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Itoham Foods Inc.

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Verdict Concerning Customs Act Violations

The Tokyo District Court today announced its verdict under which Itoham Foods Inc. will be required to pay a fine of 30 million yen for Customs Act violations related to the procurement of imported pork.

Itoham deeply regrets its actions that led to today's verdict. The Company is once again extending its sincere apology to customers, shareholders, business partners and all others affected for any trouble or concern caused by this incident.

Itoham will continue to take steps to bolster its compliance framework. The president and all other managers are taking the lead in ensuring that the energy of the entire Itoham organization is focused on restoring the public's trust.

Actions involving the compliance system are outlined on the following pages.

1. Corrective Actions

(1) Review of procurement standards for imported pork

a. Itoham will conduct procurement activities in accordance with the “Notification Regarding the Proper Administration of the Pork Tariff Adjustment System,” which was received on April 25, 2005 from the Director General of the Livestock Industry Department of the Agricultural Production Bureau of the Ministry of Agriculture, Forestry and Fisheries.

b. Itoham will procure imported pork solely from suppliers who are able to understand the content of the above notice and strictly comply with the directives. For this purpose, Itoham has required current suppliers to submit a letter of confirmation verifying that they understand the notice. These suppliers were registered with Itoham after receiving approval from the Itoham Board of Directors. Itoham will procure imported pork solely from these registered suppliers. The registrations will be renewed annually.

Companies wishing to become a supplier must first submit a letter of confirmation. Itoham’s president will then conduct an evaluation and decide which companies will be registered.

c. Itoham will prohibit any negotiations or contact related to procurement with corporations or individuals other than those registered companies fulfilling the above requirements.

(2) Establishment of a Corporate Social Responsibility (CSR) Department (as of July 1, 2005)

Unfortunately, this incident has revealed inadequacies in Itoham’s stance regarding compliance with laws and regulations and its internal communication framework. As part of actions being taken to prevent reoccurrence of a similar incident, on July 1, 2005, Itoham established a CSR Department headed by an executive officer. The department, which has a staff of 40, is responsible for ensuring strict adherence to compliance guidelines.

(3) Organizational changes

Until recently, Itoham’s Production Division has been responsible for the procurement of processing materials. The Meat Division is now responsible for

supervising all procurement activities, thus providing a stronger management system.

2. Actions Involving the Overall Compliance Framework

Due to the Customs Act violation, Itoham is conducting a variety of activities to ensure that its operations are in conformity with other laws and rules. The following is a list of major activities.

a. CSR Committee

Using lessons learned from the recent incident, this committee was established to provide a system for individuals from outside the company to check Itoham's CSR framework and submit recommendations to the directors. The CSR Committee is chaired by Hisashi Shimada, a professor at Kyoto Bunkyo University. The committee meets every month to submit recommendations to the directors.

CSR Committee members: Hisashi Shimada, chairman; Kenichiro Kensho (corporate auditor and attorney); Masahito Ikemura (the Itoham Workers Union chairman); Isao Ota (president of Kikusui Co., Ltd.); and Toshio Fujiwara (general manager of the CSR Department)

b. CSR Liaison Committee

The former Compliance Committee has been renamed the CSR Liaison Committee to reflect its broader scope of activities, which now include CSR. During the current fiscal year, the committee has been prioritizing actions to ensure the strict execution of compliance programs.

CSR Liaison Committee members: Toshio Fujiwara, chairman (general manager of the CSR Department), and general managers of all Itoham business units

c. Seminar for managers

Title: Corporate Ethics: The Requirements for an Excellent Company
Theme: Corporate ethics requires commitment to fundamental beliefs, a code of conduct, and strict compliance with laws and regulations. Itoham will transform the recent incident into an opportunity to achieve excellence.
Lecturer: Professor Hisashi Shimada (CSR Committee chairman and professor at Kyoto Bunkyo University)

Participants: Itoham president, directors, corporate auditors and all head office senior managers
Date: Thursday, August 18, 2005
Location: Itoham head office

d. Seminars for managers at other locations

Title: CSR Seminar
Theme: Discussion of the recent incident and Itoham's response; stance regarding the promotion of CSR; importance of establishing rules as a means of enforcing compliance; and strict execution of compliance based on case studies of other companies
Lecturers: Toshio Fujiwara (general manager of the CSR Department) and one staff member from the CSR Department
Participants: 445 managers from Itoham locations nationwide (a total of eight seminars)
Dates: Saturday, August 20, 2005 to Wednesday, September 21, 2005

e. Seminars at business and administrative divisions

Title: Compliance Seminar
Theme: Introduction to CSR; the importance of compliance; management of time, product quality, and personal information; and conformity with all rules
Lecturers: Managers and employees of administrative divisions from nationwide Itoham offices
Participants: 6,727 employees (a total of 479 seminars)
Dates: Monday, August 8, 2005 to Tuesday, November 8, 2005

f. Reviews and revisions of internal rules by the administrative section of each business unit

Constantly checking the status of conformity with rules; ensuring strict compliance; and creating written rules for rules that are not yet in writing, and ensuring strict compliance with these rules

g. Upgraded Q&A document covering "what not to do"

Prepared additional copies of "Compliance Case Studies" for internal distribution and distributed copies to all departments on Tuesday, November 8, 2005.

Posted two case studies on the internal portal site on Monday, November 21, 2005

(cases of incidents involving work at factories).

h. Increased awareness of company consultation contacts

Distributed posters to all business sites to make employees aware of the four contacts for ethics and compliance matters.

Contacts for employees

Internal Affairs: Internal Auditing Department

Legal Counseling on Any Issue: Mr. Kensho, Esq.

Human Resources Hotline: Human Resources Department

Union Hotline: the Itoham Workers Union

i. Internal checks

Itoham has a double-checking system that uses the administrative functions of each business unit and the auditors of the CSR Department.