Kikkoman Corporation Annual Report 1997

Kikkoman Corporation

FINANCIAL HIGHLIGHTS

Kikkoman Corporation and Consolidated Subsidiaries
Years ended December 31, 1997 and 1996

	Millions of yen		Thousands of U.S. dollars (Note)
	1997	1996	**1997**
For the year:			
Net sales	**¥214,338**	¥206,001	**$1,648,754**
Operating income	**9,366**	9,881	**72,046**
Net income	**5,711**	7,287	**43,931**
At year-end:			
Total assets	**¥230,295**	¥217,842	**$1,771,500**
Interest-bearing debt	**50,707**	47,976	**390,053**
Shareholders' equity, net	**105,005**	100,758	**807,731**
	Yen		U.S. dollars (Note)
Per share data:			
Net income	**¥28.95**	¥36.95	**$0.22**
Cash dividends applicable to the year	**7.00**	7.00	**0.05**

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥130=US$1.

Contents

ENHANCING TASTES THROUGHOUT THE WORLD

Kikkoman Corporation takes pride in enriching the lives of consumers throughout the world with the distinctive qualities of its food seasonings. The number one 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 good 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 300 years of natural brewing experience and an intimate knowledge of the technical processes involved in the creation of our products. 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. Our commitment is to ensuring the quality of your lifestyle.

THE YEAR IN REVIEW

In fiscal 1997, ended December 31, 1997, the Japanese economy stood on unsure footing as lackluster consumer spending, concerns over the stability of the domestic financial system, and other factors combined to foil business confidence. Government announcements of fiscal measures to stimulate the economy largely failed to lift expectations, while the Asian currency crisis caused further anxiety over the economic prospects of Japan.

The operating environment of the food and beverage industry was characterized by diverse conditions. Although price competition intensified, deregulation enabled manufacturers to expand their marketing activities into new distribution channels.

Against this background, Kikkoman Corporation implemented key initiatives to strengthen its position in the domestic market. Through the introduction of original soy sauce-related products, the Company's marketing strategies stayed focused on the twin goals of boosting demand for its soy sauces and expanding its customer base. Kikkoman launched such strategic products as its *Akadare* (Red Label) and *Kurodare* (Black Label) steak dipping sauces, and enhanced the value-added image of its *Marudaizu* soy sauce lineup with the release of *Chotokusen Fukamurasaki Shoyu.* Management also took steps to further improve operating efficiency. One major development in this area was the construction of a large-scale automated distribution center in Noda, Chiba Prefecture.

Internationally, Kikkoman bolstered its supply network, opening its first soy sauce production plant in Europe in the Netherlands in October 1997, and commencing operations at its second U.S. factory in California, in April 1998.

Owing to sales and efficiency gains achieved through these and other measures, consolidated net sales increased 4.0% from the preceding fiscal year, to ¥214.3 billion. Overseas sales expanded 10.6%, to ¥60.1 billion, accounting for 28.0% of consolidated net sales, up from 26.4% in the prior fiscal year.

Despite the difficult operating environment, domestic sales advanced 1.7%, to ¥154.2 billion, reflecting robust sales of dipping sauces and other soy sauce-based seasonings, *mirin* (sweet sake), and wine.

FOUNDATION, GROWTH, AND OPPORTUNITY

Since becoming president three years ago, I have consistently emphasized that Kikkoman must continue to actively identify new growth opportunities. We have reaffirmed our commitment to an aggressive management philosophy, which has produced a steady stream of promising product introductions. Examples include new *Marudaizu* soy sauces, *tare* dipping sauces for marinating meat and fish, and *tsuyu* concentrated soy sauce bases. We are confident that our forward-looking management approach will enable us to both win a head start on the competition and capture new market opportunities.

Kikkoman's emphasis on growth is going hand in hand with increasing the speed of management decision making. The fast pace of change in the information age has required that retailers redefine their business cycles to correspond to ever-shorter consumer lifestyle cycles. Marketing and promotion activities are now routinely based on weekly, rather than monthly, schedules. In 1997, Kikkoman began using a Companywide e-mail system and actively introduced new information technologies to improve in-house communication and speed decision making. By quickening the pace of all our management processes, we will be in a better position to anticipate the continually changing needs of consumers.

In developing business strategies, management pays careful attention to the objectives of Kikkoman Corporation as well as to the synergies available within the entire Kikkoman Group of companies. The consignment of the production of our *Akadare* and *Kurodare* steak dipping sauces to Nippon Del Monte Corporation during the fiscal year is just one example of how our group synergies can be effectively put to work.

Yuzaburo Mogi
President and Chief Executive Officer

SERVING A GLOBAL MARKET

In fiscal 1998, a key goal in the allocation of our managerial resources is to strike an appropriate balance between sales growth and profitability, which can be effectively achieved through selective and focused investment. We will both reinforce the image of our core products and direct additional resources to developing and promoting innovative products for high-growth markets.

To capitalize on our premium brand name, since 1995 we have followed a strategy of lateral expansion into the domestic market for Japanese seasonings. We have focused on three strategic product categories: *tare* dipping sauces, *tsuyu* concentrated soy sauce bases, and *mirin.* Sales of products in these categories rose significantly in fiscal 1997. During the current fiscal year, we expect to achieve a similar level of sales expansion by promoting new recipes incorporating the unique flavor of our meat seasonings.

In the soy sauce field, in September 1997, Kikkoman introduced its *Chotokusen Fukamurasaki Shoyu,* as a high quality addition to its *Marudaizu* soy sauce product lineup. Given that our domestic soy sauce sales are heavily weighted toward the household market and the accelerating trend toward dining out, we are placing greater emphasis on increasing sales to companies in the food-service industry and food processors. A major management objective for the current fiscal year is to boost our selling capabilities in these areas.

Overseas, we are particularly encouraged by the ever increasing awareness of Kikkoman and its brand name. We have played an important part in introducing soy sauce into cuisine in the United States and are now seeing its popularity spread throughout Europe. To meet expanding demand internationally, we are further upgrading our overseas production and marketing network of facilities in Asia Pacific, the United States, and Europe. The commencement of operations at our second U.S. factory in April 1998 has brought the total number of production sites outside Japan to five.

Beyond strengthening an international structure to make Kikkoman a truly global brand name, we are hard at work to introduce global standards into our operations. In May 1997, our Noda and Nakanodai plants received ISO 14001 and ISO 9002 certifications for their environment management and quality control systems, respectively. Further, in a survey by *Nikkei Business,* a prominent Japanese business magazine, Kikkoman was rated the top company in the Japanese food and beverage industry in terms of global competitiveness.

TOWARD THE NEW CENTURY

In the current fiscal year, an expected continuation of sluggishness in the Japanese economy will likely mean another year of trying conditions for food and beverage manufacturers. Despite the outlook, Kikkoman is confident of further business growth by building on its proven reputation for reliability, quality, and innovation.

We know our long-term success depends both on the taste of our products and on the contribution our products make to the health of consumers. Products such as our low-sodium soy sauces and seasonings have recorded significant gains amid greater health consciousness in Japan and overseas. With unrivaled knowledge of natural brewing techniques, we are in a very strong position to benefit from this global market trend. Backed by our considerable biotechnology R&D capabilities, we have the potential to ensure the safety of our products and to expand into profitable food-hygiene business fields.

In fiscal 1998, Kikkoman's ongoing mission is to improve the quality of people's lifestyles around the world by introducing them to the distinctive flavors of quality seasonings. We look forward to the continuing support of our shareholders and business associates in the periods ahead.

May 1998

Yuzaburo Mogi

President and Chief Executive Officer

A STRONG GLOBAL OPERATING PRESENCE

The Americas

Produced in the United States for 25 years, Kikkoman Soy Sauce is now a common sight on American dinner tables.

In June 1998, Kikkoman Foods, Inc., the centerpiece of Kikkoman's expansion in North America, will celebrate 25 years of operations. The number of items produced at the plant has risen to more than 100, and the plant's production has expanded more than 10-fold.

On April 17, 1998, Kikkoman commenced operations at its second U.S. plant, in Folsom, California. Built at a cost of US$46 million, the plant covers an area of approximately 210,000 square meters and has an initial annual production capacity of 10,000 kiloliters of soy sauce.

In June 1998, Kikkoman will reach a milestone in its North American operations when it celebrates the 25th anniversary of the establishment of its first overseas plant, in Walworth, Wisconsin. Kikkoman's consistent efforts to demonstrate the versatility of soy sauce as a flavor enhancer have been a prime reason for the wide use of this seasoning in North American cuisine. The Company has been rewarded for its attention to local tastes and product quality with an approximately 50% share of the soy sauce market in the United States and a rapidly expanding base of consumers keen to experiment with Kikkoman's teriyaki sauces and other seasonings. Of particular note in recent years has been the outstanding growth of the Company's *Lite Soy Sauce* and *Lite Teriyaki Marinade & Sauce* sales. This reflects the growing popularity of low-sodium products amid the trend toward health-conscious eating.

Kikkoman's steady growth in North America is a model of successful expansion in an overseas market. Originally exporting on a small scale, Kikkoman carefully analyzed the market's potential and set about developing products to meet local tastes and building a local production and supply structure. In autumn 1998, the Company will begin delivering soy sauce produced at its second U.S. plant, in Folsom, California. The two plants provide the North American market with a reliable supply of soy sauces and seasonings.

Kikkoman's extensive marketing network in the United States includes Kikkoman International Inc., established in San Francisco in 1957 as the Company's first overseas subsidiary, and JFC International Inc., which is the largest importer of Japanese and other Asian foodstuffs in North America.

Released in 1997, Kikkoman's *Roasted Garlic Teriyaki Marinade* is the latest in a long line of Kikkoman teriyaki sauces that have become familiar at traditional North American barbecue outings.

Kikkoman's English-language Internet home page, opened in April 1997, receives approximately 100,000 hits a month, mainly from people in the United States. In particular, the recipes listed on the home page have attracted a great deal of interest, with site visitors frequently requesting further recipe information.

Kikkoman is positioning itself to meet the growing demand for soy sauce and related seasonings.

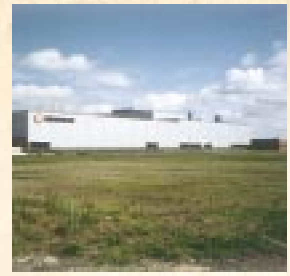
The initial annual production capacity of the Hoogezand-Sappemeer Plant is 4,000 kiloliters, or 30 million bottles of soy sauce. Kikkoman plans to double this capacity within several years.

The Kikkoman Masters, recipe competitions for professional chefs, have proven extremely popular in Germany, France, and the United Kingdom. Attracting many leading chefs, the competitions have received good coverage in the catering and trade presses and have contributed to establishing Kikkoman as a premium brand name.

As it has done in North America, Kikkoman is taking a long-term perspective in cultivating markets for soy sauce in European countries. The Company's marketing priority is to establish soy sauce as a premium product and build on this foundation through the introduction of other unique seasonings that cater to distinctive local tastes. The current boom in ethnic cuisines in Europe has resulted in heightened interest in exotic seasonings and created a favorable climate for exporters introducing their products.

Kikkoman believes its expertise in natural brewing provides it with a significant competitive advantage in penetrating European markets. The Company consistently emphasizes the natural quality of its products in advertising campaigns and sales promotions. Kikkoman is steadily strengthening its presence in the household market, teaching individual customers about the merits of cooking with soy sauce, while also vigorously pursuing sales opportunities among commercial users.

Kikkoman is now progressing with the transfer of soy sauce supply for Europe from its Singapore Plant to its Hoogezand-Sappemeer Plant, in the Netherlands. This move will reduce distribution costs and facilitate timely delivery to the Company's marketing bases in 20 European countries, including Germany, France, the United Kingdom, Spain, and Finland.



Kikkoman is applying the results of internal environmental audits conducted at its production and R&D facilities in Japan to improve environmental standards at its overseas plants and subsidiaries. These activities enhance Kikkoman's reputation as a responsible corporate citizen.

Creating new recipes is central to Kikkoman's marketing strategies. Having a rich and diverse culinary heritage, Europe provides Kikkoman with numerous avenues through which to demonstrate the versatility of its soy sauces and other seasonings.

Asia and Oceania

Penetrating the untapped market in China is high on Kikkoman's agenda for sales growth.

Kikkoman has long endeavored to introduce global standards throughout its international operations. In September 1994, Kikkoman's Singapore Plant, Kikkoman (S) Pte. Ltd., became the first soy sauce manufacturer in the world to obtain ISO 9002 certification for its quality control system.

Known as a region whose cuisines include a wide array of seasonings and spices, Asia holds enormous potential for Kikkoman. The Company has carefully planned its marketing strategies to distinguish its products from those of competitors in terms of quality and market position. Creating a distinctive image is the key to the long-term success of the Kikkoman brand in Asia.

Kikkoman maintains a strong marketing and production network in Asia and Oceania. The Company's Singapore Plant serves Southeast Asian countries, China, and Australia and New Zealand. President Kikkoman Inc., a production and marketing joint venture in Taiwan, has steadily increased its share of the market for seasonings in that country. While Kikkoman has developed specific marketing strategies for each country, the underlying theme is the premium quality of its products.

Marketing activities in Asia are performed by Kikkoman Trading (S) Pte. Ltd., of Singapore, and JFC Hong Kong Limited, while in the competitive markets of Australia and New Zealand, Kikkoman Australia Pty. Limited has established Kikkoman as the leading name in soy sauce and oriental seasonings.

In the gigantic market of China, the Company is distributing its offerings through restaurants and retail outlets at the higher end of the market. Shanghai Kikkoman Trading Co., Ltd., is raising Kikkoman's profile and establishing important marketing ties that will facilitate further sales expansion.

The localization of operations has been a key theme of Kikkoman's overseas expansion. Benefiting from technical support and guidance, the Company's joint venture in Taiwan, President Kikkoman Inc., has captured a steadily increasing share of the market for soy sauce.

Japan

Kikkoman is responding to diversifying taste preferences with distinctive soy sauce-related seasonings.

Kikkoman is the indisputable leading brand of soy sauce in Japan. For more than 300 years, the Company has refined its natural brewing techniques while producing seasonings that have established a reputation for quality second to none.

Improving the health of consumers through quality products is fundamental to Kikkoman's business. The Company has steadily introduced products that respond to consumers' dietary health concerns, including low-sodium soy sauces and seasonings, as well as tomato ketchup and vegetable juices made from organically cultivated ingredients.

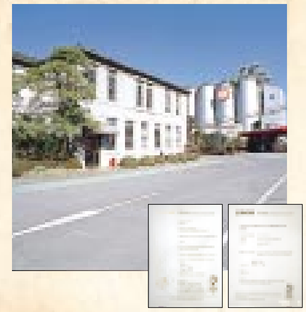
Over the past five years, demand for soy sauce in Japan has plateaued. The primary reason for this has been the growth in demand for soy sauce-related seasonings that has accompanied the rise in popularity of simply prepared food.

Amid this market shift, Kikkoman has pursued two strategies to maintain its leading position in the household market for seasonings. First, the Company has enhanced the quality of its soy sauce lineup through the introduction of value-added products, notably the *Marudaizu Soy Sauce* lineup. Second, the Company has sought to expand laterally by developing original seasonings, focusing on the *tare, tsuyu,* and *mirin* product categories.

To reinforce its market presence, Kikkoman uses proposal-based marketing activities that concentrate on two broad themes: the enhancement of sales techniques and the development of new recipes. Drawing on sales knowledge acquired through extensive product management research, the Company constantly seeks to refine its shelf presentation and other retail promotion techniques to maximize the appeal of its products. Moreover, Kikkoman aims to highlight the delicious ways in which its products can enhance a wide variety of dishes.

In addition to traditional Japanese seasonings, Kikkoman has introduced Japanese consumers to the delights of Western products, marketing foodstuffs under the Del Monte brand and locally produced wines under its *Manns* wine label as well as a variety of imported products.

The preservation of the environment is a theme that is emphasized in all aspects of Kikkoman's operations. From the procurement of ingredients through manufacturing and distribution, Kikkoman carefully considers and seeks to minimize the environmental impact of its operations.



Kikkoman's Noda Plant obtained ISO 14001 certification, the international environmental management system standard, in May 1997, thereby becoming the second Japanese food company to be granted this certification.

In July 1997, Kikkoman began selling its latest hygiene monitoring system, the Lumitester-C-1000. The latest model in a line of products developed by the Company to measure ATP (adenosine triphosphate) levels, the Lumitester-C-1000 has preset modes that conform to standards under HACCP (Hazardous Analysis Critical Control Point), an internationally recognized food safety methodology that provides a framework for hazard identification and control.

OPERATIONAL REVIEW

(Non-consolidated basis)

SOY SAUCE

In household products, Kikkoman undertook a series of aggressive marketing initiatives, including the release of *Chotokusen Marudaizu Fukamurasaki Shoyu*, a product designed to further expand the market for value-added soy sauce. These initiatives supported a steady rise in sales of our *Marudaizu Soy Sauce* products, including *Tokusen Marudaizu Shoyu* and *Tokusen Marudaizu Gen-en Shoyu,* during the year. Sales of *Koikuchi Shoyu,* our mainstay household soy sauce, fell slightly below the previous year's level, despite comprehensive marketing efforts. In products for the food-service industry and food processors, vigorous efforts to develop new client segments in the food-service and other markets were insufficient to boost sales amid rigorous operating conditions. In gift products, falling demand led to a decline in sales. As a result of these performances, soy sauce sales fell to ¥70.4 billion, slightly below the level recorded in the previous fiscal year.

FOODSTUFFS

In February 1997, Kikkoman successfully launched two of the most important products it has released in recent years, *Akadare* and *Kurodare* steak dipping sauces. Bold marketing promotions that included the presentation of several new recipes for meat dishes were undertaken to popularize these products among Japanese consumers. *Hon Tsuyu,* one of Kikkoman's soy sauce bases, was relaunched during the year under a new marketing campaign, and displayed robust sales growth despite intense competition. Volume shipments of *Straight Tsuyu* expanded thanks to creative marketing tactics. In commercial-use products, *mirin* seasoning and dipping sauces for meat and fish dishes continued to attract rising numbers of users, with the release of the *Shokusai Ichiba* series and other innovative measures boosting these products' appeal. As a result, sales in the Foodstuffs Division climbed significantly from fiscal 1996, to ¥18.7 billion.

DEL MONTE

Despite harsh sales competition in the commercial market, Kikkoman successfully boosted sales of tomato ketchup above the level recorded in fiscal 1996, primarily through the launch of the *Yuki Saibai* series of sauces, which are made using organically cultivated tomatoes. The Company released whole tomatoes and a variety of salsa dips to create new market niches and expanded its lineup of sauces for pasta dishes to capitalize on the rising popularity of Italian cuisine in Japan. Strong performances of new products contributed to large sales gains in their respective product categories. Responding to market demands, Kikkoman conducted direct-from-the-factory and other sales promotion campaigns for tomato and vegetable juices and assembled an attractive lineup of canned

products. These initiatives contributed to an improvement in sales performances for these products, and, as a result, divisional sales climbed to ¥19.7 billion, exceeding the level recorded in fiscal 1996.

SAKE AND WINE

Regarding *shochu,* a clear Japanese spirit, Kikkoman faced severe competition due to a proliferation of products on the market following revisions to Japan's Liquor Tax Law. The Company initiated several measures to expand *shochu* sales but primarily concentrated on revitalizing its mainstay *Triangle* brand through the introduction of a new product, *Triangle Indigo.* The success of these measures, combined with the continued appeal of the large bottle *Goyo Shochu,* enabled Kikkoman to maintain sales at a level equal to that of the preceding fiscal year. Kikkoman's *Hon Mirin* sweet sake for cooking performed admirably amid intense competition prompted by deregulatory measures. The Company succeeded in expanding the customer base for its *Houjun Hon Mirin* through marketing efforts mainly directed at mass merchandisers. Consequently, total *mirin* sales increased substantially during the year. In wines, shipments of products under the *Manns* label, such as *Manns Mon Frère* continued to display strong growth. Similarly, imported wines performed extremely well, with sales rising briskly throughout the year thanks primarily to the performances of such high-end products as *Beaujolais Nouveau* and other red wines. In total, sales by the Sake and Wine Division advanced robustly from the previous fiscal year, to ¥28.3 billion.

OTHERS

The new products that Kikkoman's Food Engineering Division added to its existing lineup of sterilization equipment for grains and liquids were well received by the market in fiscal 1997, reflecting rising concerns among consumers regarding food safety. The Biochemicals Division—which specializes in fermentation, diagnostic medicine, and other technologies—has developed a diagnostic medicine kit based on Kikkoman's proprietary fermentation technology. The development of this kit as well as sales of pharmaceutical raw materials and other products contributed to steady growth, and, including rental income and other revenues, this division's sales in fiscal 1997 were ¥3.7 billion.

Financial Review

(Consolidated basis)

NET SALES

In fiscal 1997, ended December 31, 1997, a sense of uncertainty pervaded the Japanese economy, restricting consumer spending and creating a harsh operating environment for the food and beverage industry. Kikkoman complemented its trio of *Marudaizu* household soy sauces. Despite a strong performance by this value-added lineup, weak personal consumption resulted in overall soy sauce sales declining during the year under review. In contrast, sales in the Foodstuffs Division increased substantially from the level recorded in the previous fiscal year, reflecting brisk demand for *Akadare* and *Kurodare* steak dipping sauces and other seasonings. Healthy sales amid the so-called “wine boom” in Japan led to growth in sales in the Sake and Wine Division, while strong demand for tomato-based products—spurred by the popularity of Italian cuisine—boosted sales in the Del Monte Division.

Overseas, Kikkoman recorded sales gains across the board. North America had the most outstanding growth, with sales benefiting from solid demand for commercial-use products. In Europe, Kikkoman was successful in expanding its customer base for soy sauce, while in Asia and Oceania vigorous promotion campaigns for Del Monte products spurred demand and boosted overall sales in the region. In total, overseas sales advanced 10.6%, to ¥60.1 billion.

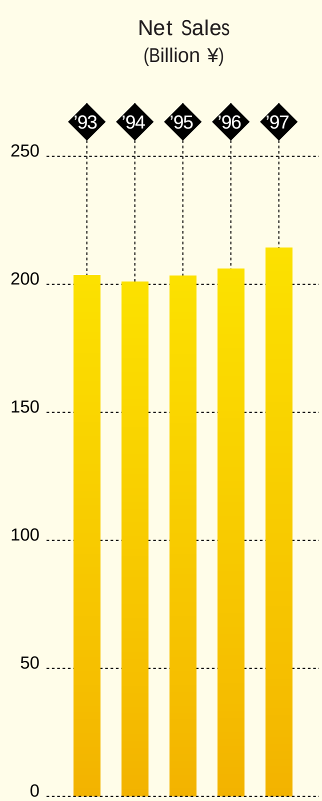
As a result of these performances, Kikkoman’s consolidated net sales increased 4.0% from the level recorded in the previous fiscal year, to ¥214.3 billion.

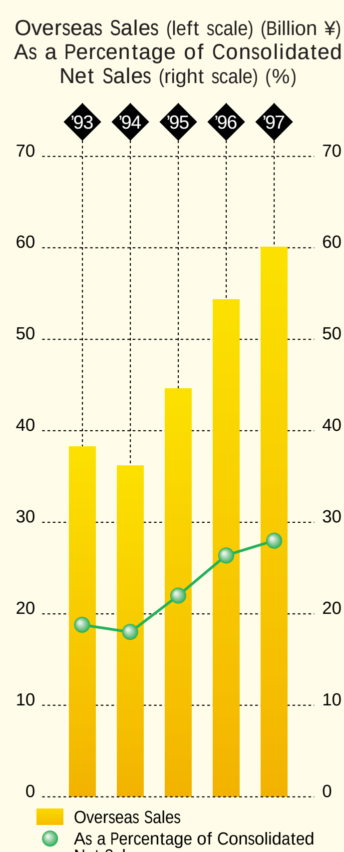
INCOME, COSTS, AND EXPENSES

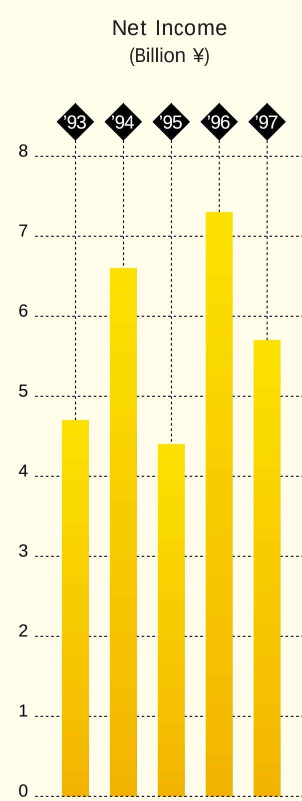
The cost of sales rose ¥4.9 billion, or 4.1%, to ¥125.8 billion. However, the cost of sales ratio, at 58.7%, remained the same as that in the previous fiscal year, reflecting the effectiveness of cost control measures and reforms to improve procurement, production, and distribution operations. Consequently, gross profit increased ¥3.4 billion, or 4.0%, to ¥88.5 billion.

Selling, general and administrative expenses advanced ¥3.9 billion, or 5.2%, to ¥79.1 billion, and increased as a percentage of net sales to 36.9%, from 36.5%, due to greater marketing activities, especially campaigns to launch new products during the year. As a result, operating income fell ¥515 million, to ¥9.4 billion.

Other income amounted to ¥593 million, compared with other expenses of ¥826 million in the previous fiscal year. Other income included gains on the sale of warehouses sold as part of measures to rationalize the Company’s distribution structure and a gain on the sale of shares held in Del Monte Foods, Inc. Other expenses included losses on the disposal of superannuated







buildings and equipment and a loss associated with Kikkoman's restaurant subsidiary in Europe.

As a result of these activities, net income declined ¥1.6 billion, or 21.6%, to ¥5.7 billion, and net income per share fell to ¥28.95, from ¥36.95. Kikkoman paid cash dividends applicable to the year of ¥7.00 per share, thereby maintaining its policy of providing shareholders with stable returns.

FINANCIAL POSITION

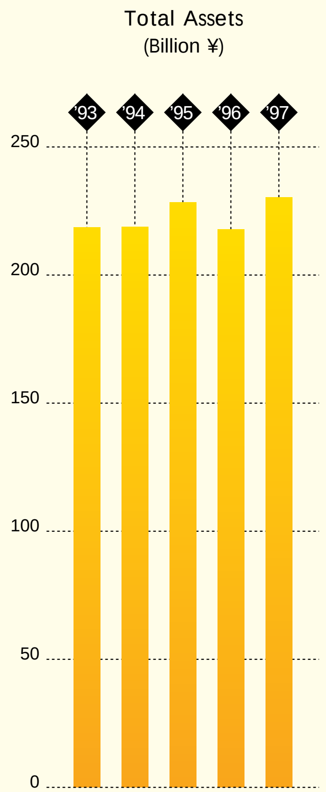
At December 31, 1997, Kikkoman's total assets amounted to ¥230.3 billion, up ¥12.5 billion, or 5.7%, from the previous fiscal year-end.

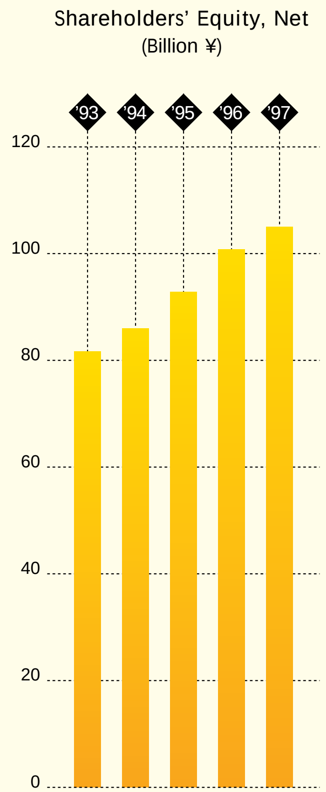
Cash increased ¥6.1 billion, to ¥31.5 billion, and inventories rose ¥2.6 billion, to ¥23.1 billion, together accounting for the majority of the ¥10.0 billion jump in total current assets. Property, plant and equipment, net, grew ¥10.5 billion, or 14.1%, to ¥85.2 billion. The main reasons for this increase were the consolidation of the Hoogezand-Sappemeer Plant and a rise in construction in progress, reflecting work on the Company's second plant in the United States.

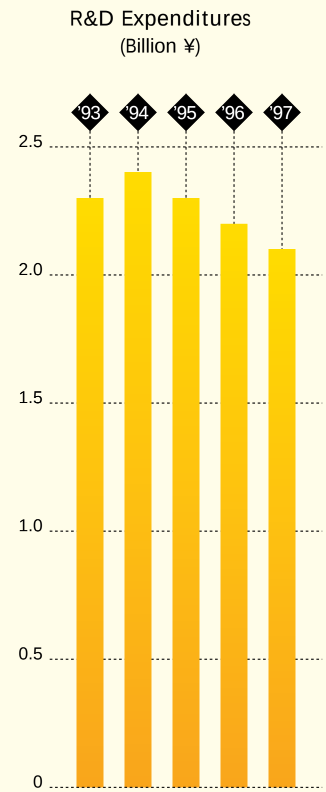
Total liabilities amounted to ¥125.3 billion, up ¥8.2 billion from the level recorded at the previous fiscal year-end. Total current liabilities grew ¥15.3 billion, to ¥60.7 billion, reflecting an increase in trade accounts payable, which accompanied greater business activity, and other factors.

Shareholders' equity, net, increased ¥4.2 billion, to ¥105.0 billion, in line with the advance in retained earnings. The shareholders' equity ratio slipped 0.7 percentage point, to 45.6%.

Working capital fell to ¥44.9 billion, from ¥50.2 billion, and the current ratio declined to 174.0%, from 210.7%.







Consolidated Balance Sheets

Kikkoman Corporation and Consolidated Subsidiaries
December 31, 1997 and 1996

ASSETS	Millions of yen 1997	Millions of yen 1996	Thousands of U.S. dollars (Note 3) 1997
Current assets:			
Cash	**¥ 31,450**	¥ 25,340	**$ 241,923**
Marketable securities (Note 4)	**3,923**	3,299	**30,177**
Receivables:			
Trade notes and accounts receivable	**44,078**	43,765	**339,062**
Allowance for doubtful receivables	**(755)**	(623)	**(5,808)**
	43,323	43,142	**333,254**
Inventories (Note 5)	**23,054**	20,442	**177,338**
Other current assets	**3,823**	3,395	**29,408**
Total current assets	**105,573**	95,618	**812,100**
Property, plant and equipment, at cost:			
Land	**16,538**	15,403	**127,215**
Buildings and structures	**56,161**	52,960	**432,008**
Machinery and equipment	**114,177**	106,176	**878,285**
Vehicles	**1,328**	1,151	**10,215**
Other	**10,780**	9,965	**82,923**
Construction in progress	**6,022**	1,176	**46,323**
	205,006	186,831	**1,576,969**
Less: Accumulated depreciation	**(119,775)**	(112,118)	**(921,346)**
Property, plant and equipment, net	**85,231**	74,713	**655,623**
Investments and other assets:			
Investments in securities (Note 4)	**4,667**	8,740	**35,900**
Investments in and advances to unconsolidated subsidiaries and affiliates	**20,217**	22,821	**155,515**
Intangible assets	**10,141**	10,737	**78,008**
Other assets	**4,466**	3,859	**34,354**
Total investments and other assets	**39,491**	46,157	**303,777**
Translation adjustments	**—**	1,354	**—**
Total assets	**¥230,295**	¥217,842	**$1,771,500**

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 1997	Millions of yen 1996	Thousands of U.S. dollars (Note 3) 1997
Current liabilities:			
Short-term bank loans	**¥ 15,852**	¥ 14,433	**$ 121,938**
Current portion of long-term debt (Note 6)	**10,625**	1,876	**81,731**
Trade notes and accounts payable	**12,321**	12,274	**94,777**
Other accounts payable	**14,161**	12,106	**108,931**
Accrued expenses	**659**	655	**5,069**
Accrued income taxes (Note 8)	**2,573**	546	**19,792**
Other current liabilities	**4,489**	3,487	**34,531**
Total current liabilities	**60,680**	45,377	**466,769**
Long-term liabilities:			
Long-term debt (Note 6)	**24,230**	31,667	**186,384**
Retirement allowances	**23,631**	24,309	**181,777**
Deposits received	**13,877**	14,381	**106,746**
Other long-term liabilities	**1,759**	962	**13,531**
Total long-term liabilities	**63,497**	71,319	**488,438**
Translation adjustments	**713**	—	**5,485**
Minority interests	**400**	388	**3,077**
Shareholders' equity:			
Common stock, ¥50 par value:			
Authorized: 300,000,000 shares			
Issued: 1997—197,202,300 shares	**11,599**	—	**89,223**
1996—197,202,300 shares	**—**	11,599	**—**
Additional paid-in capital (Note 7)	**5,768**	5,768	**44,369**
Legal reserve (Note 7)	**2,900**	2,900	**22,308**
Retained earnings (Note 14)	**84,741**	80,492	**651,854**
Total shareholders' equity	**105,008**	100,759	**807,754**
Treasury stock, at cost:			
1997—4,303 shares	**(3)**	—	**(23)**
1996—1,964 shares	**—**	(1)	**—**
Shareholders' equity, net	**105,005**	100,758	**807,731**
Contingent liabilities (Note 11)			
Total liabilities and shareholders' equity	**¥230,295**	¥217,842	**$1,771,500**

CONSOLIDATED STATEMENTS OF INCOME

Kikkoman Corporation and Consolidated Subsidiaries
Years ended December 31, 1997 and 1996

	Millions of yen		Thousands of U.S. dollars (Note 3)
	1997	1996	**1997**
Net sales	**¥214,338**	¥206,001	**$1,648,754**
Cost of sales	**125,834**	120,915	**967,954**
Gross profit	**88,504**	85,086	**680,800**
Selling, general and administrative expenses (Note 9)	**79,138**	75,205	**608,754**
Operating income	**9,366**	9,881	**72,046**
Other income (expenses):			
Interest and dividend income	**845**	909	**6,500**
Interest expense	**(1,435)**	(1,698)	**(11,038)**
Loss on liquidation of unconsolidated subsidiaries	**(574)**	(643)	**(4,415)**
Other, net	**1,757**	606	**13,515**
	593	(826)	**4,562**
Income before income taxes, minority interests, amortization, translation adjustments and equity in earnings	**9,959**	9,055	**76,608**
Income taxes (Note 8):			
Current	**4,656**	2,849	**35,816**
Deferred	**(20)**	(59)	**(154)**
	4,636	2,790	**35,662**
Income before minority interests, amortization, translation adjustments and equity in earnings	**5,323**	6,265	**40,946**
Minority interests in (earnings) losses of consolidated subsidiaries	**(16)**	41	**(123)**
Amortization of excess of net assets acquired over cost	**—**	(4)	**—**
Translation adjustments	**—**	(241)	**—**
Equity in earnings of unconsolidated subsidiaries and affiliates	**404**	1,226	**3,108**
Net income (Note 12)	**¥ 5,711**	¥ 7,287	**$ 43,931**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Kikkoman Corporation and Consolidated Subsidiaries
Years ended December 31, 1997 and 1996

	Millions of yen		Thousands of U.S. dollars (Note 3)
	1997	1996	**1997**
Common stock:			
Balance at beginning of year (1997—197,202,300 shares; 1996—187,811,715 shares)	**¥11,599**	¥11,599	**$ 89,223**
Add:			
Stock split (1996—9,390,585 shares)	**—**	—	**—**
Balance at end of year (1997—197,202,300 shares; 1996—197,202,300 shares)	**¥11,599**	¥11,599	**$ 89,223**
Additional paid-in capital (Note 7):			
Balance at beginning of year	**¥ 5,768**	¥ 5,768	**$ 44,369**
Balance at end of year	**¥ 5,768**	¥ 5,768	**$ 44,369**
Legal reserve (Note 7):			
Balance at beginning of year	**¥ 2,900**	¥ 2,896	**$ 22,308**
Add:			
Transfer from retained earnings	**—**	4	**—**
Balance at end of year	**¥ 2,900**	¥ 2,900	**$ 22,308**
Retained earnings (Note 14):			
Balance at beginning of year	**¥80,492**	¥72,509	**$619,169**
Add:			
Adjustment to retained earnings at beginning of year for inclusion in consolidation or the equity method of subsidiaries and affiliates	**(25)**	340	**(192)**
Net income	**5,711**	7,287	**43,931**
Deduct:			
Cash dividends paid	**(1,381)**	(1,314)	**(10,623)**
Bonuses to directors and statutory auditors	**(56)**	(62)	**(431)**
Transfer to legal reserve	**—**	(4)	**—**
Translation adjustments	**—**	1,736	**—**
Balance at end of year	**¥84,741**	¥80,492	**$651,854**

See accompanying notes to consolidated financial statements.

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 and practices generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of the countries of their domicile. The accompanying consolidated financial statements, which have been prepared in accordance with accounting principles and practices generally accepted in Japan and are compiled from the consolidated financial statements filed with the Minister of Finance as required by the Securities and Exchange Law of Japan, include certain additional financial information for the convenience of readers outside Japan.

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

Investments in certain unconsolidated subsidiaries and significant affiliates (companies owned 20% to 50%) are stated at cost plus equity in their undistributed earnings or losses. Consolidated net income includes the Company's equity in the current net income or loss of such companies, after the elimination of unrealized intercompany profits.

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 of investments in consolidated subsidiaries, and in unconsolidated subsidiaries and affiliates which are accounted for by the equity method, are charged or credited to income in the year of acquisition.

(b) Foreign currency translation

In accordance with an accounting standard for foreign currency transactions, etc. announced by the Business Accounting Deliberation Council in May 1995, effective January 1, 1997, the Company began translating the revenue and expense accounts of the foreign consolidated subsidiaries at the average exchange rates in effect during the year. Except for shareholders' equity, the balance sheet accounts were translated into yen at the rate of exchange in effect at the balance sheet date. The components of shareholders' equity were translated at the historical exchange rate.

Prior to January 1, 1997, the balance sheet accounts and revenue and expense accounts of the foreign consolidated subsidiaries were translated into yen at the rate of exchange in effect at the balance sheet date. Net income for the year and retained earnings at the end of the year of the foreign consolidated subsidiaries were also translated at the rate of exchange in effect at the balance sheet date.

Had the new accounting standard been applied to the year ended December 31, 1996, income before income taxes, minority interests, amortization, translation adjustments and equity in earnings would have decreased by ¥472 million ($3,631 thousand).

Differences arising from translation are presented as "Translation adjustments" in the accompanying consolidated financial statements.

(c) Inventories

Inventories are mainly stated 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, and inventories of a consolidated subsidiary which are stated at the lower of cost or market, cost being determined by the last-in, first-out method.

(d) Depreciation and amortization

Depreciation of property, plant and equipment of the Company and its domestic subsidiaries is determined primarily by the declining-balance method, except for two of the Company's factories 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 subsidiaries is computed principally by the straight-line method.

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

(e) Leases

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

(f) Marketable and investment securities

Listed securities are stated at the lower of cost or market, cost being determined by the moving average method. Securities other than listed securities are stated at cost determined by the moving average method.

(g) Research and development expenses

Research and development expenses are charged to income as incurred.

(h) Income taxes

Income taxes are principally calculated on taxable income and charged to income on an accrual basis. Deferred income taxes are not provided by the Company and its domestic consolidated subsidiaries for timing differences between financial and tax reporting, except for those with respect to the elimination of unrealized intercompany profits and other adjustments for consolidation purposes. Foreign consolidated subsidiaries generally recognize deferred income taxes for such timing differences.

(i) Retirement allowances and pension plans

The Company's employees are covered by an employee retirement allowances plan and an employee pension plan. The employee retirement allowances plan provides for a lump-sum payment, payable upon mandatory retirement or earlier termination of employment, based on the approximate rate of pay at the time of termination, years of service and certain other factors. The employee pension plan, which is noncontributory and funded, was introduced to cover one-half of the benefits under the retirement allowances plan for employees who retire at the mandatory retirement age with 20 or more years of service. The assets of the pension plan of the Company at July 31, 1997, the most recent valuation date, were ¥14,257 million ($109,669 thousand). The past service cost of the Company's pension plan is being funded at an annual rate of 50%.

Substantially all employees of consolidated subsidiaries are covered by pension plans which are noncontributory and funded.

The liability for retirement allowances is stated at the present value of the amount which would be required to be paid if all eligible employees involuntarily terminated their employment at the balance sheet date, less the amounts expected to be covered by the pension plan, plus the unamortized balance of the prior service cost in the pension plan.

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 allowances plans. Provision for retirement allowances for these officers has been made at estimated amounts.

(j) Appropriation of retained earnings

Under the Commercial Code of Japan (the "Code"), 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 appropriation. See Note 14.

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 only, at the rate of ¥130=US$1, the approximate rate of exchange on December 31, 1997. 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 Marketable and Investment Securities

The book and related aggregate market values of the current and noncurrent marketable securities held by the Company at December 31, 1997 and 1996 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1997	1996	**1997**
Current:			
Carrying value	**¥ 902**	¥ 277	**$ 6,939**
Aggregate market value	**5,591**	6,415	**43,008**
Net unrealized gains	**¥ 4,689**	¥ 6,138	**$ 36,069**
Noncurrent:			
Carrying value	**¥ 3,801**	¥ 3,924	**$ 29,238**
Aggregate market value	**25,665**	38,121	**197,423**
Net unrealized gains	**¥21,864**	¥34,197	**$168,185**

5 Inventories

Inventories at December 31, 1997 and 1996 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1997	1996	**1997**
Merchandise	**¥ 7,772**	¥ 6,693	**$ 59,785**
Finished products	**5,125**	4,774	**39,423**
Work in process	**6,493**	6,338	**49,946**
Ingredients and supplies	**3,664**	2,637	**28,184**
	¥23,054	¥20,442	**$177,338**

6 Long-Term Debt

Long-term debt at December 31, 1997 and 1996 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	1997	1996	**1997**
1.9% unsecured convertible bonds, payable in yen, due 1998	**¥ 9,921**	¥ 9,921	**$ 76,315**
1.6% unsecured convertible bonds, payable in yen, due 2000	**10,000**	10,000	**76,923**
1.7% unsecured convertible bonds, payable in yen, due 2002	**10,000**	10,000	**76,923**
Loans from banks	**4,934**	3,622	**37,954**
	34,855	33,543	**268,115**
Less: Current portion	**10,625**	1,876	**81,731**
	¥24,230	¥31,667	**$186,384**

The conversion prices and periods of the convertible bonds are as follows:

	Conversion price per share at December 31, 1997	Period (up to and including)
1.9% convertible bonds due 1998	¥1,522.40	December 30, 1998
1.6% convertible bonds due 2000	969.50	December 28, 2000
1.7% convertible bonds due 2002	969.50	December 26, 2002

The indentures of the 1.9% unsecured convertible bonds and the indentures of the 1.6% and 1.7% unsecured convertible bonds provide that the cumulative amount of cash dividends which can be paid subsequent to December 1990 and December 1993, respectively, may not exceed the aggregate amount of net income, as defined, of the Company reported during those periods plus ¥5,500 million ($42,308 thousand) and ¥6,500 million ($50,000 thousand), respectively, so long as any of the convertible bonds remain outstanding.

The conversion price of each convertible bond is subject to adjustment in certain cases, which include stock splits. A sufficient number of shares of common stock is reserved for the conversion of all the outstanding convertible bonds.

7 Legal Reserve and Additional Paid-in Capital

In accordance with the Code, the Company has provided a legal reserve as an appropriation of retained earnings. The Code provides that neither additional paid-in capital nor the legal reserve is 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.

8 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 51% for 1997 and 1996. Income taxes of foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. The effective tax rates reflected in the accompanying consolidated statements of income differ from the statutory tax rate primarily due to the effect of timing differences in the recognition of certain income and expenses for tax and financial reporting purposes and the effect of permanent nondeductible expenses.

9 Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended December 31, 1997 and 1996 were ¥2,098 million ($16,138 thousand) and ¥2,188 million, respectively.

10 Leases

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥540 million ($4,154 thousand) for the year ended December 31, 1997.

11 Contingent Liabilities

The Company had the following contingent liabilities at December 31, 1997:

	Millions of yen	Thousands of U.S. dollars
Trade notes discounted with banks	¥18	$138

12 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 year. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of the common stock to be issued upon the conversion of convertible bonds.

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 years.

	Yen		U.S. dollars
	1997	1996	**1997**
Net income:			
Basic	**¥ 28.95**	¥ 36.95	**$0.22**
Diluted	**26.47**	32.60	**0.20**
Net assets	**532.48**	510.93	**4.10**
Cash dividends applicable to the year	**7.00**	7.00	**0.05**

13 Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in the foods segment, which includes soy sauce and other processed seasonings, sauces, Del Monte processed fruits and vegetables and beverage products, in Japan and abroad. As net sales, operating income and total assets from the foods segment constituted more than 90% of the consolidated totals for both the years ended December 31, 1997 and 1996, the disclosure of business segment information has been omitted.

Geographical segment information for the Company and its consolidated subsidiaries for the years ended December 31, 1997 and 1996 is as follows:

	Millions of yen				
Year ended December 31, 1997	Japan	Overseas	Total	Eliminations and other	Consolidated
Sales to third parties	**¥158,642**	**¥55,696**	**¥214,338**	**¥ —**	**¥214,338**
Interarea sales and transfers	**5,838**	**2,762**	**8,600**	**(8,600)**	**—**
Total sales	**164,480**	**58,458**	**222,938**	**(8,600)**	**214,338**
Operating expenses	**159,725**	**53,862**	**213,587**	**(8,615)**	**204,972**
Operating income	**¥ 4,755**	**¥ 4,596**	**¥ 9,351**	**¥ 15**	**¥ 9,366**
Total assets	**¥192,809**	**¥45,155**	**¥237,964**	**¥(7,669)**	**¥230,295**
	Thousands of U.S. dollars				
Sales to third parties	**$1,220,323**	**$428,431**	**$1,648,754**	**$ —**	**$1,648,754**
Interarea sales and transfers	**44,908**	**21,246**	**66,154**	**(66,154)**	**—**
Total sales	**1,265,231**	**449,677**	**1,714,908**	**(66,154)**	**1,648,754**
Operating expenses	**1,228,654**	**414,323**	**1,642,977**	**(66,269)**	**1,576,708**
Operating income	**$ 36,577**	**$ 35,354**	**$ 71,931**	**$ 115**	**$ 72,046**
Total assets	**$1,483,146**	**$347,346**	**$1,830,492**	**$(58,992)**	**$1,771,500**

	Millions of yen				
Year ended December 31, 1996	Japan	Overseas	Total	Eliminations and other	Consolidated
Sales to third parties	¥156,141	¥49,860	¥206,001	¥ —	¥206,001
Interarea sales and transfers	5,115	2,354	7,469	(7,469)	—
Total sales	161,256	52,214	213,470	(7,469)	206,001
Operating expenses	156,354	47,192	203,546	(7,426)	196,120
Operating income	¥ 4,902	¥ 5,022	¥ 9,924	¥ (43)	¥ 9,881
Total assets	¥188,992	¥32,983	¥221,975	¥(4,133)	¥217,842

Corporate assets included under the column heading "Eliminations and other" amounted to ¥1,354 million at December 31, 1996 and represented translation adjustments.

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, totaled ¥60,114 million ($462,415 thousand) and ¥54,375 million, or 28.0% and 26.4% of consolidated net sales for the years ended December 31, 1997 and 1996, respectively.

14 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 December 31, 1997, were approved at a shareholders' meeting held on March 27, 1998:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥7.00=$0.05 per share)	¥1,380	$10,615
Bonuses to directors and statutory auditors	44	339
	¥1,424	$10,954

Report of Independent Certified Public Accountants

The Board of Directors
KIKKOMAN CORPORATION

We have examined the consolidated balance sheets of KIKKOMAN CORPORATION and its consolidated subsidiaries as of December 31, 1997 and 1996, and the related consolidated statements of income and shareholders' equity for the years then ended, all expressed in yen. Our examinations were made in accordance with auditing standards generally accepted in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of KIKKOMAN CORPORATION and its consolidated subsidiaries at December 31, 1997 and 1996, and the consolidated results of their operations for the years then ended in conformity with accounting principles generally accepted in Japan applied on a consistent basis.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 1997 are presented solely for convenience. Our examination 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 to the consolidated financial statements.

Showa Ota & Co.

March 27, 1998

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.

1930 August
The Takasago soy sauce production plant (formerly the Kansai Plant) is constructed near Osaka.

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 Mann's Wine Co., Ltd.

1964 October
Noda Shoyu Co., Ltd., is renamed Kikkoman Shoyu Co., Ltd.

1969 June
Kikkoman invests in Japan Food Corporation, of the United States. In June 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.

1974 February
Kikkoman Restaurant, Inc., is established.

1979 March
Kikkoman Trading Europe GmbH is established in Neuss, in Germany.

1980 October
The Company takes on its present name, Kikkoman Corporation.

1983 January
Kikkoman Ajinomingei Co., Ltd., is established.

1983 June
Kikkoman (S) Pte. Ltd., a production facility, is established in Singapore.

1983 October
Kikkoman Business Development Inc. is established.

1986 August
New *shoyu* production facilities come on stream at Kikkoman's Chitose Plant, in Hokkaido.

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.

1996 April
Kikkoman establishes Kikkoman Foods Europe B.V., Europe's first soy sauce manufacturer, located in Hoogezand-Sappemeer, in the Netherlands.

1996 May
Production of *shochu,* a clear Japanese spirit, commences at a new facility of the Ojima Plant.

1997 March
Kikkoman holds a ground-breaking ceremony for its second U.S. soy sauce production plant, in Folsom, California, in the United States.

1997 October
Kikkoman Foods Europe B.V. begins operations at its plant.

(As of April 1998)

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48-56, Tai Lin Pai Road, Kwai Chung, 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 (06) 5991511
Fax: +886 (06) 5997983

Shanghai Kikkoman Trading Co., Ltd.*
Tomson International Trade Building, Room 927,
No. 1 Ji Long Road, Waigaoqiao Free Trade Zone,
Shanghai, China
Tel: +86 (021) 5869-3841
Fax: +86 (021) 5869-3589

Oceania

Kikkoman Australia Pty. Limited
80 Arthur St., North Sydney,
N.S.W. 2060, Australia
Tel: +61 (02) 9923-2533
Fax: +61 (02) 9923-2050

Japan Food Corp. (Aust.) Pty. Limited*
Unit 10, 175 Gibbes St.,
Chatswood, N.S.W. 2067, Australia
Tel: +61 (02) 9417-7566
Fax: +61 (02) 9417-5972

*Consolidated subsidiary

Note: Numbers preceded by "+" are country codes.

Home page address: http://www.kikkoman.co.jp

(As of April 1998)

Board of Directors and Officers

Yuzaburo Mogi
President and Chief Executive Officer

Hyozaemon Takanashi
Executive Vice President

Kenzaburo Mogi
Executive Managing Director

Minato Ishii
Executive Managing Director

Nobuyuki Enokido
Managing Director

Michitaro Nagasawa
Managing Director

Tatsuo Komuro
Managing Director

Michio Miyaji
Managing Director

Kaichiro Someya
Director

Kiyoshi Omori
Director

Tomoyuki Oguri
Director

Noboru Miki
Director

Takashi Ushiku
Director

Shigetaka Ishii
Director

Yoshinobu Ito
Director

Mitsuo Someya
Director

Toru Kumagai
Director

Hideaki Imanari
Director

Kenzaburo Mogi
Director

Teruo Taniguchi
Director

Hiroshi Yanagimoto
Director

Hiroshi Takamatsu
Director

Tadao Kondo
Director

Asao Kawamura
Statutory Auditor

Tsuneo Iida
Statutory Auditor

Reiichi Hisamoto
Statutory Auditor

Tomitoshi Ueno
Statutory Auditor

Corporate Data

Name
Kikkoman Corporation

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

Date of Establishment
December 7, 1917

Paid-in Capital
¥11,599,398,094

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

Number of Employees
2,892

Stock Exchange Listings
Tokyo, Osaka

Transfer Agent
Mitsubishi Trust & Banking Corp.
4-5, Marunouchi 1-chome,
Chiyoda-ku, Tokyo 100-0005

Stock Price Range on the Tokyo Stock Exchange

Fiscal 1997:		
	High: ¥821	Low: ¥580
Fiscal 1996:		
	High: ¥898	Low: ¥670
Fiscal 1995:		
	High: ¥840	Low: ¥572

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, *shochu* (a clear Japanese spirit), and other sake and wine
- Production and marketing of carbonated drinks, juices, and other beverages
- Production and marketing of processed agricultural and marine food products and livestock feed
- Production and marketing of medicines, medical reagents, industrial-use enzymes, and other chemicals
- 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, compost, and garden fertilizers and provision of gardening advisory services
- Environmental health monitoring and testing activities and certification

(As of April 1998)

Kikkoman Corporation
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339 Noda, Noda-shi, Chiba 278-8601, Japan
Tokyo Head Office
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Printed in Japan