Act Against Unjustifiable Premiums and Misleading Representations in Japan, and endeavor to eliminate discriminatory expressions so as not to mislead consumers.

Before placing our ads, we thoroughly check the content against our guidelines and ensure that the claims and expressions are properly made, and that they are easy to understand. We will continue to communicate to consumers the benefits and the quality of our products, as well as what the Kikkoman brand stands for.



"Rediscover the value of soy sauce" advertising (October 2006)

This ad was designed to raise consumer awareness of the value of soy sauce by communicating how the assorted aromas contained in soy sauce work together to create a distinctive taste.

### Protecting Personal Information

We place ongoing importance on protection of personal information and regard this issue as a vital social responsibility in our business operations.

Specifically, Kikkoman has established a privacy policy and published it on our website. We endeavor to familiarize all our employees with this policy. We have also formulated "Personal Information Protection Regulations," which describes the framework and detailed rules on personal information protection. All of the important, noteworthy rules to keep in mind during our daily activities are summarized in "Basic Rules for Personal Information Protection" and the guidelines for individual situations are discussed in "Personal Information Protection Q&A." All Kikkoman employees share these manuals for reference in respect to their day-to-day activities.

Moreover, we have installed a "Personal Information Protection Committee," "Personal Information Administrators" and a "Secretariat for Personal Information Protection" as driving forces for promoting and monitoring company-wide implementation of personal information protection. We have also installed, in each division and department, managers and persons in charge of enforcing day-to-day activities for the protection of personal information.

### Our Commitment against Trademark Infringement

Kikkoman Group has been upgrading its monitoring capability and taking countermeasures against trademark infringement.

Counterfeit goods are manufactured and sold primarily in Asia. Especially in China, numerous counterfeit soy sauce and Del Monte products have been discovered. In FY2007, we made formal requests to the Chinese authorities to expose the counterfeit manufacturers and wholesalers that were 'mushrooming' in the country. As a result, nearly 20 counterfeit operators were brought to justice.

Consumers who unknowingly purchase counterfeit products can suffer both economically and emotionally. Conscious of the potential for serious damage to the trust in our brands and products, we will continue to take strong action against counterfeit goods and trademark infringement.



Chinese authorities raiding a counterfeit operation



# Growing Together with Business Partners

Suppliers and business customers are key business partners for the Kikkoman Group in our pursuit of high-quality products and services. We strive to follow fair and appropriate business practices through a variety of measures and to maintain proactive communication with our business partners.

### Developing and Maintaining a Good Relationship with Business Customers

We strive to develop and maintain fair and open transactions with our business customers in accordance with our guidelines and policies, while observing such Japanese legislations as the Antitrust Law and the Liquor Tax Law. These guidelines and policies include elimination of unfair trade practices and resale-price maintenance, prevention of differential pricing and conclusion of basic contracts. We also take measures to maintain transparency in our sales honorarium system.

In addition, all sales employees responsible for business customers are required to participate in learning sessions during our internal sales meetings and training programs. This requirement is aimed at enhancing the awareness of the need to maintain a fair and open relationship with each customer.

### Building and Maintaining a Fair Relationship with Suppliers

As outlined in our Code of Conduct, we aim to build and maintain fair relationships with our suppliers. Accordingly, Kikkoman's policy on the selection of and transactions with suppliers is based solely on their abilities to provide good quality, price and services, and not on the personal preferences of employees.

As for the management system for ensuring that this policy is followed, personnel in charge of purchasing must comply with our internal "Procurement Guidelines." We also have an internal audit system for reviewing proposed business relationships with new

suppliers, and an audit system to review ongoing transactions with existing suppliers, both of which ensure fair evaluation and allow opportunities for new suppliers.

To help minimize potential risks, we procure ingredients and raw materials from multiple suppliers.

### Measures for Building Fair Relationships with Suppliers

At Kikkoman, in order to build and maintain fair relationships with suppliers, the Purchasing Department plays a key role in maintaining close communication with them.

Whenever we enter into basic contracts with suppliers for new transactions, compliance concerns are also addressed. Moreover, the Act against Delay in Payment of Subcontractors' Proceeds, Etc. to Subcontractors is discussed each time an agreement between subcontractors is signed.

In FY2007, we sent a written environmental policy devised for the Noda Head Office in compliance with ISO14001 to all of our suppliers of ingredients and raw materials in order to solicit their understanding and cooperation in implementing our



Environmental Policy at Noda Head Office

environmental preservation activities.

We sent a notice to our suppliers to request their cooperation in taking eco-friendly measures, such as using packages that generate less industrial waste and employing practices to prohibit engine-idling in vehicles delivering goods to our premises.

We will continue to build better partnerships with our suppliers while using close dialogue to raise mutual recognition of compliance and environmental considerations.

### Procurement Focused on Product Quality and Environmental Considerations

Kikkoman aims to procure items that ensure product quality and are environmentally friendly.

For example, the Containers and Packaging Committee, which comprises top management and heads of departments and group companies, discusses all aspects of ideal packaging. The Purchasing Department studies and selects the most desirable supplier and item from the viewpoint of reducing environmental load and package weight, easy trash separation and user-friendliness. When procuring organic crops or non-GMOs (genetically modified organisms) as raw materials, we disclose the breed variety and production process, and obtain various kinds of authorization certificates, such as a Certified Organically Grown Food Certificate, in order to secure product quality. Moreover, we maintain and improve the quality of procured items through continual quality improvement activities with our suppliers, investigating the country of origin and conducting joint inspections on IP handling.



# Earning the Trust of Shareholders and Investors

We strive to enhance transparency in management through timely and appropriate information disclosure. Kikkoman also pursues increased corporate value by ensuring earnings through sustainable growth that allows for proper distribution of profit.

### Timely and Appropriate Information Disclosure and Interactive Investor Relations

Kikkoman places importance on information disclosure and IR activities that focus on fairness, timeliness and expeditiousness. In addition to holding IR meetings in Japan, the United States and Europe, we promptly disclose a variety of IR information on our website for those investors who are unable to participate in the meetings.

In FY2007, we stepped up our IR activities for individual investors by holding seminars on food and health at 14 locations around Japan.

We will continue to disclose information in a timely and appropriate manner and to maintain frequent and interactive communication with shareholders and investors.



Seminar for individual investors



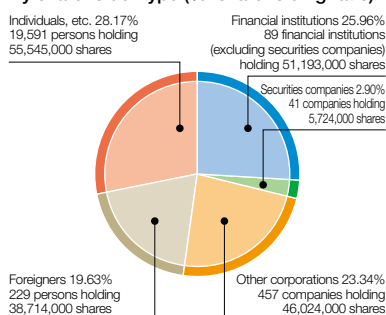
Annual Report



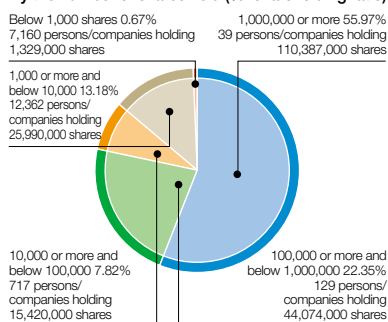
IR Report

### Composition of shareholders (as of March 31, 2007)

#### By shareholder type (%: shareholding ratio)



#### By the number of shares held (%: shareholding ratio)



### Promoting an Open General Shareholders' Meeting

To encourage better attendance at the annual general shareholders' meeting, Kikkoman holds it on a date that avoids clashing with the most concentrated dates for other companies' meetings. Moreover, we deliver the notice and related documents to shareholders three weeks before the meeting to allow for careful review of the agenda. We also send an English-language notice to shareholders overseas.

### Basic Policy on Distribution of Profits

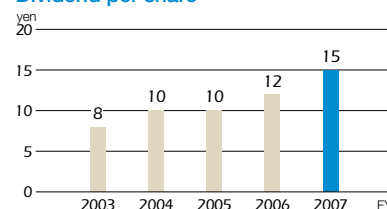
The Kikkoman Group's basic policy is to reward shareholders through stable distribution of profits, backed by strong consolidated financial performance, while using funds to invest in strengthening its corporate foundation and future businesses.

The dividend for FY2007 is expected to be ¥15 per share, representing a commemorative dividend of ¥3 to celebrate the 50th anniversary of our full-fledged entry into the U.S. market added to the common dividend of ¥12 per share.

In addition, we have a special benefit plan for our shareholders, aimed at deepening their understanding of Kikkoman's business and products and encouraging their ongoing support.

From a long-term point of view, we intend to deploy internal reserves in ways that create robust corporate value. Our future plans include investments in expanding our international operations, streamlining production facilities, conducting research and development to cultivate new demand, and making strategic investments.

### Dividend per share



### Credit Ratings

One of the indicators for better understanding Kikkoman's financial soundness is credit ratings provided by rating agencies.

Kikkoman was given a rating of A (single A stable) by Rating and Investment Information, Inc. as of March 31, 2007. We are striving to maintain or further improve our ratings.

# Creating a Safe Workplace that Facilitates Employees' Self-fulfillment and Personal Development

Kikkoman recognizes that its employees are the solid basis on which the company operates and respects their diverse individual values and talents as well as their work-life balance. We aim to create a safe and pleasant workplace in which our employees can fulfill their individual potential and rise to their personal challenges.

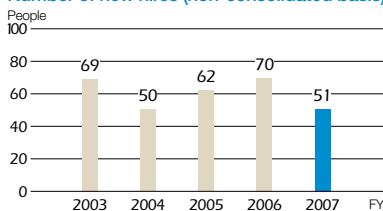
## Respecting Human Rights and Diversity

### Kikkoman Group Employment Policy

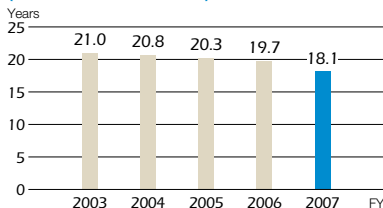
We strive to ensure equal opportunity and fair employment practices, adhering to our basic policy of "respecting every employee's human rights" in the belief that "a company can fare well only when its employees lead healthy and happy lives."

In 2001, Kikkoman announced its participation in the United Nations Global Compact. The principles set forth under "Human Rights" and "Labor Standards" in the Global Compact are fully compatible with what is stipulated in our Labor Agreement, Working Regulations and Labor-Management Joint Declaration.

#### Number of new hires (non-consolidated basis)



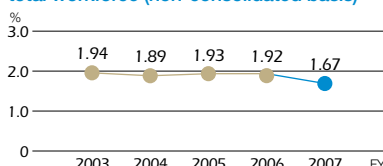
#### Average length of full-time employees' service (non-consolidated basis)



### Promoting Employment of People with Disabilities and Barrier-free Initiatives

Kikkoman believes in creating a work environment in which people with disabilities can keep their jobs based on the "normalization" principle—the concept of creating a society in which able-bodied and

#### Proportion of employees with disabilities to total workforce (non-consolidated basis)



disabled people can live and work together on equal terms. Accordingly, we are actively creating barrier-free work environments for all employees.

### Prevention of Sexual Harassment and Abuse of Power

Kikkoman regards sexual harassment and abuse of power ("bossing") as human rights violations and prohibits them in the company's working regulations. The Personnel Department is responsible for preventing and handling harassment issues, and we have male and female counseling staff assigned at the Noda Head Office, Tokyo Head Office, Takasago Factory and Kinki Regional Office.

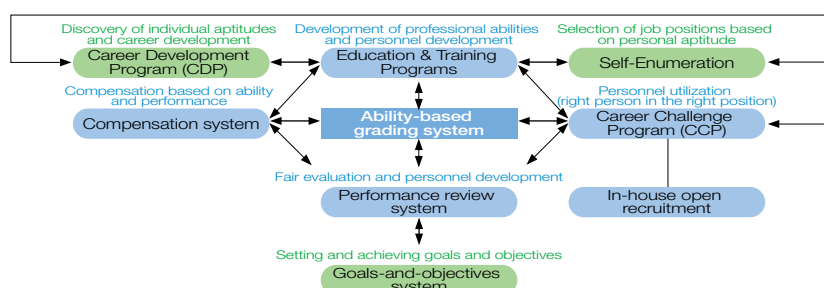
Furthermore, we continue to raise employee's awareness of this issue through training programs for managers and supervisors as well as various initiatives taken by the "Sexual Harassment Prevention Committee."

### Socially Responsible Corporate Pension Management

In 2004, Kikkoman modified its retirement pension plan in response to changes in employees' needs and employment conditions in Japan. To ensure the stability of our corporate pension fund, we shifted our pension scheme from a tax-qualified pension plan to a contract-based defined-benefit pension plan.

In May 2006, Kikkoman signed up to the "Principles of Responsible Investment", making a commitment to fulfilling our social responsibility by incorporating environmental, social and corporate governance issues into our investment decision-making and stock ownership practices in respect to our pension fund. Since becoming a signatory to the

#### Human Resource Management System



Principles, we regularly update our investment portfolio based on assessment of the entities in which we invest while maintaining an effective balance between stability and profitability.

1) Principles of Responsible Investment: Voluntary principles for investment decision-making proposed in 2005 by then UN Secretary-General Kofi Annan and coordinated by the UN Environment Programme Finance Initiative and the UN Global Compact.

### Human Resource System and Personnel Development: Ensuring Independence and Fairness

Kikkoman's human resource system employs an ability-based grading process, which comprises several subsystems including human resources utilization, training and education, performance reviews and compensation. Each employee's individual performance is reviewed under a goals-and-objectives system whereby supervisors conduct interviews with their staff in order to work out personal goals and objectives. We strive to support employees' individual career objectives through self-assessment, and provide a Career Development Program, which is designed to support employees' long-term career development, and a Career Challenge Program, which allows employees to make their own decisions when applying for new positions within the company. Moreover, to ensure fairness across the whole human resource management system, we have a "Human Resource Management Verification Committee" which comprises labor and management representatives. The Personnel Department periodically conducts interviews in offices and factories around the country and monitors how the system is being implemented. In FY2007, the department staff visited offices in the Chugoku, Shikoku and Tohoku Regions of Japan.



## Social Responsibilities and Activities

# Creating a Safe Workplace that Facilitates Employees' Self-fulfillment and Personal Development

### Rehiring of Retired Employees

Since 2001, Kikkoman has implemented the "Senior Employee System," a scheme for rehiring retired employees. This system enables employees who have retired at age 60 to return to work for a contractual term of one year. If the employee wishes, the term of reemployment may be extended until he or she reaches the qualifying age for a full pension.

### Building a Sound Labor-Management Relationship

Under the Labor-Management Joint Declaration, which was announced in 1998, Kikkoman has established a sound labor-management relationship based on mutual trust and respect. We have adopted a union-shop labor agreement and 79.6% of our employees were unionized as of April 1, 2007.

### Reward for Inventions

Kikkoman has established and followed its own rules for encouraging employees to come up with work-related inventions. These rules prescribe that the patent right for an employee's invention shall be assigned to the Company and that appropriate compensation shall be paid to the inventor at the time of the patent application, the patent registration and

the occurrence of patent performance.

In 2005, we updated our Rules on Employees' Inventions to accord with the revision of articles concerning employees' inventions in Japan's Patent Law, and to enhance incentives to employees. The updated rules clarify the definition of an inventor and the handling of patent compensation, and add a clause concerning a system for allowing an inventor to raise an objection to the compensation amount. Simultaneously, we established the Invention Evaluation Committee and a subcommittee tasked with assessing the compensation amount and rule revisions in order to ensure proper implementation of the rules and the system.



### Developing Independent Professionals

### Human Resources Development Vision

In its "Human Resource Development Vision," Kikkoman declares the company's intent to "support the career and development of Kikkoman employees who work proactively in an era of focused expertise and individual competency and who are expected to bring about positive changes in the corporate environment."

In FY2007, in order to put this vision into practice, we provided intensive training programs for supervisors to improve their staff-training skills, fostered a sense of commitment

among employees through workshops, and required them to take e-learning courses on compliance.

### Reinforcing Educational and Training Programs

At Kikkoman, self-improvement training is made available to all employees to help them clearly plan their career paths. Our range of training programs includes attending business management courses offered by external business schools and universities, a program called "My Challenge Training," which allows trainees to select from several courses, correspondence courses and e-learning courses.

Through these educational and training programs, we will continue to support employees in their career and skills development in ways that meet their individual needs.



### Ensuring Employees' Safety and Health

### Occupational Safety and Health Management System

Kikkoman maintains the belief that providing a safe and pleasant work environment for employees is a fundamental principle of corporate management. Accordingly, Kikkoman's Central Safety and Health Committee, which comprises labor and management representatives, plays a central role in promoting occupational

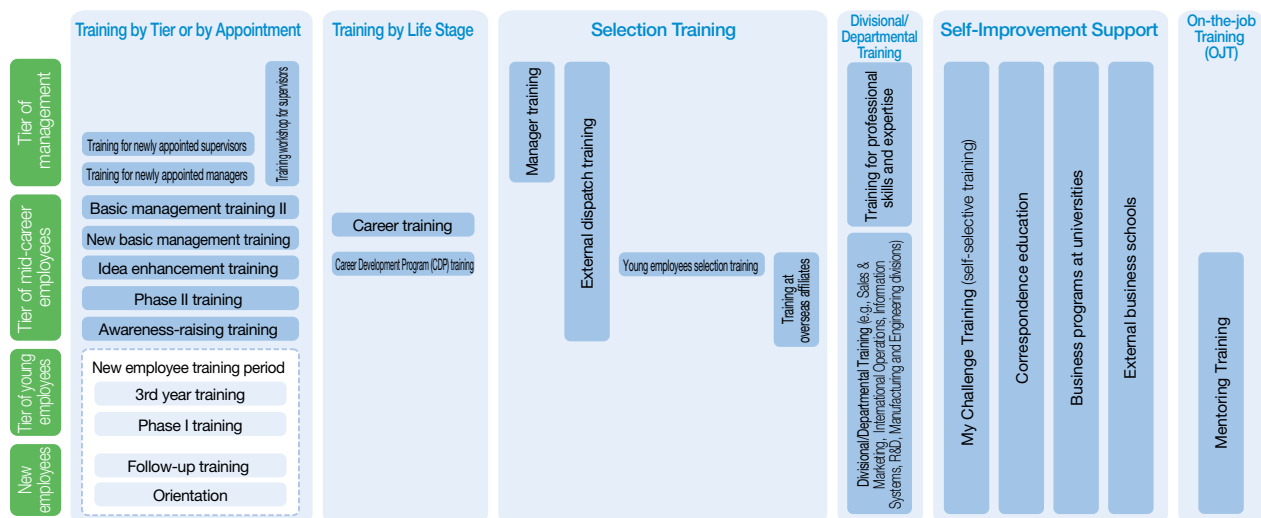
## Respecting Employees' Work-Life Balance

In order to support and encourage employees in balancing their work and family lives, Kikkoman has implemented a set of company-developed support programs as listed below:

### Flexible Work Arrangements

Work Arrangements	Description
Childcare leave (since 1981)	Can be taken from the time of birth of a child until the first April 30 after the child attains the age of 18 months. One extension and one reduction of leave period are permitted.
Shorter work hours for childcare (since 1996)	An employee can work up to two hours short of regular work hours a day over a total six-year period, anytime between pregnancy and the time when the child reaches fourth grade.
Morning sickness leave (since 2000)	Up to 15 days can be taken during pregnancy.
Child nursing care leave (since 2003)	Up to 5 days per year can be taken until a dependant child reaches fourth grade.
Family care leave (since 1978)	Up to 18 months can be taken at any interval.
Shorter work hours for family care (since 1998)	An employee can work up to two hours short of regular work hours a day over a 12-month period with a monthly increment.
Communication with employees on leave	Updates on company and workplace information are communicated to employees on leave via newsletters and emails so that they will not feel left out.
Flextime plan, staggered work hours, use of Shinkansen bullet trains for commuting	Offering a variety of work arrangement options to meet employees' needs.

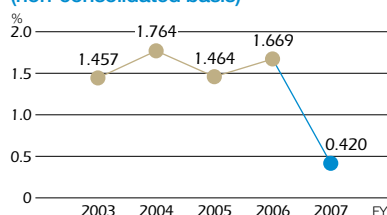
## Human Resource Development Chart (FY2007)



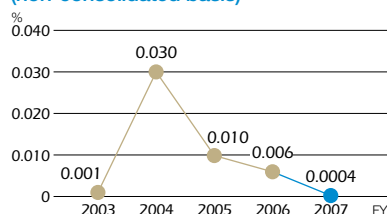
safety and health management.

The committee determines policies and key objectives for companywide safety and health activities, and ensures that they are communicated to all employees and shared. Specific actions are then executed by the local safety and health committees. In addition, Kikkoman conducts periodic monitoring inspections at both central and local levels. The monitoring team comprises labor and management representatives and ensures that any work environment or behavior identified

**Changes in frequency rate<sup>1)</sup> (non-consolidated basis)**



**Changes in severity rate<sup>2)</sup> (non-consolidated basis)**



**1) Frequency rate:** An indicator of the frequency of disasters/accidents, represented by the number of casualties resulting from occupational accidents per 1 million work hours. (Non-absence injury counting as 0.5 person)

**2) Severity rate:** An indicator of the severity of disasters/accidents, represented by the amount of work time lost due to occupational accidents requiring absence from work per 1,000 work hours. (Non-absence injury counting as 0.5 day)

as posing a safety or health risk is remedied.

### Considerations for the Physical and Mental Well-being of Employees

At Kikkoman, all employees are required to undergo an annual medical check-up. An occupational medical nurse provides follow-up for those who need re-examination. And, in cooperation with the Japan Industrial Counselors' Association, we operate a counseling system for early detection and prevention of diseases.

To prevent health problems and accidents caused by overwork, the Personnel Department notifies employees whose overtime exceeds the upper limit set forth in the contract, in accordance with Article 36 of Japan's Labor Standards Law. Direct supervisors are also notified of any such situation.

In FY2008, we plan to further promote a better work environment for employees, whereby they can manage their own work hours and health, by utilizing an overtime management system

introduced in 2006 and enforcing a "No Overtime Work Day" once a month.

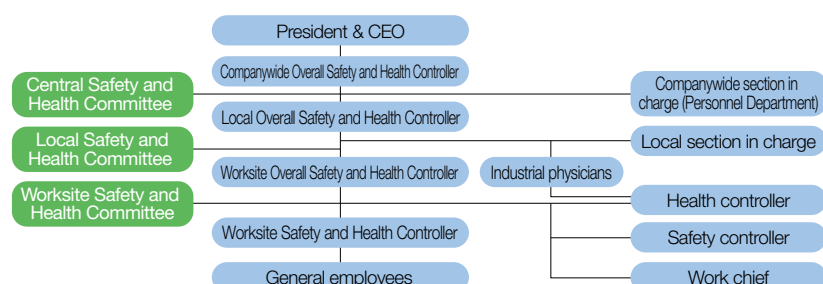
### Crisis Management in the Event of a Natural Disaster

Kikkoman's Risk Management Committee has prepared a contingency planning manual and established a framework for collecting risk-related information and taking prompt and appropriate action in the event of a natural disaster.

In FY2007, we streamlined the reporting route to flow directly to the committee from divisions and group companies in an area affected by a disaster, thereby enabling more timely assessment of the emergency situation.

During the "Disaster Prevention Weeks" in September and October 2006, we provided all employees with copies of a manual that prescribes behaviors/actions to take and pre-arranged plans to follow with family members if an earthquake strikes, with the aim of raising employees' disaster preparedness.

### Safety and Health Management Organization





# Social Activities to Enrich Local Communities and Promotion and Development of Food Cultures

Kikkoman promotes diversified social activities for our stakeholders, including supporting employees' volunteer activities, organizing community-based programs, and holding seminars and cooking classes that contribute to the promotion and development of food cultures.

### Basic Principle and Promotion System for Social Activities

Under the management philosophy of "becoming a company whose existence is meaningful to global society," the Kikkoman Group promotes social activities primarily in the fields of food and health, while treasuring the Japanese food culture and maintaining harmony with world food cultures and the environment.

Employees designated as social activity promoters in factories and branch offices participate in the Volunteer Promotion Committee, which is tasked with supporting employees' volunteer activities companywide. We also implement community-based social activity programs.

### Kikkoman Group Social Activities

#### ● Programs for Providing Hands-on Experiences for Consumers

We provide hands-on programs to raise consumers' interest in nature and society as well as learning programs on international contributions in cooperation with NPOs and NGOs.

Kikkoman personnel take part in administering the program as volunteers.

#### ● Supporting Employees' Volunteer Activities

We encourage our employees to engage in volunteer activities by introducing "Easy-to-Participate Programs" and "Volunteer Activity Support Systems."

#### ● Contributing to Making Communities Safer

We contribute to the development of safer communities, in which local residents can feel more secure by supporting firefighting and

disaster-prevention activities, as well as traffic safety campaigns.

#### ● Education and Sound Development of Youth

We financially support several international exchange programs for the education and sound development of young people in cooperation with various public organizations and educational institutes in Japan and abroad.

#### ● Community Outreach Programs

We implement community outreach programs that include holding events with local features, participating in traditional community events and opening our facilities to the public.

#### ● Donations

We have made donations in fields related to its business activities, such as educational support and environmental preservation. We also contribute to a large-scale disaster relief fund.

## Promotion and Development of Food Cultures

The Kikkoman Group strives to promote and develop international food cultures through lectures, cooking seminars and operation of food-related facilities.

### Case Study

#### ● CLUB KIKKOMAN

We hold "Club Kikkoman" talk shows at various locations in Japan with food experts invited as guests. In FY2007, we invited a renowned president of a cooking school (Yukio Hattori) to speak on the theme of Shokuiku (food education) in Nagoya City, Aichi Prefecture.

#### ● Cooking Seminars at the KCC Hall of the Tokyo Head Office

Featuring food professionals such as culinary experts and chefs from well-known restaurants, Kikkoman holds cooking seminars on subjects ranging from home cooking recipes through restaurant specialty menus to the latest

trends in food preparation. The KCC Gallery, located adjacent to the hall, exhibits food-related artwork.



Cooking seminar at KCC Hall

#### ● Research on Food Culture with a Focus on Soy Sauce and the Dissemination of Information

The Kikkoman Institute of International Food Culture, located at the Noda Head Office, conducts research on international food cultures that include soy sauce, collects and publishes information, and holds forums and seminars on those subjects. In addition to opening research results and a collection of visual and written materials for public viewing, the Institute also holds exhibitions and makes related information available on its website.



The Kikkoman Institute for International Food Culture

## Social Activities Carried Out in FY2007

### ● 1st Hands-on Volunteer Program on Food and International Contributions for Parents and Children

#### Programs for Providing Hands-on Experiences for Consumers

Kikkoman worked with an NGO to launch a “Hands-on Volunteer Program on Food and International Contribution for Parents and Children.”

The first program was held in March 2007, when 10 pairs of elementary students and parents participated in learning about the hardships suffered by children in the countries helped by the NGO.

Also, during the program, they made sweets from fair-trade products imported by the NGO. All participation fees for the program were donated to the NGO.

As part of the volunteer program, participants assisted the cause of sending picture books to Lao children. Prior to the program, a total of 110 Kikkoman employees also rendered their assistance to the cause both at work and at home. A combined total of 290 picture books were sent to Laos through the NGO's office in that country.



Making sweets from fair-trade cocoa and chocolates

### ● The 5th World Culture Festival Supporting Employees' Volunteer Activities

Kikkoman has been working with NGOs and other companies to hold a “World Culture Festival” every year

since 2002. This charity event is aimed at giving employees of participating companies an opportunity to learn about Asian and African food cultures and about the international aid provided to those regions.

The 5th festival, held in January 2007, attracted about 100 attendees. They enjoyed the complimentary food samples offered at the booths of NGOs that support Uganda, Cambodia, Thailand and Laos, and gained an understanding of the dietary situations and NGO activities in those countries. All proceeds from admission fees were donated to participating NGOs.

Attendees commented that they hadn't realized how fortunate Japan was until they visited the exhibition and that they were impressed by what NGOs were doing to help those countries.



Kikkoman employees participating in a native dress fashion show

### ● Supporting Exchange Student Program Education and Sound Development of Youth

The Kikkoman Group has supported the YFU (Youth for Understanding) exchange student program since 1979, by offering a “Kikkoman Scholarship.”

In 2006, we funded a short home-stay in Japan for 23 American high school students and an extended home-stay in the United States for 4 Japanese students.

We hope that participating students will enjoy real-life experiences in different cultures and environments, thereby gaining international perspectives which will contribute to the development of

broader international exchanges in the future.



Welcoming exchange students from the U.S. to the Soy Sauce Museum

### ● The 43rd Goodwill Kendo Tournament for Junior High and High School Students in the Area

#### Community Outreach Programs

Over the years, Kikkoman has offered community outreach programs for Noda City, where our head office is located. Programs include making our employee welfare facilities available to local residents and organizing, sponsoring and supporting sporting events.

One such event is the “Goodwill Kendo (Japanese art of fencing) Tournament for Junior High and High School Students in the Area,” organized by Kikkoman and supported by the Noda City Board of Education and the Noda City Kendo Association. All junior high and high school students are eligible to enter the tournament regardless of where they live.

The 43rd tournament, held in August 2006, attracted 70 junior high school teams and 40 high school teams for a total of 750 Kendo contestants.



Award ceremony



# Energy and Discharge Flow

The Kikkoman Group is striving to reduce environmental loads generated throughout the lifecycles of our products. Specifically, we are reducing CO<sub>2</sub> emissions, wastes and by-products generated in the manufacturing processes as well as energy, fuel, water and packaging materials used in those processes, and developing recyclable containers and packages for our products.

### Environmental Lifecycle Management

The Kikkoman Group manufactures and sells an assortment of products including soy sauce, soy sauce derivative products, beverages, ketchup, wine, and soy milk to customers both within and outside Japan. In the process of manufacturing these products, we consume not only raw materials but also energy, fuel, water and packaging

materials, and we discharge CO<sub>2</sub>, wastes, by-products and wastewater.

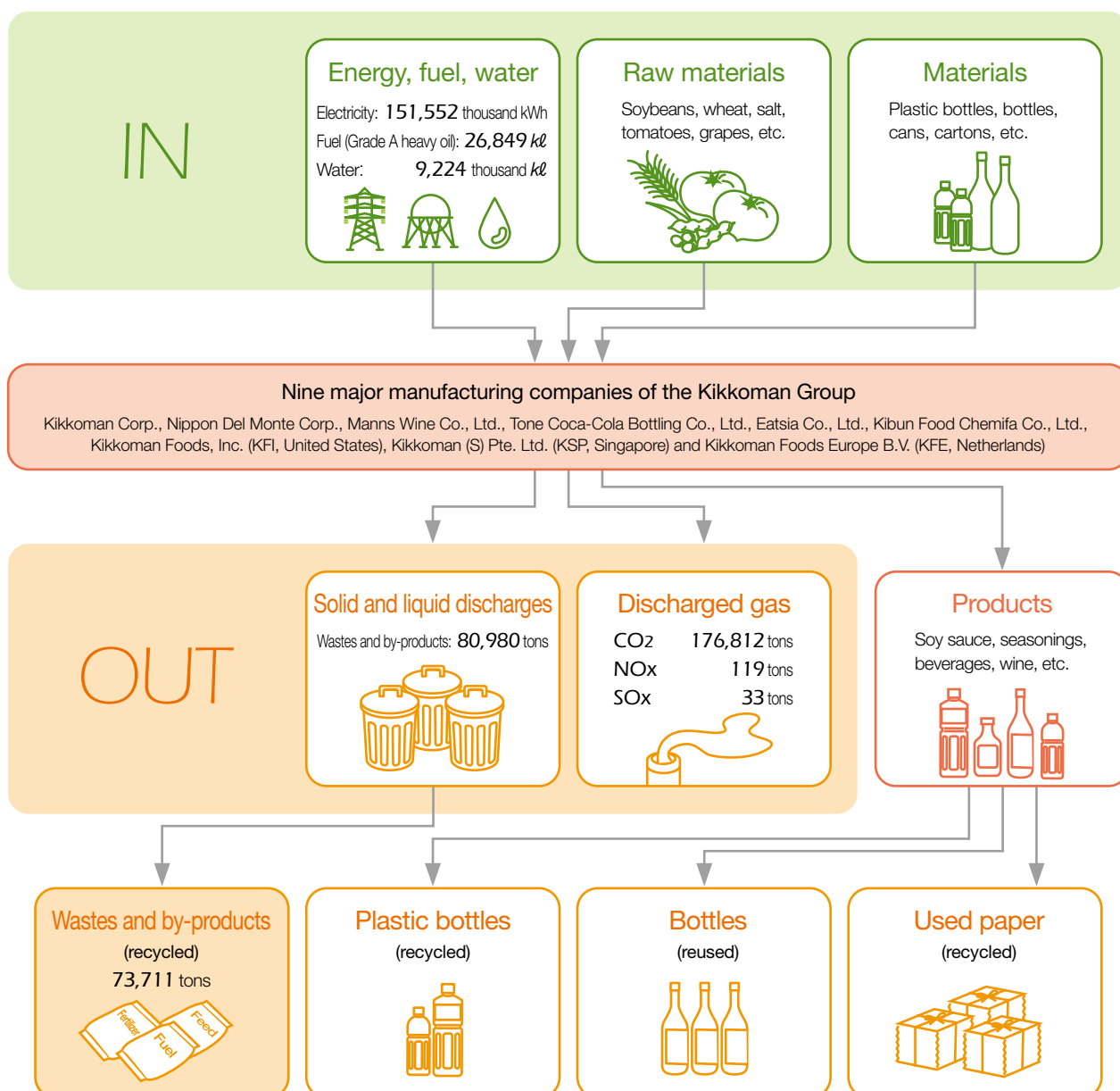
The Kikkoman Group strives to minimize environmental loads generated by our manufacturing activities. To achieve this, we seek to consume less energy, fuel, water and materials in the manufacturing processes, improve efficiency in manufacturing and energy use, and reduce wastes.

We also attempt to reduce environmental loads generated in the

post-consumption phase by developing and using recyclable glass and plastic bottles, cartons and packages.

The diagram below illustrates an overview of the Kikkoman Group's environmental loads—the consumption of electricity, fuel and water and the discharge of wastes, by-products, CO<sub>2</sub>, NO<sub>x</sub> and SO<sub>x</sub> at nine major manufacturing companies of the group within and outside Japan. The numbers in the diagram are based on what we have reported in our environmental accounting for FY2007.

### Energy and Discharge Flow (FY2007)





# Prevention of Global Warming

Medium- and Long-term  
Environmental Preservation Goal 1

The major companies of the Kikkoman Group in Japan review and improve the efficiency of their manufacturing processes and energy use, and upgrade equipment to help curb global warming.

### CO<sub>2</sub> Emissions Reduction Target

The major manufacturing companies of the Kikkoman Group in Japan have set a CO<sub>2</sub> emissions reduction target of 10% below the 1990 level to be achieved by FY2011.

#### The target is set by:

The three major manufacturing companies of the Kikkoman Group in Japan: Kikkoman Corp., Nippon Del Monte Corp. and Manns Wine Co., Ltd.

The UN Framework Convention on Climate Change adopted by the UN Conference on Global Warming, which was held in Kyoto in 1997 (Kyoto Protocol), requires Japan to reduce emissions of CO<sub>2</sub> and other greenhouse gases to 6% below 1990 levels and achieve these targets between 2008 and 2012. Accordingly, the Kikkoman Group has set the aforementioned target for the reduction of CO<sub>2</sub> emissions.

### Initiatives

#### Review and improve manufacturing processes

Optimize and reduce energy usage by consolidating factories and reviewing and improving manufacturing processes.

#### Upgrade equipment

When renewing equipment, switch to more energy-saving and thermal-efficient types to help reduce CO<sub>2</sub> emissions.

#### Improve efficiency in energy use

Switch fuel from grade-A heavy oil to natural gas, and use electricity more efficiently to reduce environmental loads.

### FY2007 Review

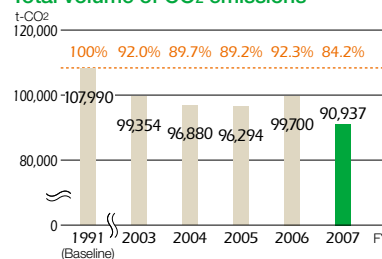
At the major manufacturing companies of the Kikkoman Group in Japan, CO<sub>2</sub> emissions from the manufacturing sectors in FY2007 totaled 90,937 t-CO<sub>2</sub>, down 8.8% on the previous year, or 15.8% below the 1990 level.

Broken down by company, CO<sub>2</sub> emissions at Nippon Del Monte and Manns Wine were 0.2% and 3.9% below the FY2006 levels respectively. CO<sub>2</sub> emissions at Kikkoman Corp. were

as much as 14.0% below the FY2006 level, or 30.1% below the 1990 level. This is due to the company's distilled spirit business having been sold and emissions from that sector no longer included, and to greater manufacturing efficiencies achieved by the Noda Factory.

We will continue to reduce CO<sub>2</sub> emissions in FY2008.

#### Total volume of CO<sub>2</sub> emissions

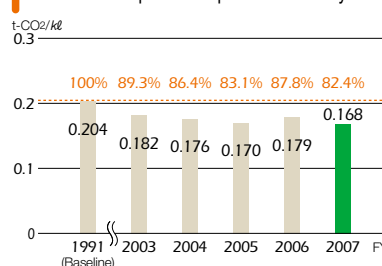


### CO<sub>2</sub> Emissions per Unit of Production of Soy Sauce

Kikkoman has been working to reduce CO<sub>2</sub> emissions per unit of production (kiloliter or *kl*) of soy sauce—our primary product line—in order to achieve the Group's medium- and long-term environmental preservation target of "reducing CO<sub>2</sub> emissions to 10% below the 1990 level by FY2011."

After a *cogeneration* (combined heat and power) system became operational at the Takasago Factory in 2001, we succeeded in reducing our CO<sub>2</sub> emissions per unit of production to 10.7% below the 1990 level in FY2003. In FY2006, emissions increased over the previous year as a result of switching fuel for boilers to fossil fuel from soy sauce cake. In FY2007, however, improved production efficiency at the Noda Factory, one of the main factories of Kikkoman Group, helped reduce CO<sub>2</sub> emissions per unit of production to 17.6% below the 1990 level.

#### CO<sub>2</sub> emissions per unit of production of soy sauce





# Reduction and Recycling of Wastes and By-products

Medium- and Long-term  
Environmental Preservation Goal 2

The major manufacturing companies of the Kikkoman Group in Japan have been actively practicing recycling wastes and by-products generated from manufacturing activities, and reducing packaging materials.

### Objectives of Recycling and Re-use of Wastes and By-products

- 1) Apply improved methods to more effectively recycle wastes and by-products
- 2) Actively promote the usage of environmentally friendly containers and packaging materials

#### The objectives are to be met by:

The three major manufacturing companies of the Kikkoman Group in Japan: Kikkoman Corp., Nippon Del Monte Corp. and Manns Wine Co., Ltd.

These three major manufacturing companies of the Kikkoman Group in Japan have been recycling soy sauce cake, soy sauce oil, and fruit and vegetable residues generated from manufacturing processes, and reducing containers and packaging materials for their products. These companies have maintained a recycling rate of over 99% of wastes and by-products since FY2003. The two new objectives for FY2007 are aimed at improving the quality and effectiveness of these practices.

### Initiatives

#### Actively promote 4R (Refuse-Reduce-Reuse-Recycle) practices

##### Waste and by-product management

Reduce wastes and by-products by optimizing production output, reducing materials, and boosting process yield in manufacturing. Concurrently, recycle soy sauce cake and soy sauce oil more effectively.

##### Container and packaging materials management

Review materials for containers and packages, their volume and usage, and post-consumption collection and processing methods in order to devise measures for efficiently reducing and recycling them.

### FY2007 Review

Having already achieved a 99.7% recycling rate for wastes and by-products by FY2006, in FY2007 we shifted our efforts away from pursuing an even higher percentage toward improving the quality and effectiveness of our recycling practices.

For instance, Kikkoman Corp. processed a larger quantity of soy sauce cake into livestock feed, as did Nippon Del Monte with apple and tomato residues.

Additionally, the Kikkoman Group has been using lighter-weight containers

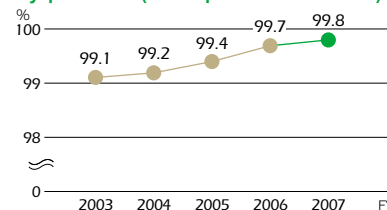
and packages made from environmentally friendly materials in order to make it easier for customers to separate and dispose of them after use.

For instance, we have begun using hinged caps, called "Eco Caps," on bottles of soy sauce-based soup, which are designed to separate easily from the bottles after use, as well as moving to lighter-weight and heat-resistant 600 milliliter plastic bottles, lighter-weight cartons and thinner shrink labels.

Our recycling rate increased to

99.8% in FY2007. This was made possible by Kikkoman Corp. maintaining a 99.9% rate, Nippon Del Monte recycling used pallets, and Manns Wines achieving a greater recycling rate for wine residues and plastic scrap.

#### Recycling rates for wastes and by-products (in the production sector)



Case Study

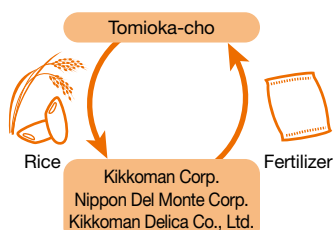
## 4R (Refuse-Reduce-Reuse-Recycle) Practices

### Recycling of Material Wastes and Fruit and Vegetable Residues

The Kikkoman Group endorses the objectives of the “Biomass Town Initiative,” which Tomioka-cho in Fukushima Prefecture has been undertaking. This initiative is aimed at utilizing biomass resources obtained in the community more efficiently and economically, and minimizing waste energy and materials. The Group produces good-quality compost from biomass and provides it to farmers in the community.

Kikkoman makes material wastes generated by the screening of soybeans and wheat—raw materials for soy sauce—into fertilizer and Nippon Del Monte does the same with fruit and vegetable residues. The compost is supplied to farmers in Tomioka-cho, from whom Kikkoman Delica purchases

#### Recycling flow achieved in Tomioka-cho, Fukushima Prefecture



rice and uses it in box lunches and other food products marketed in Japan.

The Kikkoman Group is proud to participate in efforts to create a society with an environmentally sound materials cycle.

### Broadening the Use of Soy Sauce Cake

Soy sauce cake—a by-product from the manufacture of soy sauce—has a 30% water content by weight, which makes it difficult to mix with other materials when producing compound feed. Therefore, the cake was formerly supplied primarily to livestock farmers as feed.

To address this issue, Kikkoman in FY2007 introduced a new dehydrator for soy sauce cake so that dried cake could be supplied to feed manufacturers as material for compound feed. This has significantly



Dehydrator for soy sauce cake

broadened the use of soy sauce cake as feed, which will help us recycle it in increasingly larger amounts in the future.

### Recycling of Okara (soy pulp) at Kibun Food Chemifa

The manufacture of soy milk—a primary product line of Kibun Food Chemifa—produces *okara* (soy pulp) as a by-product, 85% of whose weight is water; *okara* weighs even more than the soybeans from which soy milk is made. Forty-five percent of *okara* is processed by a service contractor as waste and the rest is dehydrated and recycled into *okara* powder.

*Okara* powder is made into batter coating, sprinkles for rice, cereals, fertilizer and feed.

Kibun Food Chemifa is working toward achieving a 100% recycling rate for *okara*.



Bagging process for dehydrated *okara* powder

## topics KFI's California Plant Wins WRAP Award for Sixth Consecutive Year

In FY2007, KFI's California Plant received a WRAP (Waste Reduction Awards Program) award from the State of California for the sixth consecutive year and the seventh time. The awards are presented to those companies in the State that make remarkable achievements in waste reduction and environmental preservation. The State recognized the plant's consistent accomplishments in this field.

The plant also received a “Pollution Prevention Award” from Sacramento County for its environmental preservation initiatives for an unprecedented third consecutive year in FY2007; this time, it was given the most outstanding achievement award.

Every employee at the plant has been working to reduce and separate wastes and save energy on an ongoing basis under the supervision of an environment manager. These activities are well received by the community.

### KFI's California Plant's achievements in environmental preservation

- Making soy sauce cake into livestock feed
- Reducing waste by recycling cartons and plastic packages
- Replacing old mercury lamps with more energy-efficient fluorescent lights
- Closing down boilers on weekends during the summer
- Installing an ambient temperature sensor on a refrigerator to automatically shut it off during the winter
- Installing equipment to recover drained residual steam in order to re-use the energy
- Preventing a water leak through proper handling of flushing hoses



# Establishment of an Environmental Management System

Medium- and Long-term  
Environmental Preservation Goal 3

The Kikkoman Group operates an Environmental Management System based on ISO14001, and implements environmental accounting to assess the relationship between environmental investment and its effects with the aim of continuously improving the effectiveness of our environmental initiatives.

### Objectives of Establishing an Environmental Management System

- 1) Step up use of the PDCA (Plan-Do-Check-Act) management cycle
- 2) Proactively communicate updates on our environmental initiatives to internal and external audiences
- 3) Disclose the environmental accounting results for Group companies

#### Application

1) and 2) applied to ISO14001-certified offices and factories listed in the table below.

3) The companies that disclose environmental accounting results are Kikkoman Corp., Nippon Del Monte Corp., Manns Wine Co., Ltd., Tone Coca-Cola Bottling Co., Ltd., Eatsia Co., Ltd., Kibun Food Chemifa Co., Ltd., KFI (United States), KSP (Singapore) and KFE (Netherlands).

All of Kikkoman Group's major offices and factories are ISO14001-certified as of March 31, 2006 and have been working to improve operations of the Environmental Management System since FY2007.

We proactively disclose what we are doing to preserve the environment and we prepare environmental accounting reports.

As of FY2007, Kibun Food Chemifa Co., Ltd. has been added to the scope of the Group's environmental accounting reporting.

### Initiatives

#### Practice ISO14001

Enforce the Environmental Management System based on ISO14001, step up use of the PDCA management cycle, and encourage an exchange of information and ideas among certified offices and factories.

#### Perform on-site audits

The Environment Department performs on-site audits with the aim of assessing ISO14001-certified offices and factories for renewal of certificates and helping to upgrade environmental activities at those offices and factories yet to be certified.

#### Disclose information on environmental preservation activities

Disclose what our offices and factories are doing to preserve the environment to both internal and external audiences through this report and "Environmental Preservation Case Examples" on our website.

#### Disclose environmental accounting reports

Disclose the environmental accounting reports of the major manufacturing companies of the Kikkoman Group within and outside Japan, based on the Environmental Accounting Guidelines established by the Ministry of the Environment of Japan.

### FY2007 Review

During FY2007, the Kikkoman Group stepped up use of the PDCA management cycle in monitoring and reviewing the implementation of ISO14001.

For instance, in June 2006, in an effort to improve environmental management, environment administrators from the Noda Factory and the Takasago Factory met to exchange information and ideas concerning operation of the Environmental Management System.

In October 2006, the Environment Department conducted on-site audits of KFI's Wisconsin and California Plants to assess their environmental equipment management, waste management, pollution controls and operation of their Environmental Management Systems. On this occasion, Japanese environment administrators and their U.S. counterparts

shared environment-related information.

In FY2008, we plan to computerize documents for ISO14001 assessment in an effort to improve operation of the Environmental Management System.



Environment workshop at Takasago Factory



On-site audit of waste management at an overseas plant

#### ISO14001-certified offices and factories

Year ISO14001 certification obtained	Offices and factories
1997	Noda Plant
1998	Takasago Factory
1999	Fukushima Factory of Nippon Del Monte Chitose Factory (currently Hokkaido Kikkoman) Noda Factory (Noda and Nakane areas)
2000	Gunma Factory of Nippon Del Monte Manns Wine
2001	Tone Coca-Cola Bottling Nagano Factory of Nippon Del Monte Noda Factory (Nakanodai area)
2002	Gifu Factory of Kibun Food Chemifa KFI-WI (Wisconsin, the United States) KFE (Netherlands) KSP (Singapore) Kamogawa Factory of Kibun Food Chemifa Edogawa Plant
2003	Shuzo Factory (currently Nagareyama Kikkoman Co.) KFI-CA (California, the United States) Saitama Factory of Kibun Food Chemifa
2004	Research and Development Division (currently Research and Development Division, Product Development Division) Noda Head Office
2005	Nippon Del Monte Tokyo Head Office
2006	Kinki Regional Office Eatsia Co., Ltd.



The Kikkoman Group provides environmental education for our employees to help raise their awareness of environmental preservation issues and to ensure effective implementation thereof while establishing regular communication of environmental matters to communities.

### Objectives of Environmental Education

- 1) Provide environmental education for employees
- 2) Participate in environmental education programs for communities and schools
- 3) Promote environmental communication

#### Conducted by:

All Kikkoman Group companies

Since FY2006, the Kikkoman Group has stipulated among our medium- and long-term environmental preservation goals "promotion of environmental education" with the aim of communicating the importance and basic ideas of environmental preservation to our employees and making a meaningful contribution to environmental preservation activities in neighboring communities.

### Initiatives

#### Environmental education for employees

Provide training for new recruits and mid-level employees so that they can develop a global and ecological mindset, understand the importance of environmental preservation and become motivated to address environmental issues. Provide highly specialized training for environment managers and administrators.

#### Environmental education programs for communities and schools

Engage in direct dialogue with community residents and students to discuss the importance of caring about nature, how to address environmental issues, what the Kikkoman Group is doing to preserve the environment and how communities can help with the environmental cause.

#### Environmental communication

Participate in environment-themed seminars and exhibitions to showcase Kikkoman's environmental preservation-related research results, experience and expertise in the field.

### FY2007 Review

In FY2007, our ISO14001 internal assessors received training, as they had in FY2006, to ensure implementation of environmental preservation in day-to-day business activities. The Environment Department gave a presentation on the philosophy and operational overview of the Kikkoman Group's environmental preservation at training sessions for new recruits and for Group companies.

A presentation on environmental management was given in a meeting at

Sobu Logistics to stimulate activities across the Group.

In addition, we accepted an intern from

Chiba University, provided training programs for teachers, and participated in and presented a lecture at the "Eco-Products 2006" Exhibition.

#### Key environmental education programs conducted in FY2007

Program description	Implemented in	Training for	Number of participants
New recruit training	April 2006	New recruits	30
ISO14001 internal assessor training	May 2006	Internal assessor	33
Environmental education at Sobu Logistics	June, July and November 2006	Employees of Sobu Logistics and its affiliates	97
Chiba University Internship	August 2006	Chiba University student	1
Training for teachers in business fields	August 2006	Elementary and junior high school teachers	8
Training for Kikkoman Group companies in the United States	November 2006	Environment managers and administrators	8
Training for environment managers and administrators of Kikkoman Group companies	November 2006	Environment managers and administrators	21
Lecture at "Eco-Products 2006" Exhibition	December 2006	General public	40

#### Case Study

### Environment intern hosted

At the request of Chiba University, Kikkoman accepted a junior student from the university as an intern for five days in August 2006. We provided her with our own 30-hour course on environmental preservation operations. At the end of the 5-day program, the intern commented favorably. "It was very informative and helpful to be able to see first-hand what the company is doing to preserve the environment in a real-world situation." Kikkoman hopes that university students with this kind of experience will come to play an important role in communities' and businesses' future environmental activities.

We plan to host another intern in FY2008.

#### Training curriculum for intern

- Day 1: Briefing on Kikkoman's environmental preservation activities
- Day 2: Briefing on establishment of ISO14001 system
- Day 3: Hands-on training in environmental management
- Day 4: Hands-on training in measurement and analysis
- Day 5: Intern's presentation of training report



Hands-on training at an effluent treatment facility



# Environmental Accounting

The Kikkoman Group quantifies and assesses from multiple perspectives the costs and benefits of our operations in relation to environmental preservation, based on environmental accounting principles. This helps us to pursue efficient environmental preservation practices.

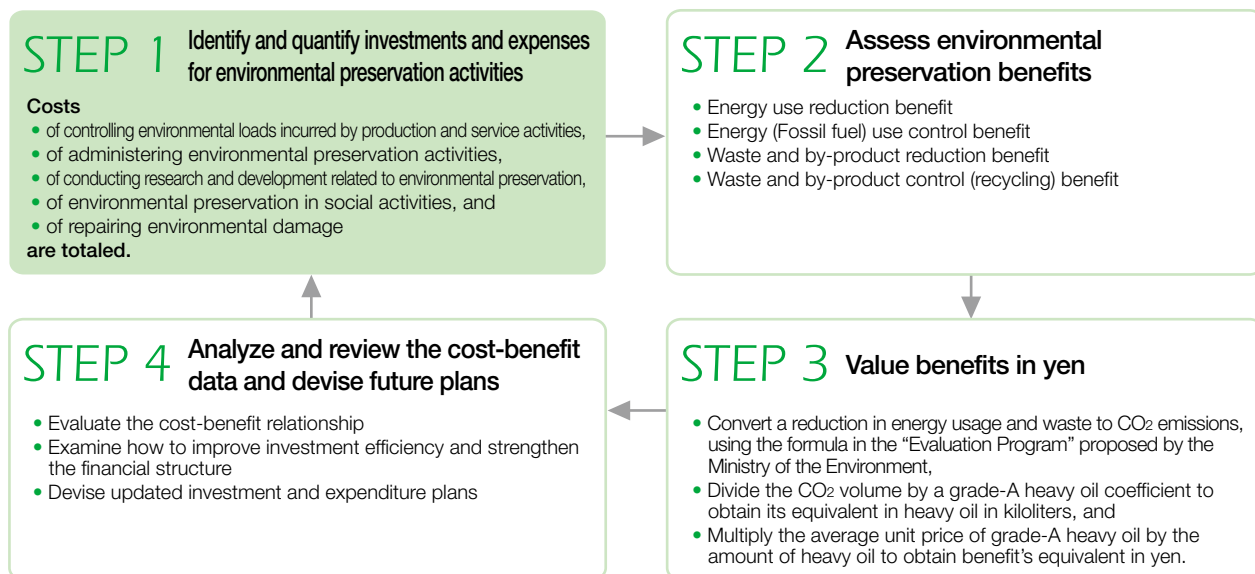
### Ascertaining Costs and Benefits of our Environmental Preservation Activities

The Kikkoman Group has published the Environmental Accounting of the Group since FY2001 (and Kikkoman has

done so since FY2000) in accordance with the Environmental Accounting Guidelines provided by the Ministry of the Environment. By conducting Environmental Accounting, the costs and benefits of environmental

preservation can be quantified. Disclosure of the accounting data serves to promote more efficient activities and helps the Group's stakeholders understand the environmental initiatives carried out by the Group.

### Environmental Accounting Scheme



### Environmental Accounting for FY2007

#### Scope of reporting

Kikkoman Corp./Nippon Del Monte Corp./Manns Wine Co., Ltd./Kibun Food Chemifa Co., Ltd./Kikkoman Foods, Inc. (KFI) (United States)/Kikkoman (S) Pte. Ltd. (KSP) (Singapore): April 1, 2006 ~ March 31, 2007  
Tone Coca-Cola Bottling Co., Ltd./Eatsia Co., Ltd./Kikkoman Foods Europe B.V. (KFE) (Netherlands): January 1, 2006 ~ December 31, 2006  
As of FY2007, Kibun Food Chemifa Co., Ltd. has been added to the scope of the Group's environmental accounting reporting.

### Investments and Expenses for Environmental Preservation [Kikkoman Corp., Nippon Del Monte Corp., Manns Wine Co., Ltd., and Tone Coca-Cola Bottling Co., Ltd.] (Rounded off to nearest million yen)

Category	Kikkoman Corp.		Nippon Del Monte Corp.		Manns Wine Co., Ltd.		Tone Coca-Cola Bottling Co., Ltd.	
	Investments	Expenses	Investments	Expenses	Investments	Expenses	Investments	Expenses
<b>Production and Services</b>	<b>308</b>	<b>1,159</b>	<b>46</b>	<b>266</b>	<b>6</b>	<b>31</b>	<b>754</b>	<b>635</b>
Pollution Prevention	125	343	25	186	6	16	100	40
Global Environmental Conservation	7	89	20	4			654	516
Resource Cycling	176	727	1	76		15		79
<b>Upstream/Downstream Costs</b>	<b>0</b>	<b>115</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>440</b>
Distribution		115						440
<b>Administrative Costs</b>	<b>0</b>	<b>218</b>	<b>0</b>	<b>21</b>	<b>0</b>	<b>10</b>	<b>3</b>	<b>44</b>
Environmental Preservation		218		21		10	3	44
<b>R&amp;D Costs</b>	<b>4</b>	<b>179</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
R&D	4	179						
<b>Social Activities Costs</b>	<b>0</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13</b>
Nature Preservation, Supporting Environmental Preservation Organizations and Local Communities		18						13
<b>Environmental Remediation Costs</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Restoration Cost of Environmental Damage, Payments for Settlements, Reserve Funds								
<b>Total</b>	<b>312</b>	<b>1,689</b>	<b>46</b>	<b>287</b>	<b>6</b>	<b>41</b>	<b>757</b>	<b>1,132</b>

**Investments and Expenses for Environmental Preservation** [Eatsia Co., Ltd., Kibun Food Chemifa Co., Ltd., KFI (United States), KSP (Singapore) and KFE (Netherlands)]  
(Rounded off to nearest million yen)

Category	Eatsia Co., Ltd.		Kibun Food Chemifa Co., Ltd.		KFI		KSP		KFE	
	Investments	Expenses	Investments	Expenses	Investments	Expenses	Investments	Expenses	Investments	Expenses
<b>Production and Services</b>	0	62	752	403	101	144	13	12	0	21
Pollution Prevention		31	249	235	97	111	4	7		17
Global Environmental Conservation			31	1	4	8	7	2		
Resource Cycling		31	472	167		25	2	3		4
<b>Upstream/Downstream Costs</b>	0	-3	0	1	0	0	0	0	0	0
Distribution		-3		1						
<b>Administrative Costs</b>	0	9	82	40	10	30	0	2	0	4
Environmental Preservation		9	82	40	10	30		2		4
<b>R&amp;D Costs</b>	0	0	0	0	0	0	0	0	0	0
R&D										
<b>Social Activities Costs</b>	0	0	0	0	0	0	0	1	0	7
Nature Preservation, Supporting Environmental Preservation Organizations and Local Communities								1		7
<b>Environmental Remediation Costs</b>	0	0	0	85	0	0	0	0	0	0
Restoration Cost of Environmental Damage, Payments for Settlements, Reserve Funds				85						
<b>Total</b>	0	68	834	529	111	174	13	15	0	32

[Investment total: ¥2,079 million/Expense total: ¥3,967 million]

**Environmental Preservation Benefits**

(Rounded off to nearest million yen)

Benefit Category	Kikkoman Corp.	Nippon Del Monte Corp.	Manns Wine Co., Ltd.	Tone Coca-Cola Bottling Co., Ltd.	Eatsia Co., Ltd.	Kibun Food Chemifa Co., Ltd.	KFI	KSP	KFE
Energy use reduction	177	2	2	5	10	-34	-15	-4	-2
Energy (Fossil fuel) use control	99								
Waste and by-product reduction	-28	-6	5	-21	35	280	-54	0	0
Waste and by-product control (recycling)	808	162	25	138	152	763	236	41	28
<b>Total</b>	1,056	158	32	122	197	1,009	167	37	26

[Benefit total: ¥2,804 million]

**<Converting Environmental Preservation Benefits into Yen>**

First, the benefits from investments in and expenditures for environmental preservation were quantified by reductions in energy consumption, wastes, by-products and discharged materials, and then the reductions were converted into monetary values according to the following formula.

1. The reduction in environmental loads from energy usage and waste/by-product discharge was converted into an equivalent of CO<sub>2</sub> emissions, using a formula provided in the 2004 Edition of "Environment Activity Evaluation Program" published by the Ministry of the Environment under the "EcoAction 21" initiative.
2. The CO<sub>2</sub> volumes of both energy usage and waste discharge were independently divided by a heavy oil discharge coefficient to convert them into an equivalent of grade-A heavy oil in kiloliters.
3. The grade-A heavy oil equivalents of both energy usage and waste discharge were added, and the sum was multiplied by the average unit price of heavy oil to arrive at its monetary value.

Environmental load (CO<sub>2</sub>)<sup>1)</sup> ÷ Discharge coefficient of grade-A heavy oil (2.710 t-CO<sub>2</sub>/kl)<sup>2)</sup> × Average unit price of grade-A heavy oil (yen/kl)<sup>3)</sup>

1) Formula is provided in the 2004 Edition of "Environment Activity Evaluation Program" published by the Ministry of the Environment under the "EcoAction 21" initiative.

2) Discharge coefficient of grade-A heavy oil: 2.710 t-CO<sub>2</sub>/kl

3) Average unit price of grade-A heavy oil purchased by Kikkoman Noda Factory in 2006: ¥55,654/kl

**FY2007 Review**

● **Investment in Environmental Preservation**

Total investment for FY2007 was ¥2,079 million, an increase of ¥689 million over the previous year. The increase is due to the inclusion of Kibun Food Chemifa Co., Ltd. in the scope of the Group's Environmental Accounting reporting. If we take Kibun's portion out of the FY2007 total, the investment made during the year actually declined by ¥145 million from the FY2006 level. The reduction is attributed primarily to the fact that Kikkoman's capital

investment in a wastewater treatment facility and a methane fermentation facility had been completed in FY2006.

● **Expenditures for Environmental Preservation**

Total expenditures for FY2007 were ¥3,967 million, an increase of ¥140 million over the previous year. If we take Kibun Food Chemifa's portion—¥529 million—out of the FY2007 total, expenditures for the year actually declined by ¥389 million from the FY2006 level. This is primarily because Kikkoman spent less in resource recycling and pollution prevention measures such as wastewater treatment.

● **Environmental Preservation Benefits**

Total environmental preservation benefits for FY2007 were ¥2,804 million, an increase of ¥457 million over the previous year, after Kibun Food Chemifa's portion—¥1,009 million—is taken out of the FY2007 total. Kikkoman's reduced energy consumption and higher recycling rate for wastes and by-products primarily contributed to the increase in benefits.

In FY2008, we will continue our efforts in reducing wastes and by-products.

For more details, go to our website at:  
<http://www.kikkoman.co.jp/csr>



# Environmental Risk Management

Besides observing environmental laws and regulations, the Kikkoman Group has established and enforced its own voluntary standards for air and water quality. Moreover, the Group takes preventive measures against accidents and conducts emergency drills to maintain adequate entity-wide preparedness for emergency.

### Water Pollution Prevention

The Kikkoman Group pays particular attention to maintenance of wastewater quality and prevention of river water pollution, as water is an essential part of its operations. Water is used as an ingredient in the Group's products, and large volumes of water are used and discharged in the Group's manufacturing processes.

At each of the Group's factories in Japan, strict, self-imposed standards for wastewater treatment have been established and are enforced. Wastewater is required to be treated in an activated sludge plant in order to comply with regional regulations on the density and total volume of industrial wastewater.

Case Study

### Wastewater Treatment in the Noda area

Kikkoman and two of its subsidiaries—Heisei Foods Company and Edogawa Foods Company—have jointly installed and currently operate a lagoon-based purifying facility for the wastewater that their facilities discharge into the Edo River. In operating the facility, we are mindful that pre-treatment wastewater from the three factories differs in characteristics and we constantly monitor the operational status of the treatment facility in order to be prepared to implement appropriate action in the event of an accident.

Accordingly, Kikkoman's Production Administration Department and Environment Department work with environment administrators at each factory to determine procedures for handling wastewater with different characteristics, maintain their ability to respond appropriately in emergency situations, and coordinate with the environmental management system.

### Appropriate Disposal of Industrial Waste

The Kikkoman Group separates our industrial waste before disposal, works to generate as little industrial waste as possible, and pursues recycling.

We contract the collection, transfer, process and disposal of industrial waste to licensed service providers. Based on the "Industrial Waste Disposal Manual," we also conduct on-site inspections of contractors' facilities and their waste collection trucks to ensure their compliance with the regulations. In addition, as required by the Wastes Disposal and Public Cleaning Law, we publish and store manifests, and follow procedures for receiving reports in order to dispose of industrial waste in an appropriate manner.

### Air Pollution Prevention

In addition to observing regional regulations on the densities and total amounts of sulfur oxide (SOx), nitrogen oxide (NOx), and soot and dust emissions, the Kikkoman Group controls these pollutants through self-imposed restrictions at each factory.

In practice, heavy oil with low sulfur content is used to reduce SOx emissions; heavy oil with low nitrogen content, together with low-NOx burners and low-NOx small boilers, are used to reduce NOx emissions; and for soot and dust control, we have switched fuels to grade-A heavy oil. Whenever photochemical smog is detected, the



Air quality check

total amount of fuel used is immediately reduced. All of our incinerators were shut down by 1998, and no dioxin emissions have been reported in subsequent surveys.

### Noise/Vibration/Odor Prevention

In an effort to prevent noise and vibration, the Kikkoman Group has been installing quieter machines and soundproof/sound-absorbing walls. Noise and vibration levels are regularly monitored along the boundaries of our factories to ensure that they do not exceed the levels prescribed by local community regulations. We maintain open communication with residents living near the factories in order to ensure that our business operations are understood.

The Kikkoman Group regularly measures and tightly controls specific odiferous substances at each factory in Japan, in accordance with the enforcement regulations of the Offensive Odor Control Law.



Noise/vibration measurement

### Soil Pollution Prevention

The Kikkoman Group checks for potential soil contamination on all its sites at the time of obtaining ISO14001 certification. In addition, a soil inspection and assessment is routinely performed when we either purchase or sell a commercial-use lot and before we begin a construction of a new factory.

No issues have been reported.

### Conducting Emergency Drills

If heavy oil or soy sauce under manufacture or in storage were to flow out of our factories, the water quality in the surrounding rivers would be severely deteriorated.

To prevent such industrial pollution, Kikkoman has installed anti-overflow embankments around factories and conductive sensors to detect any overflow of liquids. In addition, each Kikkoman factory conducts emergency drills at least once a year in order to maintain adequate preparedness for an emergency.



Emergency drill

### Black Mold Pollution Prevention

Trees, roofs and walls of houses in the vicinity of a soy sauce and mirin factories could become darkened due

to the presence of *Aureo basidium*, a microbe grown by the intake of alcohol, which generates a black pigment on material surfaces.

This particular microbe is commonly found in the atmosphere and is harmless to humans. However, in consideration of local residents' potential reactions to such infestation, Kikkoman hermetically seals the source, installs cleaning devices on air ducts, and recovers alcohol content from discharged gases in order to prevent the microbe spreading to residential areas.

Additionally, Kikkoman employees visit neighbors twice a year on fact-finding missions and, when necessary, clean affected areas.

### Chemical Substances Control

The Pollutant Release and Transfer Register Law does not apply to the Kikkoman Group. However, small amounts of chemical substances are used in research, experiments and analysis, and the Committee of Reagent Management and other related units control these chemical substances, which are not subject to the restrictions imposed by the Law.



### Workshops for Environment Administrators

The Kikkoman Group maintains a communication network among the designated environment administrators at each group company in Japan. The network, by which administrators exchange information and ideas, has proved effective in sharing common environmental goals and identifying and addressing potential environmental risks on a timely basis.

Environment Administrators from Kikkoman, Nippon Del Monte, Manns Wine, Tone Coca-Cola Bottling, Eatsia, Kibun Food Chemifa, Higeta Shoyu and Minori Foods attend an annual workshop to exchange information. In FY2007, Tone Coca-Cola Bottling hosted a workshop at its head office to provide participants with an opportunity to discuss reduction of environmental risks and to review case studies on environmental preservation.



Environment Workshop

## Analysis Center Plays Important Role in Supporting Kikkoman Group's Environmental Risk Management

In 1976, Kikkoman opened an Analysis Center to address growing public concern about environmental preservation. The Analysis Center boasts measuring and analysis techniques and expertise that the company has accumulated over the years.

With its state-of-the-art measuring instruments and sophisticated analytical technology, the Center offers Group companies and external clients analysis services for air pollution, odors, noise, vibration, water quality, industrial waste, drinking water, residual agricultural chemicals and other items. Group companies find its services extremely helpful in identifying and addressing potential environmental risks in a timely manner.

Recently, the Center has begun analyzing food products for residual agricultural chemicals in an effort to ensure food safety.



Analyzer for residual agricultural chemicals



# Environment-conscious Distribution

The Kikkoman Group addresses the reduction of environmental loads in our distribution phase by improving logistical efficiency and promoting a modal shift.

### Conducting an Environment-conscious Distribution Business

Sobu Logistics Corp., which distributes and delivers materials and products for the Kikkoman Group, has committed in its Environmental Policy to reducing environmental loads generated by its business operations. Accordingly, the company has been improving efficiency in its distribution operations in order to reduce CO<sub>2</sub> emissions.

In FY2007, Sobu Logistics made a significant progress in improving distribution efficiency; the company

coordinated with other Group companies to have its trucks pick up materials on the way back to factories after making deliveries.

Sobu Logistics continues to incorporate its Environmental Policy into its day-to-day business operations.



Loading packaging materials into a truck after making a delivery

### Environmental Policy of Sobu Logistics Corporation

#### Fundamental Philosophy

Sobu Logistics Corp. acknowledges that one of our social responsibilities is to lessen the impacts of our distribution business on the environment. To fulfill this responsibility and to become an environmentally friendly company, we are committed to proactively addressing environmental issues through concerted efforts by the entire organization and all employees.

#### Action Guideline

1. We shall comply with environmental laws and regulations, and meet other requirements on which we agree.
2. We shall strive to save energy and resources by raising operational efficiency.
3. We shall promote recycling of resources and reduction of waste and discharge so as to reduce environmental loads and prevent pollution. These efforts shall be continuously improved under the supervision of the Committee for Promoting Environmental Management and Safety.
4. We shall maintain close communication and cooperation with communities in their environmental preservation initiatives.
5. We shall learn to have a better understanding of the environment and shall execute action plans which are subject to regular review.
6. We shall ensure that this policy is understood and enforced by every employee.

### Promotion of a Modal Shift and Certification of Eco-Rail Mark

Kikkoman is promoting a modal shift in its means of physical distribution toward greater use of rail transportation with the aim of reducing CO<sub>2</sub> emissions.

The proportion of modal shift to rail for FY2007 reached 19.1% overall, and as much as 39.7% for long-distance transportation over 500 km. In July 2005, Kikkoman received a "Certification of Eco-Rail Mark" from the Railway Freight Association.



Kikkoman will continue to increase its reliance on rail transport for physical distribution.

### Compliance with Automobile NOx PM Control Law and Regulations on Diesel-powered Vehicles

Kikkoman Group companies in Japan comply with municipal regulations on vehicles aimed at reducing NO<sub>x</sub> and particulate matter (PM) emissions.

Accordingly, Kikkoman requests its suppliers to conform to the restrictions on diesel-powered automobiles imposed by Chiba Prefecture and to avoid engine-idling in vehicles that deliver goods to our premises.



# Active Participation in Community Environmental Programs

Kikkoman Group has been actively participating in various environment-related programs and activities while pursuing business operations that are designed to coexist harmoniously with nature and the environment.

### Protecting Native Plants

Tone Coca-Cola Bottling Co., Ltd. sponsors the “Weed Nikko of Cone Flowers Campaign” initiated by Tochigi Prefecture, provides complimentary soft drinks and small disposables, and offers a field education program called “Coca-Cola Ecology School” to campaign participants.

Around the Oku-Nikko Area in Nikko National Park, the natural vegetation of precious native plants is threatened by proliferation of exotic species such as cone flowers. To address the problem, Tochigi Prefecture since 1976 has been running the “Weed Nikko of Cone Flowers Campaign” with the help of many volunteers.

During the campaign held in August 2006, at Oku-Nikko Ski Resort, Tone Coca-Cola offered 20 pairs of parents and children the chance to participate in a “Coca-Cola Ecology School,” which discussed the Nikko ecological system and the importance of preserving the global environment.



Coca-Cola Ecology School

### Donating to “Chiba Environmental Restoration Fund”

The “Chiba Environmental Restoration Fund” was established in 2002 by the Chiba Prefecture Environment Foundation in an effort to restore and preserve the rich natural environment in Chiba Prefecture for the benefit of future generations. Kikkoman has endorsed the cause and encouraged its employees to make contributions to the fund.

The fund is being used to promote “Environmental Restoration Initiatives” devised by Chiba Prefecture, to support NPOs in their environmental activities, and to counter illegal dumping of waste.

In December 2006, the Governor of Chiba Prefecture issued Kikkoman a certificate of appreciation for its donations to the fund over the past three years.



Presentation of the certificate at Noda Head Office

### Participating in “Team Minus 6%” Initiative

Since August 2006, Kikkoman has participated in “Team Minus 6%,” a national grassroots movement for combating global warming. Kikkoman believes in the concept that an incremental day-to-day effort by an individual can make a difference in long-term reduction of CO<sub>2</sub> emissions. The company encourages all employees to follow the six environmentally sound action guidelines laid out in the initiative, both at work and at home. These include: “Set air conditioner temperature at 28C (82.4F) in summer,” “Do not leave taps running when not in use” and “Don’t leave car or truck engines idling.”

A set of six environmentally sound behaviors encouraged under the “Team Minus 6%” initiative to help reduce CO<sub>2</sub> emissions:

Action 1: Adjust temperature

Action 2: Use less water

Action 3: Exercise environmentally friendly driving practices

Action 4: Buy environmentally friendly products

Action 5: Shop wisely and throw away less

Action 6: Save electricity



# Nippon Del Monte Corporation

## Company Overview (as of March 31, 2007)

Established: 1961

Head Office:

4-13 Nihonbashi Koami-cho, Chuo-ku, Tokyo 103-0016, Japan

Factories:

Nagano Factory (Nagano Prefecture), Gunma Factory (Gunma Prefecture), Fukushima Factory (Fukushima Prefecture), Iwate Factory (Iwate Prefecture), Kijimadaira Factory (Nagano Prefecture)

President: Kakuji Nishiyama

Number of Employees: 530

Business Operation:

Manufacturing of seasonings, beverages and other food products

Website: <http://www.delmonte.co.jp/>



### Case Study 1 Focusing on reducing energy consumption and recycling of waste materials

Nippon Del Monte has installed an "Environment Management Committee," which comprises the President, department heads and factory managers. The committee is responsible for devising a company-wide policy on environmental preservation, with implementation carried out by each facility in an effort to reduce environmental loads.

On an ongoing basis, the company places special emphasis on consuming less energy in the manufacturing division, which is responsible for most of its environmental loads, by recovering thermal energy used for processing tomatoes and by switching to energy-saving equipment.

In FY2007, the company took additional measures to reduce energy

consumption; switching to energy-saving boilers and compressors, installing heat-storage air conditioners and improving the thermal efficiency of hot-water showers used for sterilizing food.

These measures, combined with a lower production output, helped the manufacturing sector to reduce CO<sub>2</sub> emissions by 78 tons-CO<sub>2</sub> over the previous year.

Because three of the company's factories with high energy consumption are designated as "Type 1 Designated Energy Management Factories" under Japan's amended Energy Conservation Law, nine energy managers and administrators have re-acquired mandatory licenses as "persons qualified for energy management" and assumed

responsibility for enforcing stringent energy conservation policies.

In addition, Nippon Del Monte has been vigorously conducting recycling of waste materials produced by each factory.

It achieved a recycling rate of 99.5% in FY2007, slightly below target. The target for FY2008 has been set higher at 99.7%.



Tomato residues being made into livestock feed in a small silo

### Case Study 2 Reducing environmental loads generated in distribution and post-consumption phases

Besides making ongoing efforts to conserve energy and reduce waste in the production phase, Nippon Del Monte also implements measures to reduce environmental loads generated in distribution and post-consumption phases.

In FY2007, the company improved economy in its physical distribution system by choosing more efficient delivery routes for its fleet of trucks and by having them pick up raw materials on the way back to factories after making deliveries.

In respect of trash separation and

collection, the Nagano Factory and the Gunma Factory have installed equipment capable of handling lightweight plastic containers, which helps to shave 5 grams off the weight of a 900-milliliter plastic bottle, and have stopped using staples to attach labels to the plastic pots used to contain tomato seedlings.

In FY2008, the company plans to quantify CO<sub>2</sub> emissions in the distribution phase and use the information to devise measures for further reduction.



Labels before (right) and after (left)

# Manns Wine Co., Ltd.

## Company Overview (as of March 31, 2007)

Established: 1962

Head Office:

2-1-1 Nishi-Shinbashi, Minato-ku, Tokyo 105-8428, Japan

Wineries:

Katsunuma Winery (Yamanashi Prefecture), Komoro

Winery (Nagano Prefecture)

President: Akio Kumakiri

Number of Employees: 63

Business Operation:

Manufacturing and sales of wine and other liquor-based products

Website: <http://www.kikkoman.co.jp/manns/>



### Case Study 1 Strictly controlling use of agricultural chemicals for raw materials to ensure food safety

Manns Wine's priority in procuring ingredients and raw materials is an attempt to ensure both good taste and safety. Manns Wine has been paying particular attention to residual agricultural chemicals ahead of implementation of the Positive List System for Agricultural Chemical Residues in Foods under the amended Food Sanitation Law, by tracking the history of application of agricultural chemicals to raw materials for wine, and by screening their residues.

Raw materials used by the company to make wine fall primarily into three categories: imported concentrated juice, imported bulk wine and domestic

fresh grapes.

The company requires overseas suppliers of raw materials to disclose details of any agricultural chemicals they use and to submit by-item test results for residual agricultural chemicals.

Manns Wine also requires domestic contract farmers and agricultural cooperative associations to follow detailed guidelines prepared by the company, prescribing the types, timing and quantities of agricultural chemicals to be applied to grapes.

In addition, when the company purchases any raw materials, it requests their suppliers to submit written reports disclosing the history of

use of agricultural chemicals. It also ensures that residual agricultural chemicals applied to raw materials are well within the established standards by performing annual sampling tests.

These ongoing efforts were made throughout FY2007 and no problems were reported, such as use of unregistered agricultural chemicals or the presence of above-standard levels of residual agricultural chemicals. In FY2008, the company plans to step up its efforts to ensure the safety of ingredients and raw materials by having a third-party institution regularly conduct more rigorous tests on its products.

### Case Study 2 Recycling food residues and reducing incinerator-bound waste

Manns Wine is seriously pursuing cyclic use of resources by recycling food residues generated in the winemaking process. At Katsunuma Winery, grape residues are supplied to the local farming community and all wine residues are provided to manufacturers of fertilizer in Yamanashi Prefecture as materials for compost. Dehydrated sludge generated from effluent treatment in a lagoon installed at the winery is also supplied to fertilizer manufacturers.

In addition to these efforts to recycle residues, Manns Wine focused on reducing incinerator-bound waste in FY2007.

For instance, plastic liners placed in drums for transporting imported concentrated juice used to be incinerated after use. Now, they are cleaned, dried and compression-baled for recycling as plastic materials. Another waste reduction measure involves drying wine filters before disposing of them. All these measures combined to help Katsunuma Winery reduce incinerator-bound plastic waste in FY2007 by nearly 30% over the previous year.

Manns Wine will maintain and expand these efforts with the aim of running environmentally friendly operations.



Compost made from grape residues



Peach orchard utilizing compost made from grape residues

# Tone Coca-Cola Bottling Co., Ltd.

## Company Overview (as of March 31, 2007)

Established: 1962

Head Office: 310 Nakane, Noda-shi, Chiba 278-8686, Japan

President: Kohzaburo Mogi

Number of Employees: 993

### Business Operation:

Manufacturing and sales of soft drinks, sports drinks and coffee drinks and other related businesses

Website: <http://www.tone.ccbc.co.jp/>



## Case Study 1 Switching to energy-saving vending machines and introducing disaster-ready machines

Tone Coca-Cola Bottling has installed soft drink vending machines throughout Chiba, Ibaraki and Tochigi Prefectures, offering a “refreshing moment” to customers whenever they want, wherever they want.

The company has been switching from conventional vending machines to energy-saving, environmentally friendly types, which account for more than 90% of its approximately 60,000 units installed in the market as of December 31, 2006. Consequently, total CO<sub>2</sub> emissions from these vending machines during FY2007 decreased by 30% compared to FY2001 levels.

In addition to switching to environmentally friendly vending machines, the company has begun installing disaster-ready machines equipped with features that community residents would find helpful in the event

that a natural disaster strikes or an accident occurs. More specifically, the new machine has a built-in electronic bulletin board which normally displays news and community information but changes to feature disaster-related information in the event of an emergency. Also, people can get bottled water and soft drinks free-of-charge from the machine if a disaster occurs. By the end of FY2007, the company installed a total of 143 such machines. Moreover, on every one of the 60,000 vending machines operated by the company, there is a label clearly identifying the address of the installation to help community residents accurately notify the location to police and fire stations when reporting any incident or accident.

Tone Coca-Cola Bottling will

continue to make its vending machines environmentally friendly and disaster-ready in FY2008. The company has set a target for FY2008 of reducing CO<sub>2</sub> emissions generated from its installed vending machines to 31% below the FY2001 levels. It also plans to step up its effort to switch to use of non-chlorofluorocarbon refrigerant in its vending machines in place of alternative chlorofluorocarbon gases with zero ozone depletion potential.



Disaster-ready vending machine

## Case Study 2 Undertaking various environment preservation activities under stated management philosophy

Tone Coca-Cola Bottling refers to “preservation of the environment” in its management philosophy, under which it engages in a variety of activities besides making its vending machines environmentally friendly.

The company has completed replacement of all of its 106 gasoline-powered forklifts with environmentally friendly LPG-powered types. It has directed drivers of the fleet of 1,500 company vehicles to follow energy-saving driving practices (“Eco Drive”), a measure which helped to improve light oil fuel economy for FY2007 by 16.2% over FY2005’s baseline.

Moreover, Tone Coca-Cola Bottling has started marketing two branded Japanese tea drinks in lighter-weight plastic bottles. The weight of the new bottle, developed by Coca-Cola (Japan) Company, is only 20.5 grams as opposed to the previous 26 grams per unit. Plastic film labels, a quarter of which are made from recycled plastic, are being used on the bottles in what is a first for Japan.

The company has been actively participating in and supporting environmental campaigns held locally in Japan. Wide-ranging activities include sponsoring the “Clean Nikko Campaign” for 28 years, participating in

the “Weed Nikko of Cone Flowers Campaign” to protect native plants and in the “Clean North Kasumigaura Lake Campaign”, as well as supporting environmental events held in Hitachi City and Tsukuba City, Ibaraki Prefecture.



Bumper sticker promoting “Eco Drive”

# Kibun Food Chemifa Co., Ltd.

## Company Overview (as of March 31, 2007)

Established: 1939

Head Office: 2-1-1 Irfune, Chuo-ku, Tokyo 104-8553 Japan

Factories:

Kamogawa Factory (Chiba Prefecture), Gifu Factory (Gifu Prefecture), Saitama Factory (Saitama Prefecture), New Saitama Factory (Saitama Prefecture)

President: Toshihiko Shigeyama

Number of Employees: 360

Business Operation:

Manufacturing and sales of biochemical products such as hyaluronates, propylene glycol alginate, alginates, soy milk beverages, and seasoning; Sales of food products for commercial use

Website: <http://www.kibunfc.co.jp/>



### Case Study 1 Improved container caps in response to customer feedback

At Kibun Food Chemifa, all customer feedback received by the customer support desk and the sales department is collected and analyzed by the Consumer Service Group at head office in order to improve products and services.

In FY2007, the company worked on improving the cap design of a 1,000-milliliter container for Soy Milk (Modified Type). The previous design, in which the cap was attached to the top of the container, attracted many customer complaints that milk tended to spill out of the opening when pouring and that residuals in the cap was unhygienic.

To address the complaints, Kibun Food Chemifa in 2004 began working

with cap designers and a mold maker to develop a cap with an easier-to-use and more hygienic design.

The new, improved cap is named "EX Cap" and has a straw-shaped design with a cap at the end to be inserted into the container when it is used. After the new design received a positive response in a focus group, the company started test-marketing soy milk products with improved caps in April 2007 and has sold 400,000 containers of them. Once the test results are confirmed as positive, the new cap design will be incorporated into 1,000-milliliter containers for Unmodified Soy Milk, Density Modified Soy Milk and Malt Coffee Soy Milk by the end of 2007.



New, improved EX cap



Conventional cap

### Case Study 2 Working to eliminate occupational injuries through implementation of occupational health and safety management system

Kibun Food Chemifa, in compliance with Japan's Occupational Health and Safety Law, holds monthly "Health and Safety Committee" meetings at its four factories and "Health Committee" meetings at head office. At these meetings, potential hazard risks are identified and information and updates are shared concerning safety patrols, improvements and health-related issues.

The company has also established a "Central Committee on Health and Safety," which comprises the President, Corporate Auditors and the health and safety committee chairmen for each factory. The committee serves as the highest-ranking decision-making body for occupational health and safety management. Meetings are held quarterly to formulate company-wide

policy on occupational health and safety and share information for policy decisions with regard to implemented safety improvements, occupational injuries and preventive measures.

Kibun Food Chemifa continues to implement occupational health and safety measures formerly practiced by the company as a member of the Kibun Group.<sup>1)</sup>

More specifically, factories and offices use the intranet for timely sharing of information on occupational accidents and injuries so that company-wide safety bulletins can be issued promptly in order to prevent occurrence of similar incidents and to facilitate development of preventive measures. Once a year, employees are encouraged to submit suggested health and safety slogans as a means

of raising their awareness of these issues.

Despite these efforts, it was unfortunate that two instances of lost-worktime injuries occurred in FY2007. The company will work harder to ensure that no further occupational injuries occur by stepping up its efforts in occupational health and safety management.

1) Kibun Food Chemifa became a consolidated subsidiary of Kikkoman in June 2006.



Health and Safety Committee meeting to review potential hazard risks

# History of Environmental Preservation and Social Activities of the Kikkoman Group

## Social Activities

**1970** ○Launched Kikkoman *Okusama College* (cooking class for housewives) (until 1985)

**1972** ○Launched “Camp for Mothers and Children” program (until 1981)

**1978** ○Held the first Kikkoman Open House (opened the factory to the public)

**1979** ○Started the Youth For Understanding (YFU) exchange student program

**1980** ○Opened the Kikkoman Cooking Center (KCC)  
○Established the Customer Relations Office (currently the Consumer Center)

**1990** ○Joined the “1% Club” of Keidanren (currently Nippon Keidanren)

**1991** ○Established the Soy Sauce Museum (providing factory tours)

**1992** ○Made charitable contributions to the cities of Noda, Nagareyama, Takasago and Chitose to commemorate Kikkoman’s 75<sup>th</sup> anniversary  
○Started the “Biotechnology Education Class” at the Noda Institute for Scientific Research

**1993** ○Kikkoman Foods Foundation (KFF) began making various charitable contributions in the fields of education, arts, local community development and civic support in the United States

**1995** ○Supported activities to aid the victims of the Great Hanshin-Awaji Earthquake (Takasago Factory)  
○Began accepting exchange students assigned by the Ministry of Education, Culture and Science of the Netherlands

**1996** ○Introduced the Volunteer Leave Program

**1997** ○Launched the Corporate Citizenship Center  
○Launched the Volunteer Promotion Committee  
○Began collecting used stamps and prepaid telephone and railway cards to support fund-raising by NPOs/NGOs  
○Made charitable contributions to the expansion project for the Rembrandt House Museum in the Netherlands

**1998** ○Began St. Valentine’s Day charity fund-raising for NPOs/NGOs  
○Began campaigns to collect unused postcards for fund-raising by NPOs/NGOs

○Launched “Kikkoman Pure Club” (a club to coordinate food-related events)

○Established the Kikkoman Institute for International Food Culture

**1999** ○Held the first Japan Food Forum (a forum on Japanese food culture) (until 2002)

○Conducted fund-raising for victims of the Colombia Earthquake

○Conducted fund-raising for victims of the Taiwan Earthquake

**2000** ○Initiated the company’s first Hands-on Experience Program for Parents and Children (currently called “Cooking Experience Program for Parents and Children”) (until 2002)

○Participated in the UN Global Compact

**2001** ○Made donations to victims of the September 11 terrorist attacks in the United States

**2002** ○Started “World Culture Festival”

○Launched “Cooking Experience Program for Parents and Children”

**2003** ○Began accepting exchange students from Thammasat University of Thailand

○Made charitable donations to the Center for Japan Studies at Groningen University in the Netherlands

○Conducted fund-raising for victims of the Niigata Chuetsu Earthquake

**2004** ○KII received the Japanese Foreign Minister’s Certificate of Commendation in Commemoration of the 150<sup>th</sup> Anniversary of US-Japan Relations

○Conducted fund-raising for victims of the Sumatra Offshore Earthquake

○Announced the Statement of Commitment to *Shokuiku* (Food Education) with its slogan “Creating Delightful Memories with Good Food”

**2005** ○Held the “Let’s Try Making Soy Sauce!” event in collaboration with “Children’s Future Network Noda” (NPO)

○KFI, KII and JFC made donations to victims of Hurricane Katrina in the United States

**2006** ○Launched “Easy-to-Participate Volunteer Programs”

**2007** ○Launched “Hands-on Volunteer Program on Food and International Contribution for Parents and Children”

## Environmental Preservation Activities

**1970** ○Established the Environmental Measurement Committee

**1971** ○Conducted surveys on the environmental burdens at all operation centers

**1972** ○Established the Environmental Management Division (currently Environment Department)

**1976** ○Established the Environment Analysis Center, an organization for environmental measurement and certification

**1989** ○Began operation of the boiler for soy sauce cake

○Established the Environment Protection Division and the General Environment Protection Committee

**1992** ○Launched the Environmental Protection Campaign

○Formulated and promulgated the Environmental Charter

○Formulated the Voluntary Plan for Environmental Preservation Activities

**1993** ○Began to establish the Environmental Management System

○Began Internal Environmental Auditing at 14 operation centers

**1995** ○Joined the World Business Council for Sustainable Development (WBCSD)

○Noda 1<sup>st</sup> Factory obtained ISO14001 certification

**1997** ○Began Internal Environmental Auditing in group companies and overseas factories

○Kikkoman received the "Environment and Resource Cooperation Award" from the Nihon Shokuryo Shimben (Japan Food Journal)

**1998** ○Began publishing the Annual Environmental Report on the website

○Reorganized the General Environment Protection Committee into the General Environment Preservation Committee

**1999** ○KFI-CA received its first Waste Reduction Award from the State of California

○Participated in "Water over Wolfsburg," a water-quality preservation project in the Netherlands

**2000** ○Established target percentages for reduction of CO<sub>2</sub> emissions and target recycling rates for waste and by-products

○Published the Annual Kikkoman Environmental Report with the environmental accounting report and independent third-party review

○Began issuing the Annual Kikkoman Group Environmental Report

**2001** ○Received the Minister of Agriculture, Forestry and Fisheries Award in the Resources and Environmental Preservation Category

○Obtained ISO14001 certification for all major overseas factories

○KFE made charitable contributions to Het Nationaal Groenfonds, a greening fund in the Netherlands

**2003** ○Noda Plant received the Japanese Minister of Health, Labor and Welfare Award for Safety and Hygiene

○Noda Head Office received the 4<sup>th</sup> Sustainable Architecture Award from the Japan Institute of Architecture

○Began issuing the Annual Kikkoman Group Environmental Management Report

○Began analyzing residual agricultural chemicals in food

○Research and Development Division received the Director's Award of the Industrial Science and Technology Policy and Environment Bureau from the Japanese Ministry of Economy, Trade and Industry, for using soy sauce oil as feed for fish cultivation

**2004** ○Received an Award from the Sustainable Management Rating Institute in Japan

○Chitose Factory (currently Hokkaido Kikkoman) received the Minister of Economy, Trade and Industry Award for the model greening of its factory in Japan

○KFI-CA received its first Pollution Prevention Awards from the city and county of Sacramento (U.S.A) for significant improvements in environmental preservation

○Began making charitable contributions to the Chiba Prefecture Environment Foundation in Japan

○Participated in the "Eco-Products 2005" exhibition in Japan and exhibited a set of envelopes and writing pads made from by-products of soy sauce

○Received Eco-Rail Mark approval by the Railway Freight Association in Japan

**2005**

○Adopted the declaration of commitment to reduction in container and packaging materials monitored by the Eight Prefectural Governments and Municipalities Waste Problem Committee in Japan

○Obtained ISO14001 certification for all major factories and offices in Japan

**2006** ○Participated in the "Team Minus 6%" initiative against global warming in Japan

○Received a technology award from Japan's Soy Sauce Technology Center for establishing methods to accurately detect and analyze residual agricultural chemicals



Prof. Toru Umeda

Deputy Director

Business Ethics and Compliance Research Center, Reitaku University  
(Professor, College of Foreign Studies, Reitaku University)

The first half of 2007 has witnessed a series of food labeling scams where several food manufacturers misled consumers by mislabeling their products. These scams were serious enough to cause growing concern among the Japanese consumers over what they eat, while increasing concerns over the safety of foods and raw materials made in China and imported into Japan have been shared. The food industry thus faces the major challenge of regaining the trust and confidence of consumers by ensuring food safety.

"The Kikkoman Group Corporate Citizenship Report 2007" succeeds in communicating the serious commitments of the group to food safety and quality assurance. It was particularly timely that the group formulated the "Kikkoman Group Quality Policy" in November 2006 in order to step up its quality assurance system, and that it launched the "Kikkoman's Quality and Safety" section on its website.

Unpredictable accidents and errors can occur in any company and Kikkoman has turned out to be no exception. In May 2007, it was discovered that health food material marketed by Kikkoman might have contained imported ingredients that had been sterilized using gamma irradiation, whose use for foodstuffs was prohibited in Japan. The company acted very rapidly to start recalling all suspect products early in the following month. This prompt act of damage control deserves special praise because taking corrective steps in a forthright manner when something

goes wrong is essential to gaining consumers' confidence in food safety. I would like to see Kikkoman conduct follow-up reviews and report on the recall in next year's Corporate Citizenship Report.

Kikkoman's environmental initiatives have been highly acclaimed as indicated by the number of awards given to the company. I appreciate the way the "Corporate Citizenship Report 2007" discusses the company's ongoing efforts to protect and preserve the environment in greater detail and in layman's terminology.

I do have a couple of suggestions to help make the report even better.

It is good that, in the illustrated "Energy and Discharge Flows" on page 29 of this year's report, the amount of recycled waste and by-products is indicated as 73,711 tons for the first time. However, recycled plastic bottles and used paper, and reused bottles are not quantified. It may not be fair to hold Kikkoman directly accountable for recycling and reuse of bottles and containers after consumption. However, the company should be partially responsible for this aspect because it sells bottled products to consumers. The report does discuss recycling of soy sauce cake, soy sauce oil and vegetable residues, but no mention is made of reuse and recycling of containers and packaging materials.

For instance, the report would have been more valuable if it had provided quantified information as to how many outgoing bottles are reused.

Under the mid- and long-term environmental policy of "Promotion of Environmental Education," three key initiatives are discussed on page 34. Although it is stated that one of the initiatives is to provide environmental education to communities and schools, no report on implementation is provided, which gives me the impression that the company may have fallen behind in its efforts. I would suggest that the company consider having its employees teach schoolchildren about the concept of environmental recycling. This may not be an environmental education but another option is to have them speak about enzyme-induced fermentation in a science class at elementary school. This will help to maintain children's interest in science.

Last but not least, I found that "Approaches to CSR in Overseas Operations" and "The Kikkoman Group's Approach to *"Shokuiku"* (Food Education)" featured in this report are particularly effective in communicating both the scope and the strengths of the company's social activities. But, I wish the report had discussed the extent and nature of Kikkoman's direct contribution to the Global Compact. It could be a contribution to poverty eradication in other parts of the world. Although this might sound over-ambitious, if Kikkoman were to work with the United Nations and get involved in a food-aid program for famine-ridden countries, the company would become more widely known as the first Japanese company to sign up to the Global Compact.

## Postscript

This is the second “Corporate Citizenship Report” published by the Kikkoman Group.

Since Kikkoman entered the United States market half a century ago, our overseas business has accounted for a constantly increasing share of the Group’s overall revenue. That is why we have chosen to discuss our CSR activities outside Japan in greater detail in this report. We would like to think that by doing so we have provided greater accountability to our stakeholders. We have also discussed our wide-ranging activities in *Shokuiku* (food education) in this report as a follow-up to what we reported last year. We hope that this report helps you gain more understanding regarding our *Shokuiku* activities, which has begun to reach a broad range of audiences. Additionally, in response to the comments we received on last year’s report, we have included an update on what some of our group companies are trying to accomplish in Japan.

Through this report, we aim to ensure greater accountability to our stakeholders and initiate two-way communication that helps to build lasting relationships based on trust. We hope you find this report informative.

Finally, we would greatly appreciate your providing feedback and/or comments on this report.

Working Group  
Corporate Social Responsibility Committee  
Kikkoman Corporation

### Cover Design

Do you recognize the red, circular objects shown on the cover?

They are caps removed from small bottles of Kikkoman Soy Sauce. Since 1961, small dispenser bottles of Kikkoman Soy Sauce have been used in restaurants and on dining tables around the world, bringing the pleasure of great flavor to millions of people.

During 2007, we have been marketing small bottles with golden caps to celebrate the 50<sup>th</sup> anniversary of our entry into the United States market.





Kikkoman Group  
Corporate Citizenship Report 2007

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