KIKKOMAN CORPORATION

ANNUAL REPORT 2005
Year ended March 31, 2005

On the Front Cover

Crossed Shrimps

Ingredients: 1 serving

- Pureed beet (Puree peeled beet)
- Six shrimps
- White wine vinegar (a little)
- Kikkoman soy sauce (a little)
- Avocado oil (a little)

Method

1. Paint a circle on a plate with pureed beet using a brush.
2. Remove the heads of the shrimps, then boil in salted water and white wine vinegar. Clean the insides of three shrimp heads. Place the heads facing upwards on the center of the plate. Devein and peel (except the tails) the bodies of the shrimps. Boil in salted water with white wine vinegar. Make three crosses comprising two shrimps each.
3. Place the crossed shrimps around the heads.
4. Make a sauce with one part Kikkoman soy sauce to three parts avocado oil. Dress the shrimp heads with the sauce.

On the Back Cover

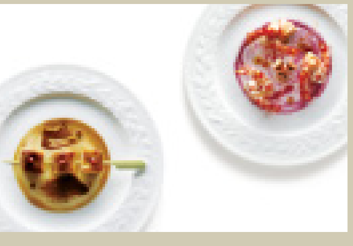
Duck Yakitori

Ingredients: 1 serving

- Duck juice (a little)
- Duck (1 thigh)
- 3 pink peppercorns
- Honey (a little)
- Coffee essence (a little)
- Kikkoman soy sauce (a little)
- Avocado oil (a little)

Method

1. On a plate, paint a circle with the duck juice using a brush.
2. Debone the duck thigh, and make confit. Fry the skin until crispy. Cut into pieces approximately 1.5cm x 1.5cm x 2cm. Skewer the pieces. Place pink peppercorns on the center of each piece.
3. Make a honey sauce comprising 1 part duck juice, 1 part honey and 1 part coffee essence. Dress the chicken pieces with the honey sauce.
4. Make a sauce with one part Kikkoman soy sauce to three parts avocado oil. Dress the dish with the sauce.



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.

Contents

Financial Highlights

Kikkoman Corporation and Consolidated Subsidiaries

					Millions of yen	Thousands of U.S. dollars (Note 4)
	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002	Three months ended March 31, 2001 (Note 5)	**Year ended March 31, 2005**
For the year:						
Net sales	**¥344,625**	¥334,656	¥342,508	¥336,887	¥ 29,998	**$3,220,794**
Operating income	**17,847**	17,059	17,904	14,942	202	**166,794**
Net income (loss)	**9,487**	9,287	8,311	5,363	(406)	**88,664**
At year-end:						
Total assets	**¥295,802**	¥278,602	¥273,902	¥294,527	¥287,559	**$2,764,505**
Property, plant and equipment, net	**113,715**	113,170	116,585	124,042	124,968	**1,062,757**
Interest-bearing debt (Note 1)	**54,853**	46,722	51,870	59,505	58,945	**512,645**
Shareholders' equity, net	**147,370**	141,849	131,806	132,418	126,462	**1,377,290**

					Yen	U.S. dollars (Note 4)
Per share data:						
Net income (Note 2)	**¥48.16**	¥47.15	¥41.98	¥27.43	¥(2.08)	**$0.45**
Diluted net income	**–**	–	40.86	26.52	–	**–**
Cash dividends applicable to the year (Note 3)	**10.00**	10.00	8.00	7.00	1.75	**0.09**

Notes: 1. Interest-bearing debt refers to all liabilities on the consolidated balance sheets on which interest is paid.
2. Net income per share is computed based on the weighted average number of shares outstanding during the year.
3. The fiscal year ended March 31, 2004 dividend includes a commemorative dividend of ¥2.00 per share.
4. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥107=US$1.00.
5. The fiscal period ended March 31, 2001 is a transitional three-month period due to a change in the fiscal year-end.

Forward-Looking Statements:
Statements made in this annual report with respect to the Kikkoman Group's present plans, outlook, strategies and projections regarding future business results inherently involve risks and uncertainties. Potential risks and uncertainties include, without limitation, general economic conditions, conditions in the group's business domains and exchange rates. Please be aware that actual results could differ significantly from forecasts because of these risks and uncertainties.

Message From the Management

The Fiscal Year in Review

The global economy in fiscal 2005, the year ended March 31, 2005, showed a steady recovery on firm growth in the U.S. and continuing expansion in Asian economies. The Japanese economy, meanwhile, was flat as growth in exports and capital expenditures, which had driven the economy, slowed from the latter half of last year. Consumer spending was lackluster, partly the result of a rise in prices for fresh foods and sluggish demand for clothing due to natural disasters and unseasonable weather from around the same time. Household incomes and employment conditions remained weak.

In domestic food, beverage and liquor industries, industry restructuring continued, particularly in the wholesaling sector, as operating conditions became increasingly difficult. Furthermore, greater demands were placed on companies with respect to their social responsibility for ensuring the safety and reliability of food as well as in respect of protecting the environment and safeguarding personal information.

In this climate, the Kikkoman Group delivered strong growth in domestic operations in *tsuyu* (soy sauce soup base) and beverages, due partly to the favorable effect on sales of fine weather during the summer in Japan. Overseas operations saw robust growth continue in sales of soy sauce and oriental foods. In this context, while an appreciating yen had a negative effect, both sales and earnings still increased. Consolidated net sales rose 3.0% year on year to ¥344,625 million, operating income rose 4.6% to ¥17,847 million and net income increased 2.2% to ¥9,487 million. Net sales and net income were records for Kikkoman.

Summary of Business Policy

Business Principles

The activities of the Kikkoman Group are shaped by three core business principles:

- To pursue the fundamental principle “consumer-oriented”
- To provide high-quality products and services and to promote the international exchange of food culture
- 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. And 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.

In order to earn recognition as a socially responsible company whose existence is meaningful to society, Kikkoman is committed to deepening its involvement in 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

Overseas we are ramping up production capacity at our plants in Wisconsin, U.S.A., the Netherlands and in Singapore. In Thailand, construction started on a new plant that will become a manufacturing base for Del Monte brand products. With these developments, we are creating a foundation to enable us to meet growing demand for, and stimulate greater consumption of, soy sauce and other products in markets around the world. We believe this will serve to maintain the high growth of our global business operations.

In Japan, we aim to expand sales of high-value-added products such as *Tokusen Marudaizu Shoyu* (premium soy sauce) and *Tokusen Yuki Shoyu* (organic soy sauce) in the home-use soy sauce market. In the foodservice- and industrial-use markets, our strategy is to capture a greater market share by improving our ability to develop products and to respond quickly to market needs. In soy sauce-derivative products, our goal is to further expand sales of *tsuyu, tare* (dipping and marinade sauces) and *Uchi-no-Gohan* (a handy Japanese-style seasoning mix). Through these and other actions, we aim to establish the Kikkoman brand as a leading name in a broader range of fields from soy sauce to Japanese seasoning. In our Del Monte Operations, we are enhancing our lineup to energize this well-known brand in the Japanese market. In our sake and wine business, a key objective is to raise our market share for home-use *mirin* (sweet sake for cooking), while further developing high-value-added products in our wine business.

In March 2004, we invested in Higeta Shoyu Co., Ltd., forming an alliance that we believe will be instrumental to driving growth in soy sauce and soy sauce-derivative products businesses. We also formed an equity-based alliance with the Kibun Foods Group. In March 2005, we acquired additional shares in Kibun Food Chemifa Co., Ltd. to build a stronger relationship in the soy milk business. As the first tangible products of collaboration with Kibun Foods Group, chilled soup and chilled beverages were launched under both the Del Monte and Kibun brands. Supported by these moves, we intend to expand our business operations and improve our results, leveraging synergies to enhance our core strengths.

In March 2005, the Kikkoman Group established Country Life, LLC with Consac Industries, Inc. to manufacture and sell in the U.S. nutritional supplements, health foods, sports foods, personal care and other products.

Management Organization and 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 so as to meet 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.

Greater management transparency, clearer responsibility, speedy decision making and stronger oversight are all being addressed as imperatives of the company. And by separating decision making and oversight from the execution of day-to-day business operations, we will conduct our activities with greater speed, strategic orientation and flexibility.

We are also determined to announce clear management goals and policies, as well as communicate our progress toward achieving them and our business results as fast as possible, with a high level of transparency. The clarification of management responsibility will contribute to improved corporate governance.

Kikkoman has adopted the corporate auditor system. Moreover, in June 2002, we also formed a Nominating Committee and Remuneration Committee under the Board of Directors, both of which hold meetings as appropriate. The Nominating Committee makes recommendations on candidates for director, corporate executive officer and corporate auditor to the Board of Directors, while the Remuneration Committee decides the remuneration of directors. We will continue to examine whether to adopt the Committee System of corporate governance as an important management issue.

Kikkoman clearly demarcates the roles of directors and corporate executive officers, with the former responsible for decision-making and management oversight and the latter handling the day-to-day running of the company. In addition to overseeing the execution of operations of the company and making decisions, the main mission of directors is to strengthen and grow the Kikkoman Group through the formulation of group management strategy and the making of important decisions. At present, there are nine directors, two of whom are outside directors. Corporate executive officers, meanwhile, have been entrusted with authority for the execution of day-to-day operations to speed up the running of the company.

At the June 2004 annual general meeting of shareholders and the subsequent meeting of the Board of Directors, approval was given for the establishment of the posts of chairman of the board & CEO and president & COO. The CEO is the highest decision maker in the group, while the COO has the highest level of responsibility for making operational decisions and ensuring the execution of business operations as they pertain to Kikkoman Corporation, the parent company. We believe that this separation of roles clarifies governance and helps expedite decision-making.

Internal Control and Risk Management Systems

Kikkoman has four corporate auditors, two of whom are outside corporate auditors, as defined by the May 2002 enforcement regulations of the revised Commercial Code of Japan. In addition to audits by corporate auditors, Kikkoman also has an Internal Auditing Department, which conducts internal audits to ensure that it upholds the highest ethical and legal standards. This department provides specific advice and recommendations for improving business operations based on audit findings. Furthermore, the corporate auditors and Internal Auditing Department hold monthly meetings, where they report, as appropriate, the results of audit activities, for the purpose of exchanging information. The Internal Auditing Department and independent auditors' share audit plans in advance and exchange information as appropriate.

Recognizing that the mission of any food product company is to offer high-quality products, we are conducting our operations with a strong sense of mission and commitment to upholding ethical values. Based on this philosophy, in August 2002, we formulated a Code of Conduct to ensure strict compliance and raise corporate ethical standards across the Kikkoman Group. Furthermore, we have established an internal advisory system at law firms outside the company for ensuring compliance with the Code of Conduct and relevant laws. At the same time, we have established a Corporate Ethics Committee.

Regarding management initiatives and day-to-day operations, Kikkoman has consulting agreements with several law firms, which provide expert advice when necessary. Furthermore, Kikkoman has an audit agreement with Ernst & Young ShinNihon, the independent auditors for the company's financial statements.

To manage risk, we have established a Risk Management Committee. This committee gathers information related to risks and works to detect signs of and respond quickly to risk. At the same time, it is prepared to initiate swift and precise measures in the event of a crisis.

Basic Policy on the Distribution of Profits

The Kikkoman Group's basic policy is to reward shareholders with a stable distribution of profits, backed by strong financial performance, while using funds to strengthen both its 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 for soy sauce and other products, conduct research and development targeting new businesses, and cultivate new demand.

Outlook for the Current Fiscal Year

The world economy is expected to continue growing, despite concerns in the U.S. economy surrounding rising interest rates and persistently high energy prices. The Japanese economy is expected to remain in a correction phase in the first half of the year, but with positive signs in some parts of the economy, such as industrial output and consumption, it should recover from the second half.

In the domestic food, beverage and liquor industries, the corporate operating environment is expected to become even more difficult, and we believe companies will be increasingly required to fulfill their social responsibility for ensuring the safety and reliability of food.

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

(1) Cultivate existing markets and develop new markets overseas
In North America, we believe that it is important to maintain stable growth by promoting growth in sales of high-value-added soy sauce and by cultivating the industrial- and foodservice-use markets. Developing new products and establishing new businesses to augment soy sauce operations is also essential. To this end, we are pursuing various approaches, including business tie-ups and equity-based alliances.

In Europe, growth is steady. Our immediate focus is to expand the soy sauce market, with the goal of maintaining double-digit growth.

In Asia, where latent demand is high, we aim to establish a solid foundation as the basis for future growth.

Interest is rising in Japanese food throughout the world. We are therefore determined to continue growing our foods wholesale business, which is centered on Japanese food.

(2) Increase earnings in the Japanese market and reform business structures
Amid more challenging market conditions in Japan for soy sauce, our flagship product, we believe that two themes are important for the company to prevail and grow: 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 as well as 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.

Regarding the second theme, as we mentioned earlier, we entered into an equity-based business alliance with the Kibun Foods Group and also invested in Higeta Shoyu last year.
We are determined to produce concrete results early on through initiatives with both these companies. And we will consider other investments and business alliances that promise synergistic benefits for developing our businesses.

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 2005

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

Yuzaburo Mogi

Left:
Takashi Ushiku
President and Chief Operating Officer

Takashi Ushiku

Management's Discussion and Analysis

OPERATING RESULTS

In domestic operations during the year under review, sales of *tsuyu* (soy sauce soup base) and beverages grew strongly partly due to the favorable effects of fine weather throughout summer 2004 in Japan. In international operations, while sales in the previous fiscal year were adversely affected by the Iraq War and SARS, in the year under review soy sauce and oriental food products sales recorded robust growth. International operations thus returned to its previous growth path.

The financial statements of overseas subsidiaries are converted to yen for the purpose of preparing the consolidated financial statements. Results are, therefore, subject to the effects of foreign exchange fluctuations. In the fiscal year under review, the average yen rate against the U.S. dollar was ¥108.00, an ¥8.05 year-on-year appreciation. This had the effect of reducing both sales and earnings on a consolidated basis. Despite this effect, consolidated net sales rose ¥9,968 million, or 3.0%, year on year to ¥344,625 million. In terms of earnings, operating income increased ¥788 million, or 4.6%, to ¥17,847 million, and net income rose ¥200 million, or 2.2%, to ¥9,487 million. Consolidated net sales and net income were all-time highs for Kikkoman.

SEGMENT INFORMATION

The company's results are broken down into four 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 juices and other products), and the Sake and Wine Division (*mirin, shochu*, wine and other alcoholic beverages). All products are manufactured and sold in Japan and overseas.

Segment sales rose 0.3% to ¥170,155 million, while operating income declined 2.4% to ¥11,125 million. The results for each division are as follows.

Original Kikkoman Shoyu:
Healthy all-purpose seasoning sold and used in more than 100 countries worldwide.

Marudaizu Jikomi Shoyu:
A mild, tasty standard soy sauce made from whole soybeans.

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:
"Light" soy sauce with 50% less sodium than regular Kikkoman soy sauce.

SOY SAUCE DIVISION

In Japan in the home-use sector, the company worked to grow sales of premium soy sauces. However, affected by more intense competition, sales were lower in this sector year on year, particularly sales of 1-liter bottles of *Koikuchi Shoyu* (regular soy sauce). In the foodservice- and industrial-use sectors, sales of bulk containers and other large containers grew steadily, while sales of medium-sized containers were lower.

Overseas, in the U.S., where the economy maintained a moderate recovery course, soy sauce and other products posted steady growth in sales, enabling the company to almost achieve its initial sales targets. In the European market, the company posted double-digit growth as a whole due to the cultivation of key markets, including Germany, the U.K. and Northern Europe, and efforts to develop new markets such as Eastern Europe and Russia. In the Asia and Oceania market, results were on a par with the previous fiscal year, despite fallout from the bird flu outbreak in Asia.

SOY SAUCE DERIVATIVE PRODUCTS DIVISION

In *tsuyu*, in addition to strong sales of *Hon Tsuyu*, seasonal products *Straight Tsuyu* and *Nabe Tsuyu* recorded large increases in sales, helping to build the value of the Kikkoman brand in Japanese seasonings. In *tare* (dipping and marinade sauces), in a sluggish market caused by an import ban on U.S. beef due to a BSE outbreak, sales rose above the previous fiscal year, mainly on healthy sales of *Wagaya-wa-Yakinikuyasan*. *Uchi-no-Gohan* (a handy Japanese-style seasoning mix) saw sales grow sharply, reflecting the benefits of active efforts to develop new products and sales promotion activities.

Lite Soy Sauce (America):
Lite 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.

DEL MONTE DIVISION

In Japan, *Tomato Ketchup* posted higher year-on-year sales due to a strong performance in the home-use sector. In the drink sector, sales were sharply up on the previous fiscal year due to growth in sales mainly of products in PET bottles and demand driven by fine weather during summer 2004.

Overseas, foreign currency-denominated sales rose due to higher sales in Hong Kong and China. However, overseas sales declined on a yen basis due to the effects of foreign exchange rate fluctuations.

SAKE AND WINE DIVISION

Hon Mirin sales were on a par with the previous fiscal year. Sales in the home-use sector grew, driven by advertising and sales promotion activities in stores. *Shochu*, however, saw sales drop year on year. While products sold in large containers performed strongly, sales of mainstay *Triangle Shochu* were lackluster amid changes in the structure of the market. Wine sales were strong, exceeding the previous fiscal year, due to growth in sales of labels such as *Mon Frere*.

FOODS-WHOLESALE

This segment procures and sells oriental food products, including oriental foods, in Japan and overseas.

In the U.S., sales targets were achieved due to a healthy recovery in the U.S. economy and expansion in the Japanese foods market. In Europe, as well, steady expansion of the market for Japanese foods continued to drive sales higher. As a result, segment sales rose 7.2% year on year to ¥51,993 million and operating income increased 8.4% to ¥1,810 million.

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

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

Zarusoba Tsuyu (right):
A straight soba *tsuyu* that blends natural bonito *dashi*, *marudaizu* soy sauce, and *hon mirin*.

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

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

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

Tomato Juice and Vegetable Juice (left):
100% tomato juice and vegetable juice.

Yasai-Toranakya (right):
This healthy drink contains 100% vegetable and fruit juice.

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.

Vigorous sales promotion campaigns and product renewals were carried out to strengthen the four core brands: *Coca-Cola, Georgia, Aquarius* and *Sokenbicha*. Moreover, several new products were launched to respond to wide-ranging consumer interest in health and functionality. Despite severe sales competition in the marketplace, this segment saw sales grow thanks to the contribution of new products and boosted by favorable weather conditions in Japan.

During the year, the segment also continued to promote greater efficiency in procurement, production and distribution through Coca-Cola National Beverages Co., Ltd., which started operations in October 2003.

As a result, segment sales rose 5.1% to ¥119,412 million and operating income climbed 25.4% to ¥4,005 million.

OTHERS

This segment includes production and sales of medical reagents, clinical diagnostic reagents and other chemicals; real estate rental; and other businesses.

The segment grew strongly as a whole on steady growth in reagents for hygiene testing and enzymes for processing, particularly functional food materials.

Segment sales increased 11.2% to ¥4,438 million and operating income rose 14.7% to ¥914 million.

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

Triangle Shochu (left):
This has an incisive taste that is appreciated by *shochu* connoisseurs. Sold in a distinctive black bottle.

Triangle Indigo Shochu (right):
The stylish indigo-blue bottle reflects the refreshing, yet mellow taste of this clear Japanese spirit.

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

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

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

FINANCIAL POSITION

ASSETS

Total assets as of March 31, 2005 were ¥295,802 million, ¥17,199 million higher than a year ago. Current assets increased ¥1,012 million year on year despite a decrease in cash and time deposits. This increase mostly reflected increases in trade notes and accounts receivable and inventories. Investments and other assets increased ¥15,643 million due to an increase in investments in securities resulting from investments in the Kibun Foods Group and other investments, an increase in long-term loans receivable and other factors.

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities were ¥17,655 million higher than a year ago at the end of March 2005. This reflected an increase in short-term bank loans due to fund-raising for the purchase of Kibun Food Chemifa Co., Ltd. shares and other factors and an increase in the current portion of long-term debt due to the scheduled redemption of bonds in less than a year. Long-term liabilities decreased ¥8,406 million as a result of a decrease in bonds owing to the previously mentioned reclassification of scheduled bond redemptions to current liabilities and a decrease in accrued employees' pension and severance costs. As a result of the above, there was a ¥9,249 million increase in total liabilities to ¥125,804 million at March 31, 2005.

Shareholders' equity rose ¥5,520 million from a year ago to ¥147,370 million. This was due to an increase in retained earnings and other factors that outweighed decreases resulting from such factors as the purchase of treasury stock. The shareholders' equity ratio declined by 1.1 percentage point to 49.8%. Equity per share increased ¥33.76 year on year to ¥760.33.

CASH FLOWS

Cash and cash equivalents were ¥18,815 million at March 31, 2005, the result of a decrease in cash and cash equivalents of ¥6,314 million and an increase of ¥29 million arising from the inclusion of subsidiaries in consolidation.

Operating activities provided net cash of ¥20,405 million, a decrease of ¥46 million from the previous fiscal year. This was the result mainly of an increase in notes and accounts receivable and other factors, despite a decrease in income taxes paid.

Investing activities used net cash of ¥31,224 million, a year-on-year increase of ¥15,117 million. The main reasons for this increase were a ¥3,984 million increase in the acquisition of investments in securities and a ¥6,975 million increase in loans receivable.

Financing activities provided net cash of ¥4,456 million, a change of ¥15,453 million from the net cash used in the previous fiscal year. This was mainly due to a ¥14,383 million change from a net decrease in short-term bank loans in the previous fiscal year to a net increase in the fiscal year under review.

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 MARKETS

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 the purpose of 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

The main raw materials used by the Kikkoman Group in its products are soybeans and soybean meal in the Soy Sauce Division. These raw materials are subject to the effects of conditions in international commodities markets. A rapid increase in market prices could lead to higher raw materials expenses and thus could adversely affect the Kikkoman Group's business results and financial position.

WEATHER

The Kikkoman Group is developing a Coca-Cola and other soft drinks 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 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

The main laws and regulations to which the Kikkoman Group is subject in Japan are as follows:

Food Sanitation Law
The Product Liability Act
Liquor Tax Law
The Law Concerning the Promotion of Separate Collection and Recycling of Containers and Packages (Containers and Packaging Recycling Law)
The Antimonopoly Act
The Act Against Unjustifiable Premiums and Misleading Representations (Premiums and Representations Act)
Unfair Competition Prevention Law
Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors

The Kikkoman Group is also 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.

Geographical Sales and Operating Income Information

Year ended March 31, 2005 — Millions of yen

Segment		Segment Total	% Share	Japan	% Share	Overseas	% Share
Foods—manufacturing and sales	Sales	¥170,155	49.4	¥137,236	49.9	¥34,364	42.9
	Operating income	33,185	67.4	21,251	62.0	11,919	79.9
	Operating income ratio (%)	19.5		15.5		34.7	
(Soy Sauce)	Sales	82,925	24.1	54,782	19.9	29,588	36.9
	Operating income	23,296	47.3	11,789	34.4	11,495	77.0
	Operating income ratio (%)	28.1		21.5		38.9	
(Soy Sauce Derivative Products)	Sales	20,791	6.0	20,791	7.5		
	Operating income	3,084	6.3	3,084	9.0		
	Operating income ratio (%)	14.8		14.8			
(Del Monte)	Sales	42,997	12.5	38,221	13.9	4,775	6.0
	Operating income	4,061	8.2	3,634	10.6	424	2.9
	Operating income ratio (%)	9.4		9.5		8.9	
(Sake and Wine)	Sales	24,365	7.1	24,365	8.9		
	Operating income	2,743	5.6	2,743	8.0		
	Operating income ratio (%)	11.3		11.3			
(Eliminations)	Sales	(923)	(0.3)	(923)	(0.3)		
	Operating income						
	Operating income ratio (%)						
Foods—wholesale	Sales	51,993	15.1	15,434	5.6	45,187	56.4
	Operating income	3,571	7.3	603	1.7	2,991	20.0
	Operating income ratio (%)	6.9		3.9		6.6	
Coca–Cola	Sales	119,412	34.6	119,412	43.5		
	Operating income	11,109	22.6	11,109	32.4		
	Operating income ratio (%)	9.3		9.3			
Others	Sales	4,438	1.3	3,833	1.4	605	0.8
	Operating income	1,343	2.7	1,328	3.9	15	0.1
	Operating income ratio (%)	30.3		34.6		2.5	
Eliminations	Sales	(1,374)	(0.4)	(1,034)	(0.4)	(80)	(0.1)
	Operating income	(8)	–	(10)	–		
	Operating income ratio (%)	0.6		1.0			
Total	Sales	¥344,625	100.0	¥274,882	100.0	¥80,076	100.0
	Operating income	49,202	100.0	34,283	100.0	14,926	100.0
	Operating income ratio (%)	14.3		12.5		18.6	
Advertising expenses		¥ 9,289		¥ 6,691		¥ 2,600	
(% of sales)		2.7		2.5		3.2	
Headquarter operating expenses		22,065		18,231		3,822	
(% of sales)		6.4		6.6		4.8	
Operating income		17,847		9,360		8,503	
(% of sales)		5.2		3.4		10.6	

Note: Operating income = Income before deducting advertising and headquarter operating expenses.

Consolidated Balance Sheets

Kikkoman Corporation and Consolidated Subsidiaries March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2005**	2004	**2005**
Current assets:			
Cash and time deposits (Note 4)	**¥ 20,664**	¥ 25,679	**$ 193,121**
Trade notes and accounts receivable (Note 8)	**43,586**	40,086	**407,346**
Allowance for doubtful receivables	**(670)**	(626)	**(6,262)**
	42,916	39,459	**401,084**
Inventories (Note 6)	**26,427**	24,726	**246,981**
Deferred tax assets (Note 10)	**3,739**	3,731	**34,944**
Other current assets (Note 4)	**7,031**	6,169	**65,710**
Total current assets	**100,779**	99,766	**941,860**
Property, plant and equipment, at cost (Note 8):			
Land	**32,381**	32,286	**302,626**
Buildings and structures	**92,977**	91,012	**868,944**
Machinery, equipment and vehicles	**139,841**	135,466	**1,306,925**
Other	**54,035**	53,294	**505,000**
Construction in progress	**1,905**	2,065	**17,804**
	321,142	314,125	**3,001,327**
Accumulated depreciation	**(207,426)**	(200,954)	**(1,938,561)**
Property, plant and equipment, net	**113,715**	113,170	**1,062,757**
Investments and other assets:			
Investments in securities (Note 5)	**33,221**	34,291	**310,477**
Investments in and advances to unconsolidated subsidiaries and affiliates	**34,380**	16,487	**321,308**
Intangible assets	**7,462**	7,725	**69,738**
Deferred tax assets (Note 10)	**3,972**	3,827	**37,121**
Other assets	**2,270**	3,332	**21,215**
Total investments and other assets	**81,307**	65,664	**759,879**
Total assets	**¥ 295,802**	¥ 278,602	**$ 2,764,505**

See accompanying notes to consolidated financial statements.

Liabilities and shareholders' equity	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars (Note 3) 2005
Current liabilities:			
Short-term bank loans (Notes 7 and 8)	**¥ 25,043**	¥ 14,906	**$ 234,047**
Current portion of long-term debt (Notes 7 and 8)	**7,144**	1,438	**66,766**
Trade notes and accounts payable	**13,183**	12,590	**123,206**
Other accounts payable	**15,104**	14,239	**141,159**
Accrued expenses	**2,010**	2,030	**18,785**
Accrued income taxes (Note 10)	**2,344**	2,210	**21,907**
Other current liabilities	**4,521**	4,282	**42,252**
Total current liabilities	**69,353**	51,697	**648,159**
Long-term liabilities:			
Long-term debt (Notes 7 and 8)	**17,381**	24,723	**162,439**
Accrued employees' pension and severance costs (Note 9)	**23,714**	25,903	**221,626**
Accrued officers' severance benefits	**1,744**	1,451	**16,299**
Deposits received	**6,356**	6,702	**59,402**
Deferred tax liabilities (Note 10)	**4,747**	4,973	**44,364**
Other long-term liabilities	**2,506**	1,102	**23,421**
Total long-term liabilities	**56,451**	64,857	**527,579**
Minority interests	**22,627**	20,196	**211,467**
Shareholders' equity:			
Common stock:			
Authorized: 300,000,000 shares			
Issued: 197,202,300 shares in 2005 and 2004	**11,599**	11,599	**108,402**
Additional paid-in capital (Note 11)	**5,773**	5,770	**53,953**
Retained earnings (Notes 11 and 18)	**127,951**	120,176	**1,195,804**
Unrealized holding gain on securities	**11,008**	11,012	**102,879**
Translation adjustments	**(6,408)**	(5,665)	**(59,888)**
	149,923	142,892	**1,401,150**
Treasury stock, at cost:			
March 31, 2005—3,510,184 shares	**(2,553)**	–	**(23,860)**
March 31, 2004—2,090,396 shares	**–**	(1,042)	**–**
Shareholders' equity, net	**147,370**	141,849	**1,377,290**
Contingent liabilities (Note 14)			
Total liabilities and shareholders' equity	**¥295,802**	¥278,602	**$2,764,505**

Consolidated Statements of Income

Kikkoman Corporation and Consolidated Subsidiaries Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	**2005**
Net sales	**¥344,625**	¥334,656	**$3,220,794**
Cost of sales	**207,276**	200,281	**1,937,159**
Gross profit	**137,348**	134,375	**1,283,626**
Selling, general and administrative expenses (Notes 9 and 12)	**119,500**	117,316	**1,116,822**
Operating income	**17,847**	17,059	**166,794**
Other income (expenses):			
Interest and dividend income	**774**	790	**7,234**
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	**580**	444	**5,421**
Interest expense	**(544)**	(635)	**(5,084)**
Gain on sales of securities	**246**	11	**2,299**
Gain on sales of investments in affiliates	**–**	573	**–**
Gain on sales of property, plant and equipment	**378**	93	**3,533**
Loss on sales of property, plant and equipment	**(190)**	–	**(1,776)**
Loss on disposal of property, plant and equipment	**(1,204)**	(781)	**(11,252)**
Loss on revaluation of investments in securities	**(5)**	(35)	**(47)**
Loss on revaluation of investments in affiliates	**–**	(71)	**–**
Costs related to vending machines to accept the tender of new yen bills	**(284)**	–	**(2,654)**
Other, net	**(1,261)**	(1,447)	**(11,785)**
	(1,511)	(1,059)	**(14,121)**
Income before income taxes and minority interests	**16,336**	15,999	**152,673**
Income taxes (Note 10):			
Current	**5,737**	6,435	**53,617**
Deferred	**4**	(964)	**37**
	5,742	5,470	**53,664**
Income before minority interests	**10,593**	10,529	**99,000**
Minority interests	**(1,106)**	(1,241)	**(10,336)**
Net income (Note 15)	**¥ 9,487**	¥ 9,287	**$ 88,664**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Kikkoman Corporation and Consolidated Subsidiaries Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	**2005**
Common stock			
Balance at beginning and end of year (March 31, 2005—197,202,300 shares; March 31, 2004—197,202,300 shares)	**¥ 11,599**	¥ 11,599	**$ 108,402**
Additional paid-in capital (Note 11)			
Balance at beginning and end of year	**¥ 5,773**	¥ 5,770	**$ 53,953**
Retained earnings (Notes 11 and 18)			
Balance at beginning of year	**¥120,176**	¥112,032	**$1,123,140**
Add:			
Net income	**9,487**	9,287	**88,664**
Other	**462**	510	**4,318**
Deduct:			
Cash dividends paid	**(1,959)**	(1,571)	**(18,308)**
Bonuses to directors and statutory auditors	**(87)**	(82)	**(813)**
Other	**(127)**	–	**(1,187)**
Balance at end of year	**¥127,951**	¥120,176	**$1,195,804**
Unrealized holding gain on securities			
Balance at beginning of year	**¥ 11,012**	¥ 4,597	**$ 102,916**
Net change during year	**(3)**	6,414	**(28)**
Balance at end of year	**¥ 11,008**	¥ 11,012	**$ 102,879**
Translation adjustments			
Balance at beginning of year	**¥ (5,665)**	¥ (1,496)	**$ (52,944)**
Net change during year	**(743)**	(4,169)	**(6,944)**
Balance at end of year	**¥ (6,408)**	¥ (5,665)	**$ (59,888)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Kikkoman Corporation and Consolidated Subsidiaries Years ended March 31, 2005 and 2004

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2005	2004	**2005**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 16,336**	¥ 15,999	**$ 152,673**
Depreciation and amortization	**13,622**	13,847	**127,308**
Accrued employees' pension and severance costs	**(2,418)**	(1,099)	**(22,598)**
Accrued officers' severance benefits	**180**	223	**1,682**
Interest and dividend income	**(774)**	(790)	**(7,234)**
Interest expense	**544**	635	**5,084**
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	**(580)**	(444)	**(5,421)**
Gain on sales of property, plant and equipment	**(378)**	(93)	**(3,533)**
Gain on sales of securities	**(246)**	(11)	**(2,299)**
Gain on sales of investments in affiliates	**–**	(573)	**–**
Loss on disposal of property, plant and equipment	**1,204**	781	**11,252**
Loss on sales of property, plant and equipment	**190**	–	**1,776**
Loss on revaluation of investments in securities	**5**	35	**47**
Loss on revaluation of investments in affiliates	**–**	71	**–**
Notes and accounts receivable	**(2,430)**	(319)	**(22,710)**
Inventories	**(1,024)**	(327)	**(9,570)**
Notes and accounts payable	**99**	905	**925**
Other	**1,253**	(2,076)	**11,710**
Subtotal	**25,583**	26,764	**239,093**
Interest and dividends received	**982**	930	**9,178**
Interest paid	**(518)**	(629)	**(4,841)**
Income taxes paid	**(5,641)**	(6,613)	**(52,720)**
Net cash provided by operating activities	**20,405**	20,451	**190,701**
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(12,598)**	(12,014)	**(117,738)**
Proceeds from sales of property, plant and equipment	**991**	2,149	**9,262**
Acquisition of intangible assets	**(1,244)**	(1,670)	**(11,626)**
Acquisition of investments in securities	**(13,331)**	(9,346)	**(124,589)**
Proceeds from sales of investments in securities	**2,483**	3,596	**23,206**
Addition to loans receivable	**(7,601)**	(626)	**(71,037)**
Collection of loans receivable	**858**	477	**8,019**
Other	**(781)**	1,327	**(7,299)**
Net cash used in investing activities	**(31,224)**	(16,107)	**(291,813)**
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	**9,887**	(4,495)	**92,402**
Proceeds from long-term debt	**–**	2,275	**–**
Repayment of long-term debt	**(1,449)**	(1,691)	**(13,542)**
Cash dividends paid	**(2,201)**	(1,892)	**(20,570)**
Purchases of treasury stock	**(1,523)**	(541)	**(14,234)**
Repayment of deposits received	**–**	(4,760)	**–**
Other	**(257)**	108	**(2,402)**
Net cash used in financing activities	**4,456**	(10,997)	**41,645**
Effect of exchange rate changes on cash and cash equivalents	**47**	(1,162)	**439**
Increase (decrease) in cash and cash equivalents	**(6,314)**	(7,815)	**(59,009)**
Cash and cash equivalents at beginning of year	**25,100**	32,906	**234,579**
Increase arising from inclusion of subsidiaries in consolidation	**29**	10	**271**
Cash and cash equivalents at end of year (Note 4)	**¥ 18,815**	¥ 25,100	**$ 175,841**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kikkoman Corporation and Consolidated Subsidiaries Years ended March 31, 2005 and 2004

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 stockholders' equity.

(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 shareholders' equity, 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 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 consolidated subsidiaries is computed principally by the straight-line method.

The useful lives are as follows:

Buildings and structures	from 7 to 50 years
Machinery 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 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 years to 12 years which is 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 is amortized by the straight-line method beginning the following fiscal year over periods ranging from 10 to 14 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.

(i) 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.

(j) Research and development costs

Research and development costs are charged to income when incurred.

(k) Derivatives

The Company and its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to manage 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 an asset or a liability. Payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates.

(l) 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 appropriations. See Note 18.

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 ¥107 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2005. 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, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2005**	2004	**2005**
Cash and time deposits	**¥20,664**	¥25,679	**$193,121**
Other current assets	**129**	–	**1,206**
Time deposits with maturities of more than three months	**(1,978)**	(579)	**(18,486)**
	¥18,815	¥25,100	**$175,841**

5. FAIR VALUE OF SECURITIES

At March 31, 2005 and 2004, 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, 2005 and 2004 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2005	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:						
Stocks	**¥ 7,288**	**¥25,615**	**¥18,327**	**$ 68,112**	**$239,393**	**$171,280**
Other	**321**	**326**	**5**	**3,000**	**3,047**	**47**
	7,609	**25,942**	**18,332**	**71,112**	**242,449**	**171,327**
Unrealized loss:						
Stocks	**1,170**	**864**	**(306)**	**10,935**	**8,075**	**(2,860)**
Bonds:						
Corporate bonds	**2,522**	**2,516**	**(6)**	**23,570**	**23,514**	**(56)**
Other	**87**	**83**	**(4)**	**813**	**776**	**(37)**
	3,781	**3,464**	**(316)**	**35,336**	**32,374**	**(2,953)**
Total	**¥11,390**	**¥29,406**	**¥18,015**	**$106,449**	**$274,822**	**$168,364**

	Millions of yen		
March 31, 2004	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥ 7,177	¥25,932	¥18,754
Other	5,041	5,146	105
	12,219	31,079	18,860
Unrealized loss:			
Stocks	1,146	731	(415)
Other	87	81	(5)
	1,234	813	(420)
Total	¥13,453	¥31,892	¥18,439

Non-marketable securities classified as other securities at March 31, 2005 and 2004 amounted to ¥3,811 million ($35,617 thousand) and ¥2,394 million, respectively.

Proceeds from sales of securities classified as other securities amounted to ¥2,483 million ($23,206 thousand) and ¥3,012 million with an aggregate gain on sales of ¥246 million ($2,299 thousand) and ¥11 million for the years ended March 31, 2005 and 2004, respectively.

6. INVENTORIES

Inventories at March 31, 2005 and 2004 were as follows:

March 31,	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Merchandise	**¥13,276**	¥11,926	**$124,075**
Finished products	**3,749**	3,753	**35,037**
Work in process	**6,436**	6,455	**60,150**
Ingredients and supplies	**2,965**	2,590	**27,710**
	¥26,427	¥24,726	**$246,981**

7. LONG-TERM DEBT AND CREDIT FACILITIES

Long-term debt at March 31, 2005 and 2004 consisted of the following:

March 31,	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
1.33% unsecured bonds, payable in yen, due 2005	**¥ 7,000**	¥ 7,000	**$ 65,421**
1.77% unsecured bonds, payable in yen, due 2007	**5,000**	5,000	**46,729**
0.53% unsecured bonds, payable in yen, due 2007	**10,000**	10,000	**93,458**
Loans from banks	**2,525**	4,161	**23,598**
	24,525	26,161	**229,206**
Less: Current portion	**7,144**	1,438	**66,766**
	¥17,381	¥24,723	**$162,439**

The annual maturities of long-term debt subsequent to March 31, 2005 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2006	¥ 7,144	$ 66,766
2007	2,356	22,019
2008	15,025	140,421
2009	–	–
2010 and thereafter	–	–
	¥24,525	$229,206

The Company and its consolidated subsidiaries have lines of credit from banks which provide for up to ¥40,546 million ($378,935 thousand) and ¥50,675 million in borrowings and, at March 31, 2005 and 2004, respectively, had ¥24,620 million ($230,093 thousand) and ¥11,194 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, 2005 and 2004 were as follows:

March 31,	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
Accounts receivable	**¥ 833**	¥2,164	**$ 7,785**
Property, plant and equipment, at net book value	**5,507**	5,574	**51,467**
Other	**50**	–	**467**
	¥6,391	¥7,738	**$59,729**

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

The Company has replaced the tax-qualified pension plans with the certain defined benefit enterprise pension plan since April 1, 2004. Tone Coca-Cola Bottling Co., Ltd., one of the Company's consolidated subsidiaries, received approval from the Minister of Health, Labour and Welfare on April 1, 2004 with respect to its application for exemption from the obligation for benefits related to past employee services under the substitutional portion of the WPFP and replaced on the same date the WPFPs with certain defined benefit enterprise pension plan, and on September 21, 2004 the subsidiary has transferred the amount of a minimum actuarial liability to the national government.

The projected benefit obligation and funded status of the plans at March 31, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2005**	2004	**2005**
Projected benefit obligation	**¥(74,706)**	¥(79,958)	**$(698,187)**
Plan assets at fair value	**37,541**	34,291	**350,850**
Unfunded benefit obligation	**(37,164)**	(45,666)	**(347,327)**
Unrecognized actuarial gain or loss	**23,071**	25,519	**215,617**
Unrecognized prior service cost (Reduction of obligation)	**(9,572)**	(5,573)	**(89,458)**
Prepaid pension and severance costs	**48**	182	**449**
Accrued pension and severance costs	**¥(23,714)**	¥(25,903)	**$(221,626)**

Prior service cost (a decrease of the projected benefit obligation) has occurred due to the changed made to the retirement pension plans as stated in the above by Tone Coca-Cola Bottling Co., Ltd. which is one of the Company's consolidated subsidiaries and the Company.

The components of net periodic pension and severance costs for the years ended March 31, 2005 and 2004 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31,	**2005**	2004	**2005**
Service cost	**¥2,198**	¥2,308	**$20,542**
Interest cost on projected benefit obligation	**1,581**	2,113	**14,776**
Expected return on plan assets	**(927)**	(859)	**(8,664)**
Gain on plan amendment (Prior service cost)	**(1,180)**	(179)	**(11,028)**
Amortization of actuarial differences	**2,507**	1,832	**23,430**
Total	**¥4,179**	¥5,214	**$39,056**

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

Year ended March 31,	**2005**	2004
Discount rates	**Mainly 2.0%**	Mainly 2.0%
Expected rates of return on plan assets	**Mainly 2.0 – 3.0%**	Mainly 2.5 – 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 41.8% for 2004 and approximately 40.5% for 2005.

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, 2005 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2005**	2004	**2005**
Deferred tax assets:			
Inventories	**¥ 766**	¥ 804	**$ 7,159**
Unrealized profit	**378**	356	**3,533**
Accrued expenses	**815**	822	**7,617**
Accrued enterprise tax	**221**	272	**2,065**
Other accounts payable	**1,034**	902	**9,664**
Accrued pension and severance costs	**9,287**	9,236	**86,794**
Allowance for doubtful receivables	**669**	591	**6,252**
Tax loss carryforward	**251**	400	**2,346**
Other	**1,795**	1,893	**16,776**
Valuation allowance	**–**	(171)	**–**
Total deferred tax assets	**15,220**	15,108	**142,243**
Deferred tax liabilities:			
Deferred capital gain	**(3,289)**	(3,369)	**(30,738)**
Depreciation	**(1,599)**	(1,515)	**(14,944)**
Net unrealized gain on investments in securities	**(7,244)**	(7,466)	**(67,701)**
Other	**(128)**	(177)	**(1,196)**
Total deferred tax liabilities	**(12,262)**	(12,528)	**(114,598)**
Deferred tax assets, net	**¥ 2,958**	¥ 2,579	**$ 27,645**

11. ADDITIONAL PAID-IN CAPITAL AND RETAINED EARNINGS

In accordance with the Commercial Code 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 ($27,093 thousand) at March 31, 2005 and 2004. The Code 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 selling, general and administrative expenses for the years ended March 31, 2005 and 2004 were ¥3,453 million ($32,271 thousand) and ¥3,551 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, 2005 and 2004, 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		
March 31, 2005	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	**¥1,629**	**¥ 580**	**¥1,048**	**$15,224**	**$ 5,421**	**$ 9,794**
Other	**1,631**	**925**	**705**	**15,243**	**8,645**	**6,589**
Intangible assets	**22**	**13**	**8**	**206**	**121**	**75**
Total	**¥3,283**	**¥1,520**	**¥1,762**	**$30,682**	**$14,206**	**$16,467**

	Millions of yen		
March 31, 2004	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥1,231	¥ 358	¥ 872
Other	2,172	1,190	982
Total	¥3,403	¥1,548	¥1,855

Lease payments relating to finance leases accounted for as operating leases amounted to ¥709 million ($6,626 thousand) and ¥745 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, 2005 and 2004, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2005 and 2004 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2005**	2004	**2005**
Within 1 year	**¥ 623**	¥ 625	**$ 5,822**
Over 1 year	**1,139**	1,229	**10,645**
	¥ 1,762	¥ 1,855	**$ 16,467**

(b) Operating leases

1) As Lessees

Future minimum lease payments subsequent to March 31, 2005 and 2004 for noncancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2005**	2004	**2005**
Within 1 year	**¥ 820**	¥ 752	**$ 7,664**
Over 1 year	**2,464**	2,478	**23,028**
	¥3,285	¥3,231	**$30,701**

2) As Lessors

	Millions of yen		Thousands of U.S. dollars
March 31,	**2005**	2004	**2005**
Within 1 year	**¥ 5**	¥48	**$47**
Over 1 year	**–**	5	**–**
	¥ 5	¥54	**$47**

14. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2005 and 2004:

March 31,	Millions of yen 2005	Millions of yen 2004	Thousands of U.S. dollars 2005
As guarantor of indebtedness of:			
Unconsolidated subsidiaries	**¥1,094**	¥1,619	**$10,224**
Employees	**5**	26	**47**
	¥1,100	¥1,646	**$10,280**

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 ¥18 million ($168 thousand) and ¥50 million at March 31, 2005 and 2004, respectively.

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.

Year ended March 31,	Yen 2005	Yen 2004	U.S. dollars 2005
Net income:			
Basic	**¥ 48.16**	¥ 47.15	**$0.45**
Diluted	**–**	–	**–**
Net assets	**760.33**	726.57	**7.11**
Cash dividends applicable to the year	**10.00**	10.00	**0.09**

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, 2005 and 2004:

Currency related transactions

	Millions of yen			Thousands of U.S. dollars		
March 31, 2005	Notional amount	Fair value	Unrealized gain (loss)	Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Sell:						
US$	**¥606**	**¥610**	**¥ (4)**	**$5,664**	**$5,701**	**$(37)**
HKD	**11**	**12**	**(0)**	**103**	**112**	**(0)**
THB	**80**	**80**	**0**	**748**	**748**	**0**
Buy:						
US$	**183**	**182**	**(0)**	**1,710**	**1,701**	**(0)**
EURO	**0**	**0**	**0**	**0**	**0**	**0**
Yen	**49**	**48**	**(1)**	**458**	**449**	**(9)**
Total			**¥(5)**			**$(47)**

March 31, 2004	Millions of yen Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
US$	¥750	¥745	¥ 5
HKD	9	9	(0)
Buy:			
US$	960	953	(6)
A$	3	3	0
Yen	74	71	(3)
Total			¥(4)

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, and sake and wine; 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 and restaurants.

Business Segments

Millions of yen

Year ended March 31, 2005	Foods–manufacturing and sales	Foods–wholesale	Coca-Cola	Others	Total	Eliminations and corporate	Consolidated
I. Sales and operating income:							
Sales to third parties	¥169,604	¥51,172	¥119,412	¥4,435	¥344,625	¥ –	¥344,625
Intragroup sales and transfers	550	820	–	3	1,374	(1,374)	–
Total sales	170,155	51,993	119,412	4,438	345,999	(1,374)	344,625
Operating expenses	159,029	50,182	115,406	3,524	328,143	(1,366)	326,777
Operating income	¥ 11,125	¥ 1,810	¥ 4,005	¥ 914	¥ 17,856	¥ (8)	¥ 17,847
II. Assets, depreciation and capital expenditures:							
Total assets	¥169,587	¥20,478	¥ 61,876	¥7,281	¥259,223	¥36,579	¥295,802
Depreciation and amortization	8,772	267	4,359	222	13,622	–	13,622
Capital expenditures	8,916	392	4,270	83	13,663	–	13,663

Thousands of U.S. dollars

Year ended March 31, 2005	Foods–manufacturing and sales	Foods–wholesale	Coca-Cola	Others	Total	Eliminations and corporate	Consolidated
I. Sales and operating income:							
Sales to third parties	$1,585,084	$478,243	$1,116,000	$41,449	$3,220,794	$ –	$3,220,794
Intragroup sales and transfers	5,140	7,664	–	28	12,841	(12,841)	–
Total sales	1,590,234	485,916	1,116,000	41,477	3,233,636	(12,841)	3,220,794
Operating expenses	1,486,252	468,991	1,078,561	32,935	3,066,757	(12,766)	3,053,991
Operating income	$ 103,972	$ 16,916	$ 37,430	$ 8,542	$ 166,879	$ (75)	$ 166,794
II. Assets, depreciation and capital expenditures:							
Total assets	$1,584,925	$191,383	$ 578,280	$68,047	$2,422,645	$341,860	$2,764,505
Depreciation and amortization	81,981	2,495	40,738	2,075	127,308	–	127,308
Capital expenditures	83,327	3,664	39,907	776	127,692	–	127,692

Year ended March 31, 2004	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	¥169,152	¥47,855	¥113,655	¥3,992	¥334,656	¥ –	¥334,656
Intragroup sales and transfers	492	667	–	–	1,160	(1,160)	–
Total sales	169,645	48,522	113,655	3,992	335,817	(1,160)	334,656
Operating expenses	158,251	46,851	110,462	3,195	318,760	(1,163)	317,597
Operating income	¥ 11,394	¥ 1,671	¥ 3,193	¥ 796	¥ 17,056	¥ 2	¥ 17,059
II. Assets, depreciation and capital expenditures:							
Total assets	¥153,460	¥21,516	¥ 63,363	¥7,776	¥246,117	¥32,485	¥278,602
Depreciation and amortization	8,693	293	4,635	223	13,847	–	13,847
Capital expenditures	9,919	342	5,080	80	15,422	–	15,422

Geographical Segments

Geographical segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2005 and 2004 is summarized as follows:

Year ended March 31, 2005	Japan	North America	Other	Total	Eliminations and corporate	Consolidated
	Millions of yen					
Sales to third parties	**¥266,609**	**¥63,101**	**¥14,913**	**¥344,625**	**¥ –**	**¥344,625**
Interarea sales and transfers	**8,272**	**2,142**	**472**	**10,887**	**(10,887)**	**–**
Total sales	**274,882**	**65,244**	**15,386**	**355,513**	**(10,887)**	**344,625**
Operating expenses	**265,522**	**58,148**	**13,978**	**337,649**	**(10,872)**	**326,777**
Operating income	**¥ 9,360**	**¥ 7,095**	**¥ 1,408**	**¥ 17,863**	**¥ (15)**	**¥ 17,847**
Total assets	**¥223,420**	**¥47,424**	**¥13,696**	**¥284,542**	**¥ 11,260**	**¥295,802**

Year ended March 31, 2005	Japan	North America	Other	Total	Eliminations and corporate	Consolidated
	Thousands of U.S. dollars					
Sales to third parties	**$2,491,673**	**$589,729**	**$139,374**	**$3,220,794**	**$ –**	**$3,220,794**
Interarea sales and transfers	**77,308**	**20,019**	**4,411**	**101,748**	**(101,748)**	**–**
Total sales	**2,568,991**	**609,757**	**143,794**	**3,322,551**	**(101,748)**	**3,220,794**
Operating expenses	**2,481,514**	**543,439**	**130,636**	**3,155,598**	**(101,607)**	**3,053,991**
Operating income	**$ 87,477**	**$ 66,308**	**$ 13,159**	**$ 166,944**	**$ (140)**	**$ 166,794**
Total assets	**$2,088,037**	**$443,215**	**$128,000**	**$2,659,271**	**$ 105,234**	**$2,764,505**

	Millions of yen					
Year ended March 31, 2004	Japan	North America	Other	Total	Eliminations and corporate	Consolidated
Sales to third parties	¥260,237	¥62,880	¥11,537	¥334,656	¥ –	¥334,656
Interarea sales and transfers	8,040	1,275	1,680	10,996	(10,996)	–
Total sales	268,277	64,156	13,218	345,653	(10,996)	334,656
Operating expenses	259,583	57,033	11,998	328,614	(11,016)	317,597
Operating income	¥ 8,694	¥ 7,123	¥ 1,220	¥ 17,039	¥ 20	¥ 17,059
Total assets	¥199,446	¥45,291	¥12,021	¥256,759	¥ 21,842	¥278,602

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, 2005 and 2004 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
Year ended March 31, 2005	North America	Other	Total	North America	Other	Total
Overseas sales	**¥62,703**	**¥19,474**	**¥ 82,177**	**$586,009**	**$182,000**	**$ 768,009**
Consolidated net sales			**344,625**			**3,220,794**
Ratio of overseas sales to consolidated net sales	**18.2%**	**5.6%**	**23.8%**	**18.2%**	**5.6%**	**23.8%**

	Millions of yen		
Year ended March 31, 2004	North America	Other	Total
Overseas sales	¥62,187	¥17,051	¥ 79,239
Consolidated net sales			334,656
Ratio of overseas sales to consolidated net sales	18.6%	5.1%	23.7%

18. SUBSEQUENT EVENT

On May 26, 2005, the Company issued 0.98% unsecured bonds due May 25, 2012 in the amount of ¥20,000 million ($186,916 thousand).

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, 2005, were approved at a shareholders' meeting held on June 27, 2005:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥10.00 = $0.09 per share)	**¥1,945**	**$18,178**
Bonuses to directors and statutory auditors	**48**	**449**
	¥1,993	**$18,626**

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, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, 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, 2005 and 2004, 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, 2005 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 27, 2005

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.
1996 May	The Ojima Plant begins shipments of *shochu*, a clear Japanese spirit.
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.

(As of July 2005)

Major Group Companies

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Plants: Noda, Takasago, Chitose, Nagareyama, and Ojima
Research & Development Division: Noda

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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
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Tel: +81 (3) 3206-0778

OVERSEAS

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JFC International Inc.*
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Fax: +1 (650) 952-3272

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KMS Service Inc.
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Tainan, Taiwan
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JFC New Zealand Limited
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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 2005)

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
Kiyoshi Omori*
Mitsuo Someya
Toru Kumagai
Tadao Kondo
Tsunao Hashimoto
Mamoru Ozaki

*Representative Director

Corporate Auditors
Masatoshi Noguchi
Shinichi Matsumoto
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 Officer
Kiyoshi Omori
Mitsuo Someya

Executive Corporate Officers
Toru Kumagai
Tadao Kondo
Shigetaka Ishii
Hiroshi Takamatsu
Kenichi Saito

Corporate Officers
Yukio Sato
Yasufumi Kataoka
Koji Negishi
Yoshiyuki Nogi
Masaru Ogihara
Hiroyuki Enomoto
Michinori Nishimura
Katsumi Amano
Noriaki Horikiri
Mamoru Kikuchi
Hiroshi Futamura
Yoshiro Kubota
Takaharu Nakamura
Shoichi Ui
Masanori Fukumitsu
Koichi Yamazaki
Shinzaburo Mogi
Osamu Kaneko
Satoru Abe

(As of June 27, 2005)

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: 300,000,000
Issued and outstanding: 197,202,300

Number of Employees (Consolidated)
6,350 (As of March 31, 2005)

Stock Exchange Listings
Tokyo, Osaka

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

Stock Price Range on the Tokyo Stock Exchange

Fiscal 2005:	High:	¥1,105	Low:	¥798
Fiscal 2004:	High:	¥ 889	Low:	¥687
Fiscal 2003:	High:	¥ 850	Low:	¥660

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 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 2005)

Kikkoman Corporation

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

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Printed in Japan
This annual report is printed on recycled paper.