KIKKOMAN CORPORATION

ANNUAL REPORT 2007

Year ended March 31, 2007

Profile 

KIKKOMAN CORPORATION takes pride in enriching the lives of consumers throughout the world with the distinctive qualities of its food seasonings. The No. 1 producer of soy sauce in the world, Kikkoman has grown from humble beginnings in the 17th century to become a company that provides a comprehensive range of foodstuffs, fine wines, superb dining, and effective biotechnology. We are constantly searching for new recipes to enhance the flavors of Western and Oriental cuisines, drawing on more than 350 years of natural brewing experience. Superseding these activities is a higher goal of contributing to the health and happiness of the communities in the almost 100 countries in which we operate.

On the Front Cover

Red Sushi Pyramid

Ingredients: One Serving

- 60g Beet risotto
  Risotto made by adding beet puree to white rice
- 3g x 4 Smoked salmon
  Wrap with cooking paper, spreading thin with a meat puncher. Dry in an oven at a low temperature. Cut four triangular pieces to form a four-sided pyramid.
- One micro tomato

Preparation

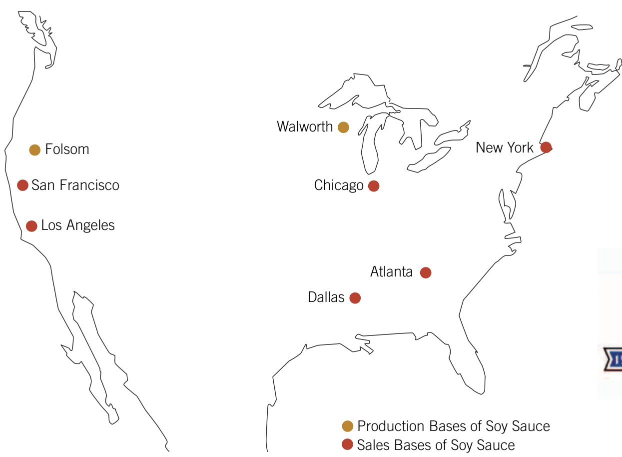
1. Place beet puree on a plate, and add smoked salmon to form the sides of the pyramid. Place the micro tomato at the apex.
2. Brush with olive oil and soy sauce.

Contents

A Golden Heritage: Kikkoman's 50th Anniversary in America

In 2007, we celebrate the 50th anniversary of our full-scale entry into the U.S. market. Over the ensuing 50 years, we have aimed to make soy sauce a more integral part of the American food culture. As a result of executing our principle of promoting international exchange of food culture on a global scale, Kikkoman soy sauce is now a favorite in approximately 100 countries worldwide—sales volume of soy sauce overseas during fiscal 2007 grew to some 157,000 kiloliters.

North American Production and Sales Bases

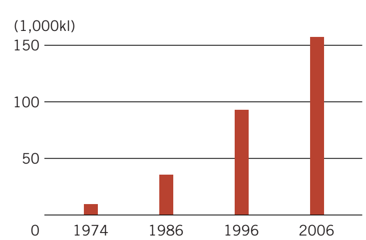


U.S. Annual Sales Volume Over 110,000kl

After establishing sales company Kikkoman International Inc. in San Francisco, Kikkoman established manufacturing company Kikkoman Foods, Inc. in Walworth, Wisconsin, in 1972. This move enabled us to begin manufacturing soy sauce in the U.S. In 1998, we started up the California Plant in Folsom, California. Together, the two factories now ship over 110,000 kiloliters of soy sauce throughout North America.

Our entry into the U.S. marked the starting point of the full-scale marketing of soy sauce overseas. To celebrate it, in April 2007 Kikkoman launched Kikkoman's 50th Anniversary in America Project in both Japan and the U.S. with the slogan, *The Delicious Challenge Continues*.

Overseas Sales Volume



Kikkoman's 50th Anniversary in America Project

The project began with the simultaneous release in Japan and the U.S. of products bearing a 50th anniversary mark. In June, we held the U.S.-Japan Food Distribution Symposium, attended by distribution industry representatives and top market researchers from both Japan and the U.S. We have also launched a 50th anniversary website in Japan and are carrying out a variety of sales promotions, including a recipe contest.

Through this project, we intend to convey to both the U.S. and Japan our corporate stance of continuous change and challenge. We believe this will enhance the Kikkoman brand image all the more.

As in the past, Kikkoman will continue to deliver food and health to tables around the world, contributing to people's lives in the process.

Message From the Management

The Fiscal Year in Review

The global economy showed signs of steady recovery in fiscal 2007, the year ended March 31, 2007. In Japan, the growth rate of real GDP continued to rise, largely on the back of capital investments and exports.

Meanwhile, in the domestic food, beverage, and liquor industries, price competition among companies continued, as costs also rose due to soaring prices of raw materials. Moreover, greater interest in food safety among consumers has made it an imperative to actively implement and disclose policies on safety and reliability.

In this environment, the Kikkoman Group delivered higher net sales year on year and higher operating income in Japan due to steady growth in the soy sauce derivative products division and the inclusion of Kibun Food Chemifa Co., Ltd. in consolidated results for the first time from fiscal 2007. Hampering further sales growth were lower sales in the *sake* and wine division due to the transfer of *shochu* operations as well as modest performances by soy sauce, the group's mainstay product, and the Coca-Cola business. Overseas operations posted another year of robust sales in soy sauce and the foods-wholesale segment. As a result, consolidated net sales rose 9.1% year on year to ¥392,611 million, operating income increased 16.6% to ¥21,646 million, and net income was up 6.1% at ¥10,739 million. All were record figures for Kikkoman.

Left:
Yuzaburo Mogi
Chairman of the Board and
Chief Executive Officer

Right:
Takashi Ushiku
President and Chief Operating Officer

Summary of Business Policy

Business Principles

The activities of the Kikkoman Group are founded on three core business principles:

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

We believe that the future performance and prosperity of a company are the direct result of customer satisfaction. Accordingly, the Kikkoman Group continues to develop valued products that mirror the ever-changing needs of consumers and that provide opportunities for new culinary experiences. Moreover, as a manufacturer of food products, the Kikkoman Group's fundamental mission is to produce higher quality products and services, in a safe and hygienic manner, at lower costs. Kikkoman has a tradition of consistently upholding the highest standards of quality control. Our commitment to quality goes beyond products to encompass all areas, such as containers and packaging.

Financial Highlights

Kikkoman Corporation and Consolidated Subsidiaries

	Millions of yen					Thousands of U.S. dollars (Note 5)
Years ended March 31	**2007**	2006	2005	2004	2003	**2007**
For the year:						
Net sales	**¥392,611**	¥359,906	¥344,625	¥334,656	¥342,508	**$3,327,212**
Operating income	**21,646**	18,557	17,847	17,059	17,904	**183,441**
Net income	**10,739**	10,125	9,487	9,287	8,311	**91,008**
At year-end:						
Total assets	**¥348,995**	¥331,781	¥295,802	¥278,602	¥273,902	**$2,957,585**
Property, plant and equipment, net	**133,522**	114,062	113,715	113,170	116,585	**1,131,542**
Interest-bearing debt (Note 1)	**70,616**	69,396	54,853	46,722	51,870	**598,441**
Net assets (Note 2)	**206,919**	–	–	–	–	**1,753,551**
Shareholders' equity, net	**–**	168,676	147,370	141,849	131,806	**–**

	Yen					U.S. dollars (Note 4)
Per share data:						
Net income (Note 3)	**¥55.49**	¥51.80	¥48.16	¥47.15	¥41.98	**$0.47**
Diluted net income	**55.45**	51.79	–	–	40.86	**0.47**
Cash dividends applicable to the year (Note 4)	**15.00**	12.00	10.00	10.00	8.00	**0.13**

Notes: 1. Interest-bearing debt refers to all liabilities on the consolidated balance sheets on which interest is paid.
2. "Accounting Standard for Net Assets of Balance Sheet" have been adopted from the year ended March 31, 2007. See P24.
3. Net income per share is computed based on the weighted average number of shares outstanding during the year.
4. The fiscal year ended March 31, 2004 dividend includes a commemorative dividend of ¥2.00 per share.
The fiscal year ended March 31, 2007 dividend includes a commemorative dividend of ¥3.00 per share.
5. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥118=US$1.00.

In order to earn recognition as a socially responsible company whose existence is meaningful to society, Kikkoman is committed to deepening its involvement in local social activities while working to assure that its operations co-exist in harmony with the environment.

The Kikkoman Group is developing globally in the fields of food and health in the following three major areas:
1. Manufacture and sales of food products,
2. Biochemical business, and
3. Services related to food and health.

Business Strategy

As sales volumes of soy sauce grow overseas, we have been taking steps to reinforce our production facilities for this product. Currently, we have six production bases in the U.S., Europe, and Asia, all of which are achieving steady growth in product shipments. In the Del Monte business, we are making progress cultivating and developing the Asian market following commencement, in February 2006, of operations at a new production facility in Thailand. Elsewhere, to develop sources of earnings other than soy sauce in North America, we are implementing various initiatives in the soy milk business, and in the health foods business, Country Life, LLC (which manufactures and sells health food products in the U.S.) has been included within the scope of consolidation since April 2006. Going forward, the Kikkoman Group aims to sustain high growth overseas through these and other measures to create even greater demand and boost consumer spending.

Meanwhile, in Japan, we are striving to boost sales of high value added products such as *Tokusen Marudaizu Shoyu* (premium soy sauce) and *Tokusen Marudaizu Gen-en Shoyu* (premium low-sodium soy sauce) in the home use soy sauce market. We are also taking steps so that we can exert the company's collective strengths in the foodservice and industrial use markets. This involves providing technical support and other services while continuing to offer safe, high quality products.

Furthermore, in soy sauce derivative products, the group will prioritize expanding sales mainly of *Hon Tsuyu* but also of straight and *nabe tsuyu* in the *tsuyu* (soy sauce soup base) category, while aiming to expand market shares of *tare* (dipping and marinade sauces). In addition, our efforts continue to establish a strong foothold in the market and expand the *Uchi-no-Gohan* series (a handy Japanese-style seasoning mix). Through these and other actions, we aim to establish the Kikkoman brand as a leading name that encompasses a broader range of Japanese seasoning beyond soy sauce.

In Del Monte Operations, we are pushing ahead with efforts to expand this business, centered on *Lact-Vege*, a vegetable juice launched in February 2006 that contains vegetables that are fermented using lactobacillus of plant origin. By actively developing new, value added products like this, we are attempting to vitalize the brand.

Finally, our *sake* and wine business will focus on increasing the market share for home use *mirin* (sweet *sake* for cooking), while developing high value added wine products.

In terms of capital and business alliances, we are collaborating with Higeta Shoyu Co., Ltd. on jointly purchasing raw ingredients and effectively sharing each other's manufacturing facilities, while fostering closer cooperation in the foodservice and industrial use markets. Through this cooperation we aim to expand and enhance our soy sauce and soy sauce derivative products businesses. With Kibun Food Chemifa, which became a consolidated subsidiary in June 2006, we will continue to promote joint development of chilled beverages and soup. In health foods and other areas, too, we will pursue synergies to expand our businesses and improve operating results.

Basic Approach to Corporate Governance

We believe that responding accurately to changes in the operating environment and bolstering management of the group as a whole to raise corporate value are fundamental to managing a company that meets shareholders' demands. At the same time, one of our most important priorities at Kikkoman is executing sound governance to fulfill our corporate responsibility to all stakeholders.

Kikkoman has adopted a company structure that includes corporate auditors. We have taken steps to improve and bolster our corporate governance framework, with the targets of realizing greater management transparency, clearer responsibility, speedy decision making, and stronger oversight. Efforts have included the introduction of the executive officer system, appointment of outside directors and corporate auditors, and formation of a Nominating Committee and Remuneration Committee.

Corporate Governance Framework

To expedite decision making and clarify responsibilities for business execution, we introduced the executive officer system in March 2001. Under this framework, the Board of Directors formulates group management strategy, makes important decisions based on decision making guidelines, and oversees the business execution of executive officers.

In June 2004, we established the positions of chief executive officer (CEO) and chief operating officer (COO). The CEO is the highest decision maker in group management. Under the CEO, the Management Committee functions as a deliberative body for decision making. The COO holds the ultimate responsibility for business execution. 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 end of the interim period and fiscal year, the corporate auditors meet with independent auditors to hear briefings on plans and reports, receive them, and exchange opinions.

In June 2002, we formed the Nominating Committee and Remuneration Committee, both of which hold meetings as appropriate. Each committee comprises three directors; two of which are outside directors. The Nominating Committee makes recommendations on candidates for director, executive officer, and corporate auditor to the Board of Directors. Candidates for corporate auditor are approved by the Board of Corporate Auditors. Meanwhile, the Remuneration Committee formulates remuneration proposals for directors, corporate auditors, and executive officers.

Internal Control and Risk Management System

Establishing an internal control system that ensures proper implementation of operations is one of our vital issues. Based on this thinking, we are making group-wide efforts to reinforce a framework that ensures effective and efficient operations that comply with laws and regulations.

In terms of compliance, we have established a Code of Conduct, which was formulated to ensure that Kikkoman complies with laws and regulations, the Articles of Incorporation, and social norms. As an additional measure, we have put in place the Corporate Ethics Committee and an employee reporting hotline to prevent and settle violations of the Code of Conduct.

Regarding risk management, we have delegated executive officers with the responsibility of supervising each business division to avert, prevent, and manage risks related to possible losses. In our risk management framework, the director in charge is notified immediately in the event that the possibility of such a loss materializes. The Risk Management Committee is constantly on guard for accidents and natural disasters, ready to respond to such emergencies with swift and precise measures.

Moreover, our information management system is based on internal rules specifying procedures for the safekeeping and management of documents using electronic and other methods.

Finally, to make sure that operations are implemented properly throughout the group, we have appointed directors to subsidiary companies. These directors report regularly to the CEO. Our Code of Conduct and risk management system include subsidiaries to ensure sound operations across the entire group.

Basic Policy on the Distribution of Profits

The Kikkoman Group's basic policy is to reward shareholders with a distribution of profits, backed by strong financial performance on a consolidated basis, while using funds to strengthen both the company's corporate foundation and future businesses.

On a long-term basis, we will deploy internal reserves in ways that create robust corporate value. Our future plans include investments to expand our international operations, streamline production facilities, conduct research and development targeting new businesses, and cultivate new demand.

In terms of the dividend applicable to fiscal 2007, we paid an annual dividend of ¥15 per share of common stock, made up of an ordinary dividend of ¥12 and a commemorative dividend of ¥3 to celebrate our 50th anniversary of Kikkoman's full-scale entry into the U.S. market.

Outlook for the Current Fiscal Year

Although declining housing investment and other factors continue to put the brakes on the U.S. economy for the time being, recovery is expected in due course as corporate profits are strong, with jobs and incomes stable.

In the Japanese economy, despite causes for concern such as the possibility of tax hikes and a higher burden of social security costs weakening consumer demand, strong corporate profits and capital investment and an improving employment environment suggest more moderate growth is on the way.

At the same time, the operating environment is projected to remain difficult in the domestic food, beverages, and liquor industries. We also believe companies will be increasingly required to respond to concerns over corporate social responsibility in ensuring the safety and reliability of food.

In response to these demands, the Kikkoman Group is committed to prioritizing the allocation of resources to further enhance its position as a major global player in the food and health fields and thereby raise its corporate value. To this end, during the current fiscal year, we will focus on the following important themes.

(1) Cultivate existing markets and develop new markets overseas

In North America, we will prioritize the sustained growth of soy sauce by taking measures that include promoting high value added products for home use and aggressive development of channels for foodservice and industrial use. In addition, we will focus on soy milk and health foods businesses to foster earnings beyond the area of soy sauce.

In Europe, growth remains steady. Our immediate focus is to expand the soy sauce market, with the target of maintaining double-digit growth. Alongside cultivating existing key markets such as Germany and the U.K., we will also develop new markets such as Central and Eastern Europe, including Russia.

The Asian market is solid, and we are advancing our preparations for future growth. As part of this effort, we have established an R&D base in Singapore to develop products that accommodate demand in the growing Chinese market. With a manufacturing facility now operating in Thailand, we will also be looking to expand the market for our Del Monte products.

Interest in Japanese food is increasing throughout the world. We are therefore committed to continuing to grow our foods-wholesale business, which is centered on Japanese food.

(2) Increase earnings in the Japanese market and reform business structures

Amid more demanding market conditions in Japan for soy sauce, our flagship product, we believe that two themes are important for the company to achieve consistent growth: improving our ability to generate earnings and reforming business structures.

With regard to the first theme, we will continue to promote growth in sales of high value added soy sauce, while expanding sales of *tsuyu, tare* and other soy sauce derivative products. In addition, we will increase sales of other products that require a higher degree of processing, such as *Uchi-no-Gohan*. Efforts are also ongoing to improve the profit structure of these products. Finally, the group will vitalize the Del Monte brand by developing products that offer new value, also promoting high value added wine in the *sake* and wine business. In addition, we will expand operations in our biochemical business in anticipation of high profitability.

In terms of reforming its business structure, the Kikkoman Group has invested in Higeta Shoyu and consolidated with Kibun Food Chemifa as a subsidiary company in June 2006. We are determined to quickly capture synergies from these initiatives and turn them into tangible results.

In addition, this year marks the 50th anniversary of Kikkoman's full-scale entry into the U.S. market. Through a variety of projects carried out in Japan and abroad throughout the year, Kikkoman will increase public awareness of its continuing efforts in the global market. The activities will also help to improve our brand value, energize domestic operations, and accelerate the growth of our foreign operations.

These objectives strongly emphasize our group-wide resolve to move increasingly on the offensive to raise both our corporate value and stature in the industry.

July 2007

Yuzaburo Mogi
Chairman of the Board and Chief Executive Officer

Takashi Ushiku
President and Chief Operating Officer

Product Lineup

Original Kikkoman Shoyu:

Healthy all-purpose seasoning sold and used in more than 100 countries worldwide.

Tokusen Marudaizu Shoyu:

Premium *marudaizu* soy sauce is widely accepted in Japan.

Tokusen Yuki Shoyu:

Organic soy sauce certified by Japanese Agricultural Standards (JAS).

Gen-en Shoyu:

Soy sauce with 50% less sodium than *Original Kikkoman Shoyu*.

Tokusen Marudaizu Gen-en Shoyu:

Soy sauce with 50% less sodium than *Tokusen Marudaizu Shoyu*.

Less Sodium Soy Sauce (America):

Less Sodium Soy Sauce, which has 50% less sodium, is America's leading brand of reduced sodium soy sauce.

Teriyaki Marinade & Sauce (America):

Versatile marinade and recipe ingredient for meat, poultry, seafood and vegetables.

Soy Sauce (Europe):

The original soy sauce made in Europe.

Special Fragrance Soy Sauce (Singapore):

Developed especially for Asian taste buds, the mild sweetness brings a unique taste to any dish.

Soy Sauce Sweet Type (China):

This has a rich taste and aroma, and was specially brewed for Chinese consumers.

Hon Tsuyu:

Natural bonito and seaweed *dashi* (broth), *marudaizu* soy sauce, and *hon mirin* are blended to create this *mentsuyu* (noodle soup).

Zarusoba Tsuyu:

A straight *soba tsuyu* that blends natural bonito *dashi*, *marudaizu* soy sauce, and *hon mirin*.

Wagaya-wa-Yakinikuyasan:
A tangy sesame-flavored soy sauce-based steak dipping sauce enriched with vegetable ingredients to create a refreshing, light flavor.

Uchi-no-Gohan:
A handy Japanese-style seasoning mix that contains soy sauce and vegetable-based stock.

Tomato Ketchup:
The mainstay item in the Del Monte product lineup (contains pineapple vinegar).

Whole Peeled Tomatoes:
Delicious, high quality tomatoes of consistent size suitable for use with any ingredient.

Tomato Juice and Vegetable Juice:
100% tomato juice and vegetable juice.

Del Monte "Lact-Vege":
A new type of vegetable drink which contains vegetables that are fermented using lactobacillus of plant origin.

Chilled Beverages:
A new type of nutritionally balanced beverage made from fruits and soy milk.

Chilled Soup:
A new type of low-calorie soup made from vegetables and soy milk.

Houjun Hon Mirin:
A variety of rice ingredients, including glutinous rice, plain rice, and malted rice are used to create this unique *mirin sake.*

Manns Solaris:
A world-class, distinctive wine made from Japanese grapes.

Management's Discussion and Analysis

OPERATING RESULTS

Domestic operations during the year under review saw sales and earnings rise, despite Coca-Cola operations struggling. This was reflected in a steady performance in the Soy Sauce Derivative Products Division and the consolidation of Kibun Food Chemifa Co., Ltd. In overseas operations, continued strong results in soy sauce and foods—wholesale, mainly in North America and Europe, led to higher sales and earnings.

Consequently, on a consolidated basis, net sales increased 9.1% year on year to ¥392,611 million. In terms of earnings, operating income rose 16.6% to ¥21,646 million and net income increased 6.1% to ¥10,739 million. Net sales, operating income and net income were all-time highs for Kikkoman.

SEGMENT INFORMATION

The company's results are divided into four business segments: Foods—manufacturing and sales, Foods—wholesale, Coca-Cola, and Others.

FOODS—MANUFACTURING AND SALES

This segment comprises the Soy Sauce Division, the Soy Sauce Derivative Products Division (*tsuyu, tare* and other processed seasonings), the Del Monte Division (Del Monte processed tomato products, fruit and vegetable juices, and other products), the *Sake* and Wine Division *(mirin*, wine, and other alcoholic beverages), and Other Foods Division, which includes soy milk, food products for business purpose and food products for health in the U.S. All products are manufactured and sold in Japan and overseas.

Segment sales rose 13.0% to ¥201,793 million, while operating income increased 23.4% to ¥15,120 million. The results for each division are as follows.

SOY SAUCE DIVISION

In Japan in the home use sector, while sales of 1-liter bottles of *Tokusen Marudaizu Shoyu* (premium soy sauce), *Gen-en Shoyu* (low-sodium soy sauce) and other high value added soy sauces grew despite continued market contraction, sales of 1-liter bottles of mainstay *Koikuchi Shoyu* (regular soy sauce) and other products dropped. As a result, overall sales in the home use sector fell year on year. Meanwhile, in the foodservice use and industrial use sectors in Japan, sales of large containers grew steadily due to efforts to develop markets, while sales of medium-sized containers struggled.

Overseas, in the U.S., the company continued to see steady growth in shipments, mainly in the home use and foodservice use sectors. In the European market, sales grew sharply on the back of strong growth mainly in the key U.K. market and efforts to develop markets such as Russia, which is experiencing rapid economic growth. In the Asia and Oceania market, segment sales surpassed the previous fiscal year.

SOY SAUCE DERIVATIVE PRODUCTS DIVISION

In *tsuyu* (soy sauce soup base), shipments were steady in the home use sector, mainly of *Hon Tsuyu*. Also, in the industrial use and foodservice use sectors, sales were strong on the back of market support for products for industrial use customers. In *tare* (dipping and marinade sauces), amid a sluggish market, shipments rose above the previous fiscal year. Sales of the *Uchi-no-Gohan* series (a handy Japanese-style seasoning mix) also grew steadily, reflecting the benefits of active efforts to develop new products and sales promotion activities.

DEL MONTE DIVISION

In Japan, processed tomato products posted higher year-on-year sales. In the drink sector, vegetable juice sales were up sharply, mainly due to the performance of new product *Lact-Vege*. Meanwhile, sales of tomato and other juices were modest. Overseas, segment sales rose due to growth in China.

SAKE AND WINE DIVISION

Hon Mirin sales were up overall due to steady growth in 1-liter bottles in the home use sector. In wine, there were steady sales of our premium wine made with domestic grapes, but shipments of other table wines were sluggish, causing wine sales to post a decline overall. On April 1, Kikkoman transferred its *shochu* business to Sapporo Breweries Ltd.

OTHER FOODS DIVISION

In Japan, the company engaged in intensive marketing activities to promote soy milk drinks that included the launch of new products. However, sales struggled due to unseasonable weather and media coverage concerning the risks of excessive intake of isoflavone.

In the U.S. market, health food operations performed stable growth. Country Life, LLC became a consolidated subsidiary in the fiscal year under review.

FOODS—WHOLESALE

This segment procures and sells oriental food products in Japan and overseas. In the U.S. market, sales grew steadily as the Japanese foods market continued to expand. In Europe, the growing popularity of Japanese food in Russia, and Central and Eastern Europe contributed to the overall strong sales.

As a result, the segment sales increased 13.4% to ¥67,609 million and operating income increased 27.9% to ¥2,994 million.

COCA-COLA

This segment carries out the production and sales of soft drinks, mainly Coca-Cola, in Chiba, Ibaraki, and Tochigi prefectures in Japan. Operations are conducted principally by consolidated subsidiary Tone Coca-Cola Bottling Co., Ltd.

During the fiscal year under review, the company struggled as unseasonable weather added to persistently harsh operating conditions in which severe sales competition spread.

As a result, segment sales fell 0.9% to ¥116,806 million and operating income decreased 9.3% to ¥2,481 million.

OTHERS

This segment includes production and sales of medical reagents and clinical diagnostic reagents, chemicals such as hyaluronic acid, as well as real estate rental, and other businesses.

During the fiscal year under review, sales of functional food materials were lackluster in a contracting market. Hyaluronic acid also struggled amid intensifying competition with Chinese-made and other products and the resulting lower sales prices.

As a result, segment sales increased 52.2% to ¥7,313 million while operating income fell 13.7% to ¥1,048 million.

FINANCIAL POSITION

ASSETS

Total assets as of March 31, 2007 were ¥348,995 million, or ¥17,214 million higher compared to the end of the previous fiscal year. Current assets decreased ¥2,752 million while property, plant and equipment, net increased ¥19,460 million. These changes mainly reflected a decrease in cash and time deposits and increase in assets upon consolidation of Kibun Food Chemifa.

LIABILITIES

Current liabilities were ¥20,083 million higher compared to the end of the previous fiscal year. Long-term liabilities, however, decreased ¥17,780 million. These changes mainly reflected a decrease in bonds and increases in short-term bank loans due to the consolidation of Kibun Food Chemifa. Consequently, there was a ¥2,303 million increase in total liabilities to ¥142,076 million as of March 31, 2007.

NET ASSETS

Net assets were ¥206,919 million due to a ¥8,545 million increase in retained earnings and the inclusion of minority interests and other accounts in net assets following a change in accounting standards. As a result, the equity ratio decreased by 0.5 of a percentage point to 50.3%, while net assets per share increased by ¥36.02 to ¥906.84.

CASH FLOWS

Cash and cash equivalents were ¥23,474 million as of March 31, 2007, the result of a decrease in cash and cash equivalents of ¥12,130 million as well as a change in cash and cash equivalents arising from changes in the accounting periods of certain consolidated subsidiaries.

Operating activities provided net cash of ¥24,663 million, an increase of ¥4,016 million from the previous fiscal year. This was the result mainly of increases in both income before income taxes and minority interests and depreciation and amortization, which offset increases in notes and accounts receivable and inventories.

Investing activities used net cash of ¥27,634 million, a year-on-year increase of ¥10,363 million. The main reasons were increased outgoings for the acquisition of property, plant and equipment and investments in securities and cash used for the acquisition of some subsidiary companies' shares. These outflows were partly offset by increased inflows from the sale of property, plant and equipment.

Financing activities used net cash of ¥9,549 million, ¥20,790 million more than the cash provided in the previous fiscal year. Although there was a net increase in short-term banks loans, the year-on-year change reflects proceeds from the issuance of corporate bonds in the previous fiscal year and an increase in cash outflows due to the repayment of long-term debt.

RISK FACTORS

ECONOMIC CONDITIONS

The Kikkoman Group is developing business in various countries. A decline in demand for the products and services that the group provides, due to worsening economic conditions in particular countries where the Kikkoman Group is doing business, could result in lower sales and earnings and thus adversely affect the Kikkoman Group's business results and financial position.

JAPANESE MARKET

The Japanese market for soy sauce, the Kikkoman Group's mainstay business, has been contracting in recent years. In this operating environment, the Kikkoman Group has been endeavoring to drive growth by shifting resources to the growing market of soy sauce derivative products. However, the inability to achieve results in soy sauce derivative products as planned could adversely affect the Kikkoman Group's business results and financial position.

OVERSEAS MARKET

The Kikkoman Group is developing business around the world and thus manufactures products and conducts sales activities overseas. The occurrence of problems in these business activities caused by unexpected events such as changes in politics, the economy, or society in countries where it is developing business could adversely affect the Kikkoman Group's business results and financial position.

EXCHANGE RATE FLUCTUATIONS

Kikkoman converts the financial statements of its overseas subsidiaries and other foreign domiciled entities into Japanese yen for preparing its consolidated financial statements. The line items in the financial statements of these subsidiaries and other entities are thus subject to foreign currency exchange rate fluctuations when converted into Japanese yen. In particular, where there is an appreciation of the yen against other currencies, the converted amount in yen will be lower.

Furthermore, exchange rate fluctuations could affect the provision price of products and services denominated in foreign currencies and the procurement cost of raw materials and products purchased by the Kikkoman Group. The Kikkoman Group uses various techniques to mitigate and avoid foreign currency exchange risk, but changes in currency markets could adversely affect its business results and financial position.

FLUCTUATIONS IN RAW MATERIAL PRICES

Some raw materials used by the Kikkoman Group are subject to the effects of market conditions. The soybeans and soybean meal in the Soy Sauce Division are subject to the effects of conditions in international commodities markets. Fluctuations in crude oil prices could also affect manufacturing and delivery costs for PET bottles used to package Kikkoman's products and other products. A rapid increase in these market prices could lead to higher manufacturing and delivery expenses and thus could adversely affect the Kikkoman Group's business results and financial position.

WEATHER

The Kikkoman Group is developing Coca-Cola and other soft drink businesses. Sales of the products and merchandise of these businesses are subject to the effects of weather. In particular, a cool summer could result in lower sales of the products and merchandise of these businesses and thus could adversely affect the Kikkoman Group's business results and financial position.

PRODUCT DEVELOPMENT

The Kikkoman Group strives to develop products that match consumers' tastes, guided by the fundamental principle of "consumer-oriented." However, if the Kikkoman Group is unable to sufficiently identify those needs and develop products of value for customers, its sales and earnings could fall and could thus adversely affect the Kikkoman Group's business results and financial position.

COMPETITION

The Kikkoman Group must promote sales in the markets where it is developing business to discriminate itself from the competition and remain competitive. However, an escalation in competition could result in the Kikkoman Group incurring higher sales promotion and advertising expenses to raise its profile, which could adversely affect its business results and financial position.

PRODUCT AND SERVICE QUALITY RISK

The Kikkoman Group ordinarily implements strict quality assurance based on the fundamental mission of producing and providing high quality products in a safe and hygienic manner. Furthermore, in the event that a defect is found in a product or service it provides, the Kikkoman Group's policy is to quickly disclose its information, placing priority on customer safety, and normalize and contain any damage. However, a major defect could result in the incurrence of substantial costs, and damage to the group's reputation could result in lower sales, both of which could adversely affect the Kikkoman Group's business results and financial position.

INTELLECTUAL PROPERTY

The Kikkoman Group is acquiring industrial property rights, including patent rights, utility model rights, and trademarks, as necessary with respect to the technology it develops. These intellectual property rights have many advantages from an operational perspective and are thus regarded as an important management resource. However, if another company develops similar rights or technology that is superior to its own, the Kikkoman Group could lose its competitive advantage, which could adversely affect its business results and financial position.

ALLIANCES AND CORPORATE ACQUISITIONS

The Kikkoman Group has formed alliances with other companies in specific fields of business with the aim of raising its enterprise value. Furthermore, the Kikkoman Group plans to actively utilize resources from outside as necessary resources for its business, and thus may form strategic alliances, including equity-based alliances and corporate acquisitions. However, the inability of the Kikkoman Group to carry out its business plan as expected after forming an alliance or conducting an acquisition as a result, for example, of disagreement among the parties concerned about management, finances, or other policies could adversely affect its business results and financial position.

LAWS AND REGULATIONS

In Japan, Kikkoman is subject to laws and regulations such as the Food Sanitation Law and the Product Liability Act. In addition, the group is subject to the laws and regulations of each country in which it develops business. Changes to these and other laws and regulations in the future could restrict the Kikkoman Group's activities and thus adversely affect its business results and financial position.

FORCE MAJEURE

The Kikkoman Group gives sufficient consideration to countermeasures in the event of an earthquake or other force majeure and conducts regular inspections of its facilities, such as earthquake-resistance inspections. However, damage to production bases caused by a large-scale earthquake or other force majeure could result in a lower production capacity due to interruption to operations. This in turn could lead to lower sales and higher expenses to repair facilities, which could adversely affect the Kikkoman Group's business results and financial position.

Financial Section

Contents

Consolidated Balance Sheets

Kikkoman Corporation and Consolidated Subsidiaries
As of March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2007**	2006	**2007**
Current assets:			
Cash and time deposits (Note 4)	**¥ 24,505**	¥ 36,487	**$ 207,669**
Trade notes and accounts receivable (Note 8)	**50,656**	44,652	**429,288**
Allowance for doubtful receivables	**(967)**	(786)	**(8,195)**
	49,689	43,865	**421,093**
Inventories (Notes 6 and 8)	**29,910**	27,142	**253,475**
Deferred tax assets (Note 10)	**4,728**	4,314	**40,068**
Other current assets (Note 4)	**7,558**	7,333	**64,051**
Total current assets	**116,391**	119,143	**986,364**
Property, plant and equipment, at cost (Note 8):			
Land	**32,560**	29,273	**275,932**
Buildings and structures	**106,130**	96,092	**899,407**
Machinery, equipment and vehicles	**158,594**	144,552	**1,344,017**
Other	**55,207**	54,395	**467,856**
Construction in progress	**3,983**	2,669	**33,754**
	356,477	326,983	**3,020,992**
Accumulated depreciation	**(222,954)**	(212,921)	**(1,889,441)**
Property, plant and equipment, net	**133,522**	114,062	**1,131,542**
Investments and other assets:			
Investments in securities (Note 5)	**47,202**	45,168	**400,017**
Investments in and advances to unconsolidated subsidiaries and affiliates	**12,451**	41,816	**105,517**
Goodwill	**27,775**	39	**235,381**
Other intangible assets	**6,239**	6,802	**52,873**
Deferred tax assets (Note 10)	**3,573**	3,238	**30,280**
Other assets	**1,838**	1,510	**15,576**
Total investments and other assets	**99,081**	98,575	**839,669**
Total assets	**¥ 348,995**	¥ 331,781	**$ 2,957,585**

See accompanying notes to consolidated financial statements.

Liabilities	Millions of yen 2007	2006	Thousands of U.S. dollars (Note 3) 2007
Current liabilities:			
Short-term bank loans (Notes 7 and 8)	¥ 13,004	¥ 5,905	$ 110,203
Current portion of long-term debt (Notes 7 and 8)	11,444	2,920	96,983
Trade notes and accounts payable	16,242	13,391	137,644
Other accounts payable	14,549	15,478	123,297
Accrued employees' bonus	2,169	2,016	18,381
Accrued directors' bonus	122	–	1,034
Accrued income taxes (Note 10)	2,477	2,040	20,992
Other current liabilities	6,820	4,995	57,797
Total current liabilities	66,831	46,748	566,364
Long-term liabilities:			
Long-term debt (Notes 7 and 8)	41,070	55,005	348,051
Accrued employees' pension and severance costs (Note 9)	16,448	18,616	139,390
Accrued officers' severance benefits	1,930	1,784	16,356
Deposits received	1,253	6,419	10,619
Deferred tax liabilities (Note 10)	8,399	9,319	71,178
Other long-term liabilities	6,142	1,880	52,051
Total long-term liabilities	75,245	93,025	637,669
Net assets			
Shareholders' equity:			
Common stock, without par value:			
Authorized: 600,000,000 shares			
Issued: 197,202,300 shares at March 31, 2007	11,599	–	$98,297
Capital surplus (Note 11)	5,782	–	49,000
Retained earnings (Notes 11 and 18)	145,091	–	1,229,585
Treasury stock, at cost:			
March 31, 2007—3,648,952 shares	(2,786)	–	(23,610)
Total shareholders' equity	159,687	–	1,353,280
Difference of appreciation and conversion:			
Unrealized holding gain on securities	16,926	–	143,441
Deferred hedge gain/loss	167	–	1,415
Translation adjustments	(719)	–	(6,093)
Unfunded retirement benefit obligation of overseas subsidiaries	(539)	–	(4,568)
Total difference of appreciation and conversion	15,835	–	134,195
Minority interests	31,396	–	266,068
Total net assets	206,919	–	1,753,551
Contingent libilities (Note 14)			
Total liabilities and net assets	¥348,995	¥ –	$2,957,585
Minority interests	–	23,331	–
Shareholders' equity			
Common stock, without par value:			
Authorized: 300,000,000 shares			
Issued: 197,202,300 shares at March 31, 2006	¥ –	¥ 11,599	$ –
Additional paid-in capital	–	5,775	–
Retained earnings	–	136,546	–
Unrealized holding gain on securities	–	19,497	–
Translation adjustments	–	(2,073)	–
	–	171,344	–
Treasury stock, at cost:			
March 31, 2006—3,612,457 shares	–	(2,668)	–
Shareholders' equity, net	–	168,676	–
Total liabilities and Shareholders' equity	¥ –	¥331,781	$ –

Consolidated Statements of Income

Kikkoman Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	**2007**
Net sales	**¥392,611**	¥359,906	**$3,327,212**
Cost of sales	**237,568**	216,975	**2,013,288**
Gross profit	**155,043**	142,931	**1,313,924**
Selling, general and administrative expenses (Notes 9 and 12)	**133,396**	124,373	**1,130,475**
Operating income	**21,646**	18,557	**183,441**
Other income (expenses):			
Interest and dividend income	**1,222**	852	**10,356**
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	**620**	716	**5,254**
Interest expense	**(1,047)**	(660)	**(8,873)**
Gain on sales of securities	**147**	611	**1,246**
Dividends from liquidation of securities	**52**	–	**441**
Gain on sales of property, plant and equipment	**1,175**	798	**9,958**
Gain on establishment of pension trust fund	**–**	2,520	**–**
Loss on sales of property, plant and equipment	**–**	(4)	**–**
Loss on disposal of property, plant and equipment	**(968)**	(1,360)	**(8,203)**
Loss on revaluation of investments in securities	**(257)**	(36)	**(2,178)**
Loss on impairment of fixed assets	**–**	(1,965)	**–**
Loss on revaluation of investments in affiliates	**–**	(73)	**–**
Special additional severance benefits	**–**	(230)	**–**
Costs related to vending machines to accept the tender of new yen bills	**–**	(171)	**–**
Write-down of inventories	**–**	(452)	**–**
Loss on revaluation of golf memberships	**(52)**	(11)	**(441)**
Loss from redemption of bond	**(78)**	–	**(661)**
Environmental conservation costs	**(131)**	(86)	**(1,110)**
Expense for compensation	**(376)**	–	**(3,186)**
Loss on cancellation of materials purchases contracts	**(176)**	–	**(1,492)**
Other, net	**(796)**	(1,638)	**(6,746)**
	(665)	(1,194)	**(5,636)**
Income before income taxes and minority interests	**20,980**	17,362	**177,797**
Income taxes (Note 10):			
Current	**7,704**	6,391	**65,288**
Deferred	**742**	(156)	**6,288**
	8,447	6,235	**71,585**
Income before minority interests	**12,533**	11,127	**106,212**
Minority interests	**(1,793)**	(1,002)	**(15,195)**
Net income (Note 15)	**¥ 10,739**	¥ 10,125	**$ 91,008**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Net Assets

Kikkoman Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	**2007**
Common stock			
Balance at beginning and end of the period (March 31, 2007—197,202,300 shares; March 31, 2006—197,202,300 shares)	**¥ 11,599**	¥ 11,599	**$ 98,297**
Capital surplus (Note 11)			
Balance at beginning of the period	**¥ 5,775**	¥ 5,773	**$ 48,941**
Add:			
Gain on sales of treasury stock	**6**	2	**51**
Balance at end of the period	**¥ 5,782**	¥ 5,775	**$ 49,000**
Retained earnings (Notes 11 and 18)			
Balance at beginning of the period	**¥136,546**	¥127,951	**$1,157,169**
Add:			
Net income	**10,739**	10,125	**91,008**
Increase from accounting period changes of consolidated subsidiaries	**40**	435	**339**
Adjustment in minimum pension liability of consolidated subsidiaries in U.S.A.	**172**	–	**1,458**
Other	**32**	76	**271**
Deduct:			
Cash dividends paid	**(2,333)**	(1,945)	**(19,771)**
Bonuses to directors and statutory auditors	**(105)**	(96)	**(890)**
Balance at end of the period	**¥145,091**	¥136,546	**$1,229,585**
Treasury stock			
Balance at beginning of the period	**¥ (2,668)**	–	**$ (22,610)**
Add:			
Purchase	**(249)**	–	**(2,110)**
Deduct:			
Sales	**130**	–	**1,102**
Balance at end of the period	**¥ (2,786)**	–	**$ (23,610)**
Unrealized holding gain on securities			
Balance at beginning of the period	**¥ 19,497**	¥ 11,008	**$ 165,229**
Net change during the period	**(2,571)**	8,488	**(21,788)**
Balance at end of the period	**¥ 16,926**	¥ 19,497	**$ 143,441**
Deferred hedge gain/loss			
Balance at beginning of the period	**¥ –**	¥ –	**$ –**
Net change during the period	**167**	–	**1,415**
Balance at end of the period	**¥ 167**	¥ –	**$ 1,415**
Translation adjustments			
Balance at beginning of the period	**¥ (2,073)**	¥ (6,408)	**$ (17,568)**
Net change during the period	**1,354**	4,335	**11,475**
Balance at end of the period	**¥ (719)**	¥ (2,073)	**$ (6,093)**
Unfunded retirement benefit obligation of overseas subsidiaries			
Balance at beginning of the period	**¥ –**	–	**$ –**
Net change during the period	**(539)**	–	**(4,568)**
Balance at end of the period	**¥ (539)**	–	**$ (4,568)**
Minority interests			
Balance at beginning of the period	**¥ 23,331**	–	**$ 197,720**
Net change during the period	**8,064**	–	**68,339**
Balance at end of the period	**¥ 31,396**	–	**$ 266,068**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Kikkoman Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2007	2006	**2007**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 20,980**	¥ 17,362	**$ 177,797**
Depreciation and amortization	**16,290**	14,223	**138,051**
Loss on impairment of fixed assets	**–**	1,965	**–**
Accrued employees' pension and severance costs	**(2,695)**	(2,105)	**(22,839)**
Accrued officers' severance benefits	**145**	40	**1,229**
Interest and dividend income	**(1,222)**	(852)	**(10,356)**
Interest expense	**1,047**	660	**8,873**
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	**(620)**	(716)	**(5,254)**
Gain on sales of property, plant and equipment	**(1,175)**	(798)	**(9,958)**
Gain on sales of securities	**(147)**	(611)	**(1,246)**
Gain on establishment of pension trust fund	**–**	(2,520)	**–**
Loss on disposal of property, plant and equipment	**968**	1,360	**8,203**
Loss on sales of property, plant and equipment	**–**	4	**–**
Loss on revaluation of investments in securities	**257**	36	**2,178**
Loss on revaluation of investments in affiliates	**–**	73	**–**
Notes and accounts receivable	**(1,624)**	126	**(13,763)**
Inventories	**(481)**	813	**(4,076)**
Notes and accounts payable	**34**	(726)	**288**
Other	**720**	(846)	**6,102**
Subtotal	**32,477**	27,490	**275,229**
Interest and dividends received	**1,577**	1,212	**13,364**
Interest paid	**(1,058)**	(694)	**(8,966)**
Income taxes paid	**(8,332)**	(7,362)	**(70,610)**
Net cash provided by operating activities	**24,663**	20,646	**209,008**
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(18,341)**	(15,391)	**(155,432)**
Proceeds from sales of property, plant and equipment	**6,525**	1,340	**55,297**
Acquisition of intangible assets	**(473)**	(1,164)	**(4,008)**
Acquisition of investments in securities	**(12,107)**	(8,164)	**(102,602)**
Proceeds from sales of investments in securities	**1,884**	4,170	**15,966**
Payments for purchase of shares of consolidated subsidiaries due to change in scope of consolidation	**(6,043)**	–	**(51,212)**
Addition to loans receivable	**(490)**	(186)	**(4,153)**
Collection of loans receivable	**658**	935	**5,576**
Other	**753**	1,190	**6,381**
Net cash used in investing activities	**(27,634)**	(17,270)	**(234,186)**
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	**3,389**	(19,144)	**28,720**
Proceeds from long-term debt	**–**	39,768	**–**
Repayment of long-term debt	**(9,765)**	(7,144)	**(82,754)**
Acquisition of treasury stock	**(249)**	(130)	**(2,110)**
Cash dividends paid	**(3,008)**	(2,194)	**(25,492)**
Other	**83**	86	**703**
Net cash provided by (used in) financing activities	**(9,549)**	11,240	**(80,924)**
Effect of exchange rate changes on cash and cash equivalents	**390**	683	**3,305**
Increase (decrease) in cash and cash equivalents	**(12,130)**	15,300	**(102,797)**
Cash and cash equivalents at beginning of the year	**35,642**	18,815	**302,051**
Increase from the changes of accounting year-end date in certain consolidated subsidiaries	**(1,072)**	1,526	**(9,085)**
Increase arising from inclusion of subsidiaries in consolidation	**625**	–	**5,297**
Increase in cash due to merger of non-consolidated subsidiaries	**408**	–	**3,458**
Cash and cash equivalents at end of the year (Note 4)	**¥ 23,474**	¥ 35,642	**$ 198,932**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kikkoman Corporation and Consolidated Subsidiaries
Years ended March 31, 2007 and 2006

1. Basis of Preparation

KIKKOMAN CORPORATION (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan and have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

As permitted by the Securities and Exchange Law, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company. In addition, companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost.

Differences, not significant in amount, between the cost and the underlying net equity in investments in consolidated subsidiaries and unconsolidated subsidiaries and affiliates accounted for by the equity method are charged or credited to income in the year of acquisition.

(b) Foreign currency translation

Revenue and expense accounts of the foreign consolidated subsidiaries are translated at the average exchange rates in effect during the year. Except for shareholders' equity, the balance sheet accounts are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates.

Differences arising on translation are presented as minority interests and as a separate component of net assets.

(c) Cash equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(d) Securities

Securities except for investments in unconsolidated subsidiaries and affiliates are classified as trading securities, held-to-maturity securities or other securities. Trading securities are carried at fair value. Held-to-maturity securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any unrealized gains and losses reported as a separate component of difference of appreciation and conversion, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is determined by the moving average method.

(e) Inventories

Inventories are stated principally at the lower of cost or market, cost being determined by the average method, except for finished products, work in process and soybean-related ingredients of the Company which are stated at the lower of cost or market, cost being determined by the last-in, first-out method.

(f) Depreciation and amortization

Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is determined primarily by the declining-balance method, except for buildings and part of rental equipments on which depreciation is computed by the straight-line method at rates based on the estimated useful lives of the respective assets. Depreciation of property, plant and equipment of the foreign consolidated subsidiaries is computed principally by the straight-line method.

The ranges of useful lives are as follows:

Buildings and structures	from 7 to 50 years
Machinery, equipment and vehicles	from 3 to 20 years

Intangible assets are amortized by the straight-line method over their estimated useful lives.

(g) Leases
Noncancelable leases of the Company and its domestic consolidated subsidiaries are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that leases which stipulate the transfer of ownership of the leased assets to the lessee are accounted for as finance leases. However, leases of the foreign consolidated subsidiaries are generally accounted for as either finance or operating leases according to their classification.

(h) Accrued employees' bonuses
Accrued employees' bonuses are provided for payment of employees' bonuses based on the estimated amounts.

(i) Accrued directors' bonuses
Accrued directors' bonuses are provided for payment of directors' bonuses based on the estimated amounts

(j) Accrued pension and severance costs
To provide for employees' severance indemnities and pension payments, net periodic pension and severance costs are computed by the Company and its domestic consolidated subsidiaries based on the projected benefit obligation and the pension plan assets.

Prior service cost is amortized by the straight-line method over periods ranging from 8 to 12 years which are shorter than the average remaining years of service of the active participants in the plans.

The effect of the adjustment made during this fiscal year arising from revisions to the actuarial assumptions (the "actuarial assumption adjustment") is amortized by the straight-line method beginning the following fiscal year over periods ranging from 10 to 12 years, which are shorter than the average remaining years of service of the active participants in the plans.

Certain foreign consolidated subsidiaries have defined contribution plans in addition to defined pension plans.

In addition, directors and statutory auditors of the Company and certain consolidated subsidiaries are customarily entitled to lump-sum payments under their respective unfunded retirement allowance plans. Provision for retirement allowances for these officers has been made at estimated amounts.

(k) Income taxes
Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(l) Research and development costs
Research and development costs are charged to income as incurred.

(m) Derivatives
The Company and its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to manage the adverse fluctuations in foreign currency exchange rates but not for speculation purposes. Derivatives are stated at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a separate component of difference of appreciation and conversion. Payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates.

(n) Appropriation of retained earnings
Under the new Corporation Law of Japan (the "Law"), the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriations.

(o) Changes in accounting policies
Accounting Standard for Directors' Bonuses
"Accounting Standard for Directors' Bonuses" (The 4th Accounting Standards on November 29, 2005) has been adopted from the current term. Though Directors' Bonuses had been recorded as decrease of unappropriated retained earnings by appropriation of earnings after a resolution of a general shareholders' meeting, it is recorded as expense when it is paid since the current term.

This application resulted in the decrease of operating income and net income before income taxes and minority interest by 122 million yen.

Accounting Standard for Net Assets of Balance Sheet
"Accounting Standard for Net Assets of Balance Sheet" (The 5th Accounting Standards on December 9, 2005) and "Guidance for the application of Accounting Standards for Net Assets of Balance Sheet" (The 8th Application Principle of the Accounting Standards on December 9, 2005) have been adopted from the current term.

The equivalent total amount of shareholders' equity under the previous presentation method as of March 31, 2007 was 175,354 million yen.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation, at the rate of ¥118 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2007. The translation should not be construed as a representation that yen have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Cash and Cash Equivalents

The components of cash and cash equivalents at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2007**	2006	**2007**
Cash and time deposits	**¥24,505**	¥36,487	**$207,669**
Other current assets	**129**	129	**1,093**
Time deposits with maturities of more than three months	**(1,161)**	(974)	**(9,839)**
	¥23,474	¥35,642	**$198,932**

5. Fair Value of Securities

At March 31, 2007 and 2006, the Company and its consolidated subsidiaries did not possess any securities classified as trading securities or held-to-maturity securities. Securities classified as other securities are included in "other current assets" and "investments in securities" in the accompanying consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2007	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:						
Stocks	**¥13,350**	**¥41,420**	**¥28,069**	**$113,136**	**$351,017**	**$237,873**
	13,350	**41,420**	**28,069**	**113,136**	**351,017**	**237,873**
Unrealized loss:						
Stocks	**3,577**	**3,166**	**(411)**	**30,314**	**26,831**	**(3,483)**
	3,577	**3,166**	**(411)**	**30,314**	**26,831**	**(3,483)**
Total	**¥16,928**	**¥44,587**	**¥27,658**	**$143,458**	**$377,856**	**$234,390**

	Millions of yen		
As of March 31, 2006	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥8,248	¥40,039	¥31,791
	8,248	40,039	31,791
Unrealized loss:			
Stocks	1,012	969	(43)
Other	100	98	(1)
	1,112	1,068	(44)
Total	¥9,360	¥41,107	¥31,746

Non-marketable securities classified as other securities at March 31, 2007 and 2006 amounted to ¥2,610 million ($22,119 thousand) and ¥4,056 million, respectively.

Proceeds from sales of securities classified as other securities amounted to ¥1,884 million ($15,966 thousand) and ¥4,170 million with an aggregate gain on sales of ¥147 million ($1,246 thousand) and ¥611 million for the years ended March 31, 2007 and 2006, respectively.

6. Inventories

Inventories at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2007**	2006	**2007**
Merchandise	**¥15,812**	¥14,380	**$134,000**
Finished products	**5,168**	4,095	**43,797**
Work in process	**5,332**	6,106	**45,186**
Ingredients and supplies	**3,596**	2,559	**30,475**
	¥29,910	¥27,142	**$253,475**

7. Long-Term Debt and Credit Facilities

Long-term debt at March 31, 2007 and 2006 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2007**	2006	**2007**
1.77% unsecured bonds, payable in yen, due 2007	**¥ –**	¥ 5,000	**$ –**
0.53% unsecured bonds, payable in yen, due 2007	**10,000**	10,000	**84,746**
0.98% unsecured bonds, payable in yen, due 2012	**20,000**	20,000	**169,492**
1.89% unsecured bonds, payable in yen, due 2016	**20,000**	20,000	**169,492**
Loans from banks	**2,515**	2,925	**21,314**
	52,515	57,925	**445,042**
Less: Current portion	**1,444**	2,920	**12,237**
	¥51,070	¥55,005	**$432,797**

The annual maturities of long-term debt subsequent to March 31, 2007 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2008	¥11,444	$ 96,983
2009	828	7,017
2010	183	1,551
2011	59	500
2012 and thereafter	40,000	338,983
	¥52,515	$445,042

The Company and its consolidated subsidiaries have lines of credit from banks which provide for up to ¥51,900 million ($439,831 thousand) and ¥41,115 million in borrowings and, at March 31, 2007 and 2006, respectively, had ¥11,964 million ($101,390 thousand) and ¥5,422 million of short-term bank loans outstanding under these credit facilities.

8. Pledged Assets

The assets pledged as collateral for short-term bank loans and long-term debt at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2007**	2006	**2007**
Accounts receivable	**¥1,229**	¥1,644	**$10,415**
Inventories	**46**	–	**390**
Property, plant and equipment, at net book value	**6,443**	5,452	**54,602**
Other	**54**	59	**458**
	¥7,774	¥7,156	**$65,881**

9. Accrued Pension and Severance Costs

The Company and its domestic consolidated subsidiaries have non-contributory tax-qualified pension plans, welfare pension fund plans (the "WPFP") and lump-sum severance indemnity plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. The Company has established pension trust fund. Certain consolidated subsidiaries have defined contribution plans in addition to defined pension plans.

The projected benefit obligation and funded status of the plans at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2007**	2006	**2007**
Projected benefit obligation	**¥(74,951)**	¥(75,331)	**$(635,178)**
Plan assets at fair value	**56,261**	46,988	**476,788**
Unfunded benefit obligation	**(18,690)**	(28,343)	**(158,390)**
Unrecognized actuarial gain or loss	**9,224**	18,097	**78,169**
Unrecognized prior service cost (Reduction of obligation)	**(6,914)**	(8,360)	**(58,593)**
Prepaid pension and severance costs	**68**	9	**576**
Accrued pension and severance costs	**¥(16,448)**	¥(18,616)	**$(139,390)**

The components of net periodic pension and severance costs for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	**2007**	2006	**2007**
Service cost	**¥ 2,289**	¥ 2,271	**$ 19,398**
Interest cost on projected benefit obligation	**1,592**	1,572	**13,492**
Expected return on plan assets	**(1,544)**	(1,020)	**(13,085)**
Gain on plan amendment (Prior service cost)	**(1,184)**	(1,212)	**(10,034)**
Amortization of actuarial differences	**1,780**	2,496	**15,085**
Total	**¥ 2,934**	¥ 4,108	**$ 24,864**

The assumptions used in accounting for the above plans were as follows:

Years ended March 31,	**2007**	2006
Discount rates	**Mainly 2.0%**	Mainly 2.0%
Expected rates of return on plan assets	**Mainly 2.5 – 3.5%**	Mainly 2.0 – 3.0%

10. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% for 2007 and 2006.

Income taxes of the foreign consolidated subsidiaries are generally based on the tax rates applicable in their countries of incorporation.

The significant components of deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2007**	2006	**2007**
Deferred tax assets:			
Inventories	**¥ 602**	¥ 592	**$ 5,102**
Loss on impairment of fixed assets	**–**	792	**–**
Accrued enterprise tax	**–**	228	**–**
Other accounts payable	**1,386**	1,304	**11,746**
Allowance for doubtful receivables	**1,555**	983	**13,178**
Accrued employees' bonus	**874**	818	**7,407**
Accrued pension and severance costs	**8,468**	9,430	**71,763**
Tax loss carry forward	**–**	229	**–**
Unrealized profit	**436**	408	**3,695**
Other	**2,793**	1,609	**23,669**
Valuation allowance	**(162)**	(88)	**(1,373)**
Total deferred tax assets	**15,955**	16,307	**135,212**
Deferred tax liabilities:			
Depreciation	**(1,256)**	(1,383)	**(10,644)**
Deferred capital gain	**(2,347)**	(2,637)	**(19,890)**
Gain on establishment of pension trust fund	**(1,020)**	(1,020)	**(8,644)**
Net unrealized gain on investments in securities	**(11,083)**	(12,859)	**(93,924)**
Other	**(358)**	(179)	**(3,034)**
Total deferred tax liabilities	**(16,066)**	(18,081)	**(136,153)**
Deferred tax assets (liabilities), net	**¥ (111)**	¥ (1,773)	**$ (941)**

11. Capital Surplus and Retained Earnings

In accordance with the new Corporation Law of Japan, the Company has provided a legal reserve as an appropriation of retained earnings, which is included in retained earnings. This reserve amounted to ¥2,899 million ($24,568 thousand) at March 31, 2007 and 2006. The Law provides that the total of additional paid-in capital and the legal reserve, if less than one-quarter of the company's shareholders' equity, is not available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors. If the total amount of additional paid-in capital and the legal reserve exceeds one-quarter of a company's shareholders' equity, the excess may be distributed to the shareholders either as a return of capital or in the form of dividends subject to the approval of the shareholders.

12. Research and Development Expenses

Research and development expenses included in cost of sales, selling, general and administrative expenses for the years ended March 31, 2007 and 2006 were ¥3,783 million ($32,059 thousand) and ¥3,439 million, respectively.

13. Leases

(a) Finance leases

The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased assets at March 31, 2007 and 2006, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	Millions of yen			Thousands of U.S. dollars		
As of March 31, 2007	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	**¥ 2,083**	**¥1,048**	**¥1,035**	**$17,653**	**$ 8,881**	**$ 8,771**
Other	**1,193**	**561**	**632**	**10,110**	**4,754**	**5,356**
Total	**¥3,277**	**¥1,609**	**¥1,667**	**$27,771**	**$13,636**	**$14,127**

	Millions of yen		
As of March 31, 2006	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥1,765	¥ 813	¥ 952
Other	1,327	869	458
Intangible assets	14	6	8
Total	¥3,107	¥1,688	¥1,419

Lease payments relating to finance leases accounted for as operating leases amounted to ¥583 million ($4,941 thousand) and ¥663 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease terms for the years ended March 31, 2007 and 2006, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2007 and 2006 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2007**	2006	**2007**
Within 1 year	**¥ 576**	¥ 551	**$ 4,881**
Over 1 year	**1,091**	867	**9,246**
	¥1,667	¥1,419	**$14,127**

(b) Operating leases

As Lessees

Future minimum lease payments subsequent to March 31, 2007 and 2006 for noncancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
As of March 31,	**2007**	2006	**2007**
Within 1 year	**¥1,016**	¥ 946	**$ 8,610**
Over 1 year	**2,415**	2,548	**20,466**
	¥3,432	¥3,494	**$29,085**

14. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2007 and 2006:

As of March 31,	Millions of yen 2007	2006	Thousands of U.S. dollars 2007
As guarantor of indebtedness of:			
Unconsolidated subsidiaries	**¥ 120**	¥298	**$ 1,017**
Employees	**4**	5	**34**
	¥ 125	¥303	**$ 1,059**
Contingent liabilities related to the reduction of corporate bonds by debt assumption	**¥5,000**	¥ –	**$42,373**

In addition to the above, the Company has provided letters of awareness to financial institutions regarding the indebtedness of an unconsolidated subsidiary which amounted to ¥42 million ($356 thousand) and ¥17 million at March 31, 2007 and 2006, respectively.

It is common practice in Japan for companies, in the ordinary course of business, to receive promissory notes in the settlement of trade accounts receivable and to transfer them by endorsement to suppliers in the settlement of accounts payable. A consolidated subsidiariy is contingent liable for trade notes endorsed, which amounted to ¥13 million ($110 thousand) at March 31, 2007.

15. Amounts Per Share

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during each period after giving effect to the dilutive potential of the common stock to be issued upon the conversion of convertible bonds, if any.

Net assets per share are based on the number of shares outstanding at the respective balance sheet dates.

Cash dividends per share represent the cash dividends declared as applicable to the respective period.

Years ended March 31,	Yen 2007	2006	U.S. dollars 2007
Net income:			
Basic	**¥ 55.49**	¥ 51.80	**$0.47**
Diluted	**55.45**	51.79	**0.47**
Net assets	**906.84**	870.82	**7.69**
Cash dividends applicable to the year	**15.00**	12.00	**0.13**

16. Derivatives

The Company and its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to adverse fluctuations in foreign currency exchange rates and interest rates but do not enter into such transactions for speculative purposes.

The Company and its consolidated subsidiaries are exposed to credit risk in the event of nonperformance by the counterparties to these derivative positions, but any such loss would not be material because the Company and its consolidated subsidiaries enter into such transactions only with financial institutions with high credit ratings. The notional amounts of the derivatives do not necessarily represent the amounts exchanged by the parties and, therefore, are not a direct measure of the Company's and its consolidated subsidiaries' related risk exposure.

Summarized below are the notional amounts and the estimated fair value of the open derivative positions at March 31, 2007 and 2006:

Currency related transactions

	Millions of yen			Thousands of U.S dollars		
As of March 31, 2007	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Buy:						
US$	**¥ 34**	**¥33**	**¥ (0)**	**$ 288**	**$ 280**	**$ (0)**
Yen	**33**	**32**	**(1)**	**280**	**271**	**(8)**
Currency interest rate swaps:						
Fixed Payment(EUR)/Fixed Receipt(USD)	**¥591**	**¥(59)**	**¥ (59)**	**$5,008**	**$(500)**	**$(500)**
Float Payment(THB)/Fixed Receipt(EUR)	**708**	**(39)**	**(39)**	**6,000**	**(331)**	**(331)**
Total			**¥(100)**			**$(847)**

	Millions of yen		
As of March 31, 2006	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Buy:			
US$	¥97	¥97	¥(0)
EURO	0	0	0
Yen	48	48	0
Total			¥(0)

17. Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the processing and sales of products in Japan and overseas in four major segments: manufacturing and sales of foods which include soy sauce and other seasonings, sauces, Del Monte processed fruit and vegetables, sake and wine, soy milk, food products for business purpose and food products for health; wholesale sales of oriental food products which include eastern foods; Coca-Cola, which includes Coca-Cola and other beverages; and other businesses which include pharmaceuticals, real estate rental, restaurants and chemical products.

Business Segments

Business segments information of the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 is summarized as follows:

	Millions of yen						
Year ended March 31, 2007	Foods–manufacturing and sales	Foods–wholesale	Coca-Cola	Others	Total	Eliminations and corporate	Consolidated
I. Sales and operating income:							
Sales to third parties	**¥201,133**	**¥67,359**	**¥116,806**	**¥ 7,312**	**¥392,611**	**¥ –**	**¥392,611**
Intragroup sales and transfers	**660**	**250**	**–**	**0**	**911**	**(911)**	**–**
Total sales	**201,793**	**67,609**	**116,806**	**7,313**	**393,523**	**(911)**	**392,611**
Operating expenses	**186,673**	**64,615**	**114,325**	**6,264**	**371,878**	**(913)**	**370,965**
Operating income	**¥ 15,120**	**¥ 2,994**	**¥ 2,481**	**¥ 1,048**	**¥ 21,644**	**¥ 2**	**¥ 21,646**
II. Assets, depreciation and capital expenditures:							
Total assets	**¥194,752**	**¥27,566**	**¥ 59,956**	**¥12,279**	**¥294,554**	**¥54,440**	**¥348,995**
Depreciation and amortization	**10,841**	**292**	**4,627**	**528**	**16,290**	**–**	**16,290**
Capital expenditures	**9,404**	**2,477**	**4,508**	**673**	**17,064**	**–**	**17,064**

Year ended March 31, 2007	Foods–manufacturing and sales	Foods–wholesale	Coca-Cola	Others	Total	Eliminations and corporate	Consolidated
							Thousands of U.S. dollars
I. Sales and operating income:							
Sales to third parties	**$1,704,517**	**$570,839**	**$989,881**	**$ 61,966**	**$3,327,212**	**$ –**	**$3,327,212**
Intragroup sales and transfers	**5,593**	**2,119**	**–**	**0**	**7,720**	**(7,720)**	**–**
Total sales	**1,710,110**	**572,958**	**989,881**	**61,975**	**3,334,941**	**(7,720)**	**3,327,212**
Operating expenses	**1,581,975**	**547,585**	**968,856**	**53,085**	**3,151,508**	**(7,737)**	**3,143,771**
Operating income	**$ 128,136**	**$ 25,373**	**$ 21,025**	**$ 8,881**	**$ 183,424**	**$ 17**	**$ 183,441**
II. Assets, depreciation and capital expenditures:							
Total assets	**$1,650,441**	**$233,610**	**$508,102**	**$104,059**	**$2,496,220**	**$461,356**	**$2,957,585**
Depreciation and amortization	**91,873**	**2,475**	**39,212**	**4,475**	**138,051**	**–**	**138,051**
Capital expenditures	**79,695**	**20,992**	**38,203**	**5,703**	**144,610**	**–**	**144,610**

Year ended March 31, 2006	Foods–manufacturing and sales	Foods–wholesale	Coca-Cola	Others	Total	Eliminations and corporate	Consolidated
							Millions of yen
I. Sales and operating income:							
Sales to third parties	¥177,989	¥59,226	¥117,886	¥4,803	¥359,906	¥ –	¥359,906
Intragroup sales and transfers	598	391	–	1	991	(991)	–
Total sales	178,588	59,617	117,886	4,804	360,897	(991)	359,906
Operating expenses	166,331	57,275	115,150	3,589	342,347	(998)	341,349
Operating income	¥ 12,256	¥ 2,341	¥ 2,736	¥1,214	¥ 18,549	¥ 7	¥ 18,557
II. Assets, depreciation and capital expenditures:							
Total assets	¥176,252	¥22,481	¥ 59,621	¥7,108	¥265,462	¥66,318	¥331,781
Depreciation and amortization	9,289	260	4,464	209	14,223	–	14,223
Capital expenditures	10,802	209	6,077	67	17,156	–	17,156

Geographical Segments

Geographical segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 is summarized as follows:

Year ended March 31, 2007	Japan	North America	Other	Total	Eliminations and corporate	Consolidated
						Millions of yen
Sales to third parties	**¥283,589**	**¥90,275**	**¥18,746**	**¥392,611**	**¥ –**	**¥392,611**
Interarea sales and transfers	**11,286**	**2,250**	**540**	**14,077**	**(14,077)**	**–**
Total sales	**294,875**	**92,526**	**19,287**	**406,689**	**(14,077)**	**392,611**
Operating expenses	**284,251**	**83,271**	**17,459**	**384,983**	**(14,018)**	**370,965**
Operating income	**¥ 10,623**	**¥ 9,254**	**¥ 1,828**	**¥ 21,706**	**¥ (59)**	**¥ 21,646**
Total assets	**¥250,257**	**¥79,668**	**¥17,850**	**¥347,776**	**¥ 1,219**	**¥348,995**

Year ended March 31, 2007	Japan	North America	Other	Total	Eliminations and corporate	Consolidated
						Thousands of U.S. dollars
Sales to third parties	**$2,403,297**	**$765,042**	**$158,864**	**$3,327,212**	**$ –**	**$3,327,212**
Interarea sales and transfers	**95,644**	**19,068**	**4,576**	**119,297**	**(119,297)**	**–**
Total sales	**2,498,941**	**784,119**	**163,449**	**3,446,517**	**(119,297)**	**3,327,212**
Operating expenses	**2,408,907**	**705,686**	**147,958**	**3,262,568**	**(118,797)**	**3,143,771**
Operating income	**$ 90,025**	**$ 78,424**	**$ 15,492**	**$ 183,949**	**$ (500)**	**$ 183,441**
Total assets	**$2,120,822**	**$675,153**	**$151,271**	**$2,947,254**	**$ 10,331**	**$2,957,585**

Year ended March 31, 2006	Japan	North America	Other	Total	Eliminations and corporate	Consolidated
						Millions of yen
Sales to third parties	¥270,259	¥73,223	¥16,423	¥359,906	¥ –	¥359,906
Interarea sales and transfers	9,328	2,346	514	12,189	(12,189)	–
Total sales	279,587	75,570	16,938	372,095	(12,189)	359,906
Operating expenses	270,780	67,478	15,261	353,519	(12,170)	341,349
Operating income	¥ 8,806	¥ 8,091	¥ 1,677	¥ 18,576	¥ (19)	¥ 18,557
Total assets	¥226,281	¥59,005	¥16,173	¥301,460	¥ 30,320	¥331,781

Overseas Sales

Overseas sales, which include export sales of the Company and its domestic consolidated subsidiaries and sales (other than exports to Japan) of its foreign consolidated subsidiaries, for the years ended March 31, 2007 and 2006 are summarized as follows:

Year ended March 31, 2007	North America	Other	Total	North America	Other	Total
	Millions of yen			Thousands of U.S. dollars		
Overseas sales	**¥89,609**	**¥25,689**	**¥115,299**	**$759,398**	**$217,703**	**$ 977,110**
Consolidated net sales			**392,611**			**3,327,212**
Ratio of overseas sales to consolidated net sales	**22.8%**	**6.6%**	**29.4%**	**22.8%**	**6.6%**	**29.4%**

Year ended March 31, 2006	North America	Other	Total
			Millions of yen
Overseas sales	¥72,636	¥21,595	¥ 94,232
Consolidated net sales			359,906
Ratio of overseas sales to consolidated net sales	20.2%	6.0%	26.2%

18. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended March 31, 2007, were approved at a shareholders' meeting held on June 26, 2007:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥15.00 = $0.13 per share)	**¥2,916**	**$24,712**
	¥2,916	**$24,712**

Report of Independent Auditors

The Board of Directors
KIKKOMAN CORPORATION

We have audited the accompanying consolidated balance sheets of KIKKOMAN CORPORATION and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income, net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of KIKKOMAN CORPORATION and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 3.

June 26, 2007

Ernst & Young ShinNihon

See Note 1 to the consolidated financial statements which explains the basis of preparation of the consolidated financial statements of KIKKOMAN CORPORATION and consolidated subsidiaries under Japanese accounting principles.

Corporate History

Ideally situated close to soybean-growing regions as well as the Edo River, which provided a convenient transportation route for consumers in or near Edo, or present-day Tokyo, Noda has been well-known for its soy sauce production since the Edo period. In December 1917, eight family companies merged to form Noda Shoyu Co., Ltd., a company with capital of ¥7 million and the predecessor of Kikkoman Corporation.

1925 April	Noda Shoyu Co., Ltd., absorbs Noda Shoyu Jozo Co., Ltd., Manjo Mirin Co., Ltd., and Nippon Shoyu Co., Ltd., through a merger.
1931 September	The Takasago soy sauce production plant (formerly the Kansai Plant) begins shipments.
1957 June	Kikkoman International Inc. is established in San Francisco, California, in the United States.
1961 July	Kikko Food Industries Co., Ltd., is established. In July 1991, the company becomes Nippon Del Monte Corporation.
1962 February	Tone Beverage Co., Ltd., is established. In February 1963, the company becomes Tone Coca-Cola Bottling Co., Ltd.
1962 October	Katsunuma Yoshu Co., Ltd., is established. In March 1964, the company becomes Manns Wine Co., Ltd.
1964 October	Noda Shoyu Co., Ltd., is renamed Kikkoman Shoyu Co., Ltd.
1969 June	Kikkoman invests in Japan Food Corporation, in the United States. In November 1978, the company becomes JFC International Inc.
1970 March	Kikkoman invests in Pacific Trading Co., Ltd.
1972 March	Kikkoman Foods, Inc., is established in Walworth, Wisconsin, in the United States.
1973 June	The Wisconsin Plant of Kikkoman Foods, Inc. holds its grand opening.
1979 March	Kikkoman Trading Europe GmbH is established in Neuss, in Germany.
1980 October	The Company takes on its present name, Kikkoman Corporation.
1983 June	Kikkoman (S) Pte Ltd, a production facility, is established in Singapore.
1984 November	The production facility of Kikkoman (S) Pte Ltd holds its grand opening.
1987 January	Kikkoman's Chitose Plant, in Hokkaido, begins shipments.
1990 January	Kikkoman buys perpetual marketing rights for the Del Monte brand in the Asian-Pacific region, excluding the Philippines.
1990 February	A joint-venture company, President Kikkoman Inc., is established to produce soy sauce in Tainan, in Taiwan.
1990 December	The production facility of President Kikkoman Inc. begins shipments.
1996 April	Kikkoman establishes Kikkoman Foods Europe B.V., Europe's first soy sauce manufacturer, located in Hoogezand-Sappemeer, in the Netherlands.
1997 March	Kikkoman holds a ground-breaking ceremony for its second U.S. soy sauce production plant, in Folsom, California.
1997 October	Kikkoman Foods Europe B.V. holds its grand opening.
1998 October	The second U.S. manufacturing plant of Kikkoman Foods, Inc., in Folsom, California, holds its grand opening.
1999 July	Kikkoman opens its new headquarters in Noda, Chiba Prefecture, to commemorate the Company's 80th anniversary.
1999 October	Kikkoman Institute for International Food Culture is opened at the Company's new headquarters.
2000 May	A joint-venture company, Kunshan President Kikkoman Biotechnology Co., Ltd., is established in Kunshan, China.
2002 May	The China Plant, Kunshan President Kikkoman Biotechnology Co., Ltd., holds its grand opening.
2003 May	Kikkoman Foods, Inc. holds its 30th anniversary ceremony.
2004 March	Kikkoman invests in Higeta Shoyu Co., Ltd. and Kibun Food Chemifa Co., Ltd.
2006 June	Kibun Food Chemifa Co., Ltd. becomes a consolidated subsidiary of Kikkoman.
2007	Kikkoman celebrates its 50th anniversary in the U.S.

(As of July 2007)

Major Group Companies

KIKKOMAN CORPORATION

Head Office
250 Noda, Noda-shi, Chiba 278-8601, Japan
Tel: +81 (4) 7123-5111
Fax: +81 (4) 7123-5200

Tokyo Head Office
International Operations Division
1-1, Nishi-Shinbashi 2-chome,
Minato-ku, Tokyo 105-8428, Japan
Tel: +81 (3) 5521-5360
Fax: +81 (3) 5521-5359

Plants: Noda and Takasago
Research & Development Division: Noda

JAPAN

Nippon Del Monte Corporation*
4-13 Koami-cho, Nihonbashi,
Chuo-ku, Tokyo 103-0016, Japan
Tel: +81 (3) 3669-2877

Manns Wine Co., Ltd.*
1-1, Nishi-Shinbashi 2-chome,
Minato-ku, Tokyo 105-8428, Japan
Tel: +81 (3) 3507-7432

Pacific Trading Co., Ltd.*
Shibaura Maekawa Bldg.,
16-20, Shibaura 3-chome,
Minato-ku, Tokyo 108-0023, Japan
Tel: +81 (3) 5442-9251

Tone Coca-Cola Bottling Co., Ltd.*
310 Nakane, Noda-shi, Chiba 278-8686,
Japan
Tel: +81 (4) 7123-1114

Higeta Shoyu Co., Ltd.**
2-3 Koami-cho, Nihonbashi,
Chuo-ku, Tokyo 103-0016, Japan
Tel: +81 (3) 3669-1441

Kibun Food Chemifa Co., Ltd.*
Sumitomo Irifune Building, Fifth Floor
2-1-1 Irifune
Chuo-ku, Tokyo 104-8533 Japan
Tel: +81 (3) 3206-0778

OVERSEAS

The Americas

Kikkoman Foods, Inc.*
Headquarters and Wisconsin Plant
N1365 Six Corners Road,
Walworth, Wisconsin 53184, U.S.A.
Tel: +1 (262) 275-6181
Fax: +1 (262) 275-9452

California Plant
1000 Glenn Drive,
Folsom, California 95630, U.S.A.
Tel: +1 (916) 355-8078
Fax: +1 (916) 355-8083

Kikkoman International Inc.*
50 California St., Suite 3600,
San Francisco, California 94111, U.S.A.
Tel: +1 (415) 956-7750
Fax: +1 (415) 956-7760

JFC International Inc.*
540 Forbes Blvd., South San Francisco,
California 94080-2018, U.S.A.
Tel: +1 (650) 871-1660
Fax: +1 (650) 952-3272

Kikkoman Marketing & Planning, Inc.
1180 Northwest Corporate Centre
2500 West Higgins Road
Hoffman Estates, Illinois 60169,
U.S.A.
Tel: +1(847) 882-8901
Fax: +1(847) 882-8920

KMS Service Inc.
601 Gateway Boulevard, Suite 1150,
South San Francisco, California 94080,
U.S.A.
Tel: +1 (650) 246-8600
Fax: +1 (650) 291-0550

Japan Food (Hawaii), Inc.**
887 North Nimitz Highway, Honolulu,
Hawaii 96817, U.S.A.
Tel: +1 (808) 537-9528
Fax: +1 (808) 526-0389

Japan Food Canada Inc.*
1880 Bonhill Road, Mississauga,
Ontario L5T 1C4, Canada
Tel: +1 (905) 564-5511
Fax: +1 (905) 564-6644

JFC de Mexico S.A. de C.V.*
Av. Ano de Juarez No. 160-B
Col Granjas San Antonio
Mexico, D.F.C.P. 09070
Tel: +52 (5) 55-686-8893
Fax: +52 (5) 55-686-8868

Country Life, LLC*
180 Vanderbilt Motor Parkway,
Hauppauge, NY 11788, U.S.A.
Tel: +1 (631) 232-5400
Fax: +1 (631) 434-4791

Europe

Kikkoman Foods Europe B.V.*
De Vosholen 100, 9611 TG
Sappemeer, The Netherlands
Tel: +31 (598) 399898
Fax: +31 (598) 399988

Kikkoman Trading Europe GmbH*
293 Theodorstr, D-40472
Düsseldorf, Germany
Tel: +49 (211) 5375940
Fax: +49 (211) 5379555

JFC International (Europe) GmbH*
293 Theodorstr, D-40472
Düsseldorf, Germany
Tel: +49 (211) 5374160
Fax: +49 (211) 5382047

JFC Deutschland GmbH*
293 Theodorstr, D-40472
Düsseldorf, Germany
Tel: +49 (211) 5374160
Fax: +49 (211) 592827

JFC (UK) Ltd.*
Unit 3, 1000 North Circular Road
London, NW2 7JP, United Kingdom
Tel: +44 (20) 8450-4626
Fax: +44 (20) 8452-3734

JFC France S.A.R.L.*
4/8 Quai de Seine
93400 Saint-Ouen, France
Tel: +33 (1) 4918-9140
Fax: +33 (1) 4918-9149

Asia

Kikkoman (S) Pte Ltd*
7 Senoko Crescent, Singapore 758263
Tel: +65 (6758) 8822
Fax: +65 (6758) 3016

Siam Del Monte Company Limited*
52 Taniya Plaza, 22nd Floor Zone C
Silom Road, Bangrak, Bangkok 10500
Thailand
Tel: +66 (2) 231-2223
Fax: +66 (2) 231-2225

Del Monte Asia Pte Ltd*
290 Orchard Road #17-08
Paragon, Singapore 238859
Tel: +65 (6235) 1926
Fax: +65 (6235) 3044

Kikkoman Trading Asia Pte Ltd*
290 Orchard Road #17-08
Paragon, Singapore 238859
Tel: +65 (6235) 6022
Fax: +65 (6235) 2237

JFC Hong Kong Limited*
5th Floor, Ever Gain Centre
43-57, Wang Wo Tsai Street, Tsuen Wan,
N.T., Hong Kong, S.A.R., China
Tel: +852 (2428) 6431
Fax: +852 (2480) 4762

President Kikkoman Inc.**
7, Ta Ying Village, Hsin Shih Hsiang,
Tainan, Taiwan
Tel: +886 (6) 5997995
Fax: +886 (6) 5990123

Kunshan President Kikkoman Biotechnology Co., Ltd.**
301 South of Qingyang Road
Economy and Technology Development Zone
Kunshan City, Jiangsu Province, China
Tel: +86 (512) 5770-6146
Fax: +86 (512) 5770-6145

Oceania

Kikkoman Australia Pty. Limited*
Suite 2, Level 6, 132 Arthur St., North Sydney,
N.S.W. 2060, Australia
Tel: +61 (2) 9923-2533
Fax: +61 (2) 9923-2050

Japan Food Corp. (Aust.) Pty. Limited*
Woodcock Place, Building D1,
16 Mars Road, Lane Cove,
N.S.W. 2066, Australia
Tel: +61 (2) 9429-8000
Fax: +61 (2) 9429-8010

JFC New Zealand Limited
Unit 1/10 Cryers Road, East Tamaki
Auckland, New Zealand
Tel: +64 (9) 969-2400
Fax: +64 (9) 969-2420

*Consolidated subsidiaries
**Equity method affiliates
Note: Numbers preceded by "+" are country codes.

Home page address: http://www.kikkoman.com/

(As of July 2007)

Board of Directors and Officers

Board of Directors and Corporate Officers

Chairman of the Board
Yuzaburo Mogi*

Vice Chairman
Kenzaburo Mogi

President
Takashi Ushiku*

Directors
Mitsuo Someya*
Tadao Kondo
Toru Kumagai
Hiroshi Takamatsu
Kenichi Saito
Tsunao Hashimoto
Mamoru Ozaki

*Representative Director

Corporate Auditors
Masatoshi Noguchi
Sadao Nozaki
Reiichi Hisamoto
Nobuyuki Takashima

Corporate Officers

Chairman of the Board and Chief Executive Officer
Yuzaburo Mogi

President and Chief Operating Officer
Takashi Ushiku

Senior Executive Corporate Officers
Mitsuo Someya
Tadao Kondo

Executive Corporate Officers
Toru Kumagai
Hiroshi Takamatsu
Kenichi Saito
Yukio Sato
Koji Negishi
Noriaki Horikiri

Corporate Officers
Yasufumi Kataoka
Hiroyuki Enomoto
Michinori Nishimura
Katsumi Amano
Mamoru Kikuchi
Hiroshi Futamura
Yoshiro Kubota
Takaharu Nakamura
Shoichi Ui
Masanori Fukumitsu
Koichi Yamazaki
Shinzaburo Mogi
Satoru Abe
Bunji Matsuzaki
Nobutake Nunomura
Masanao Shimada
Kazuo Shimizu
Eiichi Shimoyamada

(As of June 26, 2007)

Corporate Data

Name
Kikkoman Corporation

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

Date of Establishment
December 7, 1917

Paid-in Capital
¥11,599,398,094

Number of Shares
Authorized: 600,000,000
Issued and outstanding: 197,202,300

Number of Employees (Consolidated)
7,065 (As of March 31, 2007)

Stock Exchange Listings
Tokyo, Osaka

Transfer Agent
Mitsubishi UFJ Trust and Banking Corporation
4-5 Marunouchi, 1-chome, Chiyoda-ku, Tokyo 100-8212, Japan

Stock Price Range on the Tokyo Stock Exchange

Fiscal 2007:	High:	¥1,727	Low:	¥1,250
Fiscal 2006:	High:	¥1,340	Low:	¥942
Fiscal 2005:	High:	¥1,105	Low:	¥798

Business Activities
- Production and marketing of soy sauces, sauces, tomato ketchup, and related food seasonings and flavorings
- Production and marketing of *mirin* (sweet *sake* for cooking), fruit liquor, and other *sake* and wine
- Production and marketing of carbonated drinks, juices, and other beverages
- Production and marketing of delicatessen items, rice, noodles, and processed soybean products
- Production and marketing of processed agricultural and marine food products and livestock feed
- Production and marketing of medicines, quasi-drugs, industrial use enzymes, reagents, and other chemicals
- Production and marketing of health foods, functional foods, and their ingredients.
- Development and marketing of production machinery and automated systems for food, medicines, and livestock feed
- Management of restaurants and coffee shops
- Administration of athletic clubs, swimming schools, and other sports facilities
- Leasing and management of real estate and car parking centers
- Operation of delivery trucks and warehouse facilities
- Production and marketing of plant seedlings, fruits and vegetables, compost, and garden fertilizers and provision of gardening advisory services
- Environmental health monitoring, testing activities, and certification

(As of July 2007)

Kikkoman Corporation

Head Office
250 Noda, Noda-shi, Chiba 278-8601, Japan
Tokyo Head Office
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