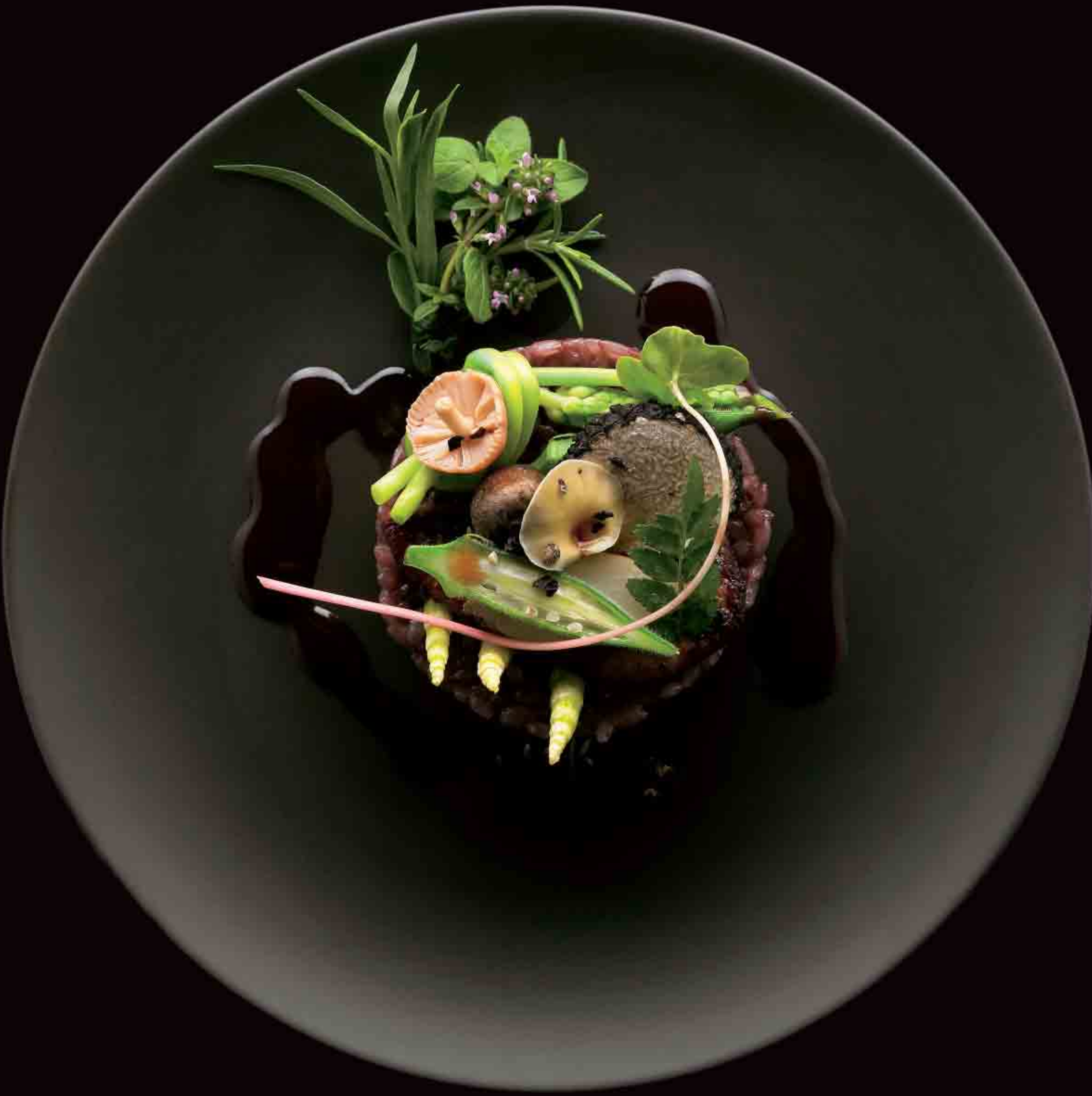


KIKKOMAN CORPORATION

ANNUAL REPORT 2006

Year ended March 31, 2006

Profile

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

On the Front Cover

Sushi in Arzuaga Wine Sauce

Ingredients: One serving
- 100g red wine risotto
- One *soba* sprout
- One *Mouserron* mushroom
- One *mukago* (Japanese yam)
- Half *hodoimo* (Japanese yam)
- 10g foie gras, scalloped
- 2g summer truffles, sliced
- One *ki-no-me* (Japanese pepper bud)
- One small okra, halved
- Three ears of *hime take* (Japanese bamboo shoot)
- Two *Asperge Sauvage* (French asparagus), boiled in salt water and tied in a knot
- One yellow *tamogidake* (Japanese mushroom), boiled in salt water
- One *bouquet* of estragon, thyme flower, rosemary, and oregano

Preparation
1. Put the red wine risotto on a plate and garnish with the rest of the ingredients.
2. Brush *sauce vin rouge*, olive oil, and soy sauce.
3. Place the *bouquet* and sprinkle coarsely ground pepper.

Contents

Financial Highlights

Kikkoman Corporation and Consolidated Subsidiaries

	Millions of yen					Thousands of U.S. dollars (Note 4)
	Year ended March 31, 2006	Year ended March 31, 2005	Year ended March 31, 2004	Year ended March 31, 2003	Year ended March 31, 2002	**Year ended March 31, 2006**
For the year:						
Net sales	**¥359,906**	¥344,625	¥334,656	¥342,508	¥336,887	**$3,076,120**
Operating income	**18,557**	17,847	17,059	17,904	14,942	**158,607**
Net income	**10,125**	9,487	9,287	8,311	5,363	**86,538**
At year-end:						
Total assets	**¥331,781**	¥295,802	¥278,602	¥273,902	¥294,527	**$2,835,735**
Property, plant and equipment, net	**114,062**	113,715	113,170	116,585	124,042	**974,889**
Interest-bearing debt (Note 1)	**69,396**	54,853	46,722	51,870	59,505	**593,128**
Shareholders' equity, net	**168,676**	147,370	141,849	131,806	132,418	**1,441,675**

	Yen					U.S. dollars (Note 4)
Per share data:						
Net income (Note 2)	**¥51.80**	¥48.16	¥47.15	¥41.98	¥27.43	**$0.44**
Diluted net income	**51.79**	–	–	40.86	26.52	**0.44**
Cash dividends applicable to the year (Note 3)	**12.00**	10.00	10.00	8.00	7.00	**0.10**

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 ¥117=US$1.00.

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 2006, the year ended March 31, 2006, steadily recovered on the back of firm growth in the U.S. and continuing expansion in China and other Asian economies. Likewise, in Japan, the rising growth rate of real GDP—largely owing to a sustained rise in personal spending, capital investments, and exports—was combined with a modest improvement in employment and personal income.

Meanwhile, the domestic food, beverage, and liquor industries have yet to recover fully, given the rising costs resulting from soaring crude oil prices and intensifying price competition among companies. Moreover, greater interest in food safety among consumers has made it imperative for companies to actively implement and disclose their policies on safety and reliability.

In this environment, the Kikkoman Group delivered strong growth in domestic sales of *tsuyu* (soy sauce soup base), *tare* (dipping and marinade sauces), and Del Monte products, which offset the struggling performance of soy sauce, the group's mainstay product, as well as wine and *sake*, and Coca-Cola. Overseas operations continued to post robust sales of soy sauce and oriental foods. As a result, consolidated net sales rose 4.4% year on year to ¥359,906 million, operating income increased 4.0% to ¥18,557 million, and net income was up 6.7% at ¥10,125 million—all record figures.

Summary of Business Policy

Business Principles

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

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

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

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

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

Business Strategy

Overseas, we have been taking steps to reinforce our production facilities for soy sauce. Currently, we have six production bases in the U.S., Europe, and Asia, all of which are posting steady growth in product shipments. In Thailand, a new plant came on stream, becoming a manufacturing base for Del Monte products that support our efforts in cultivating and developing the Asian market. Elsewhere, steps are being taken in the U.S. to bolster soy milk and health foods businesses, in which we are fostering growth pillars other than soy sauce. Going forward, the Kikkoman Group aims to sustain high growth overseas by taking these and other measures to create even greater demand and boost consumer spending in each regional market.

Meanwhile, in Japan, we are striving to boost sales of high-value-added products such as *Tokusen Marudaizu Shoyu* (premium soy sauce) and *Tokusen Marudaizu Gen-en Shoyu* (premium low-sodium soy sauce) in the home-use soy sauce market. In parallel, we are working to strengthen our hand in the foodservice- and industrial-use markets by exerting the company's collective strengths. This involves providing technical support and other services while continuing to offer safe and high-quality products. Furthermore, in soy sauce-derivative products, the group will prioritize expanding sales of *Hon Tsuyu* in the *tsuyu* (soy sauce soup base) category, while aiming to expand market shares of *tare* (dipping and marinade sauces). In addition, *Uchi-no-Gohan*, a handy Japanese-style seasoning mix, continues to expand, gaining a stronger foothold in its market. Through these and other actions, we aim to establish the Kikkoman brand as a leading name that encompasses a broader range of Japanese seasoning beyond soy sauce. In Del Monte Operations, we are bolstering this brand by developing new value-added products, such as a vegetable juice infused with lactobacillus derived from vegetables launched in February 2006. Finally, our *sake* and wine business will focus on increasing the market share for home-use *mirin* (sweet *sake* for cooking), while developing high-value-added wine products.

In terms of capital and business alliances, we are collaborating with Higeta Shoyu Co., Ltd. on jointly purchasing raw ingredients and effectively sharing each other's manufacturing facilities, while fostering closer cooperation in the foodservice- and industrial-use markets. Through this cooperation we would like to reinforce our businesses. We are also reinforcing our alliance with the Kibun Foods Group in the beverage business through such activities as joint development of chilled beverages and soup. In other areas, too, we will pursue synergies to reinforce our businesses and improve operating results.

Basic Approach to Corporate Governance

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

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

Corporate Governance Framework

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

In June 2004, we established the positions of chief executive officer (CEO) and chief operating officer (COO). The CEO is the highest decision maker in group management. Under the CEO, the Management Committee functions as a deliberative body for decision-making. The COO holds the ultimate responsibility for business execution. Under the COO, the Corporate Officers Meeting functions as a deliberative body for decision-making.

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

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

Internal Control and Risk Management System

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

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

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

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

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

Basic Policy on the Distribution of Profits

The Kikkoman Group's basic policy is to reward shareholders with a distribution of profits, backed by strong financial performance on a consolidated basis, while using funds to strengthen both 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 U.S. economy is expected to continue posting solid growth for some time, owing to various factors including improved employment conditions. Although there are concerns over possible tax hikes, increased social welfare spending, and higher crude oil prices, the Japanese economy likewise promises to remain robust, as recovery in corporate earnings is improving household income.

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

In response to these demands, the Kikkoman Group is committed to prioritizing the allocation of resources to 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 will prioritize the sustained growth of soy sauce by taking such measures as promoting high-value-added products for home use and aggressive development of channels for foodservice- and industrial-use. In addition, we will focus on soy milk and health foods businesses to foster earnings pillars beside the soy sauce domain.

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

At the same time, in Asia, we will build the basis for future growth. In particular, we have established an R&D base in Singapore to develop products that accommodate demand in the growing Chinese market.

Interest is rising in Japanese food throughout the world. We are therefore committed 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 demanding 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. In addition, we will increase sales of other products that require a higher degree of processing, such as *Uchi-no-Gohan*. Efforts are also ongoing to improve the profit structure of these products. Finally, the group will vitalize the Del Monte brand by developing products that offer new value.

In reforming our business structure, the Kikkoman Group has taken quick steps to capture synergies created by business alliances with Higeta Shoyu and Kibun Foods Group and produce concrete results. Moreover, in April 2006, we transferred our *shochu* business to strengthen our management base. Looking ahead, we will make efforts to deliver high-value-added wine products in the liquor business.

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.

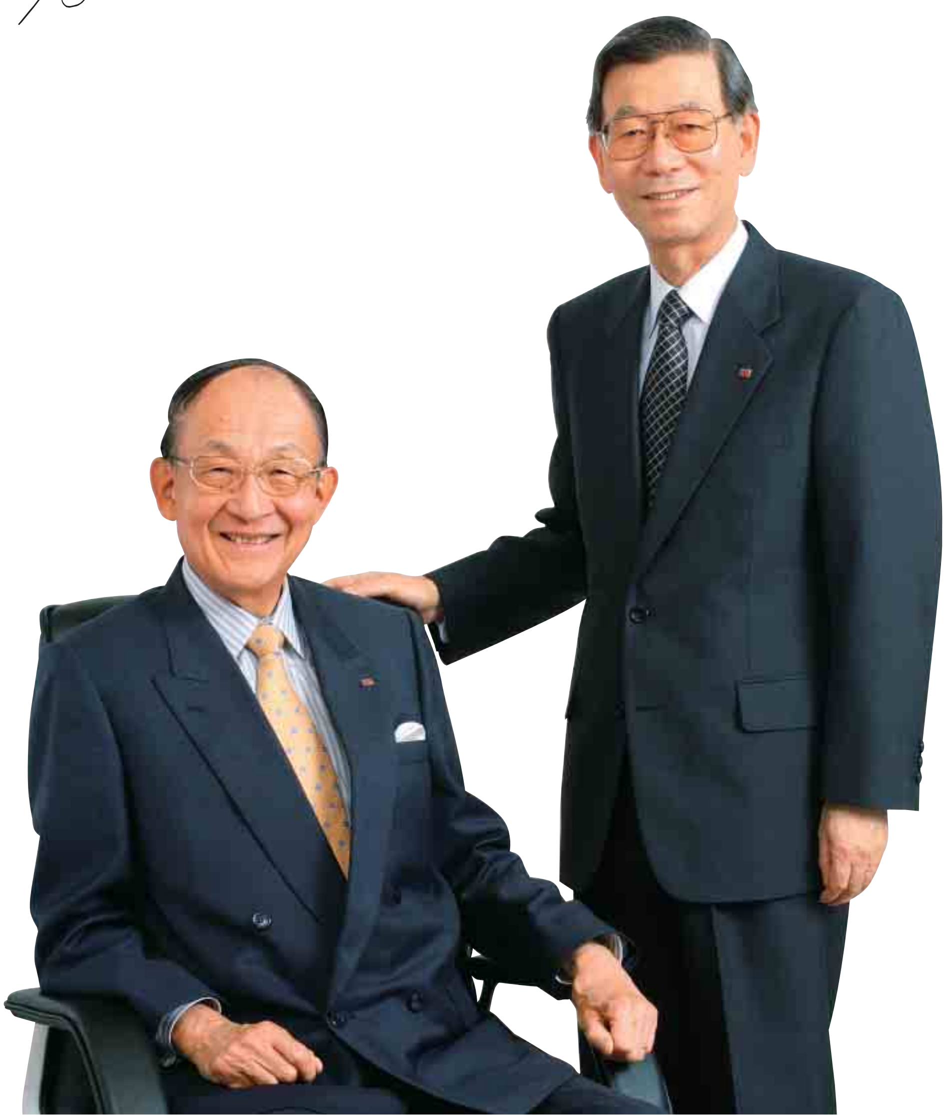
July 2006

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

Yuzaburo Mogi

Right:
Takashi Ushiku
President and Chief Operating Officer

Takashi Ushiku



Management's Discussion and Analysis

OPERATING RESULTS

Domestic operations during the year under review saw favorable sales growth of soy sauce derivative products, such as *tsuyu* (soy sauce soup base) and *tare* (dipping and marinade sauces), and Del Monte products, while sales of soy sauce, Kikkoman's core product, as well as *sake* and wine and Coca-Cola, struggled. In overseas operations, soy sauce and oriental food products sales continued to record robust growth. As a result, Kikkoman posted all-time highs for net sales, operating income, ordinary income, and net income.

Consequently, on a consolidated basis, net sales increased 4.4% year on year to ¥359,906 million. In terms of earnings, operating income rose 4.0% to ¥18,557 million, and net income increased 6.7% to ¥10,125 million.

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 5.0% to ¥178,588 million, while operating income increased 10.2% to ¥12,256 million. The results for each division are as follows.

SOY SAUCE DIVISION

The market downturn in the home-use sector in Japan slowed down. As a result, sales of *Tokusen Marudaizu Shoyu* and other premium soy sauces grew. However, sales of 1-liter bottles of *Koikuchi Shoyu* (regular soy sauce) dropped, falling below previous year's levels. Meanwhile, in the foodservice- and industrial-use sectors, sales of bulk containers and other large containers grew steadily, while sales of medium-sized containers could not record the same level of performance as in the previous year.

Overseas, in the U.S., the company made a steady delivery of products for the home-use and industrial-use sectors. Likewise, in the European market, steady growth was posted in France, Italy, and Spain, as well as key markets including Germany and the U.K. Markets in Eastern Europe and Russia also grew substantially. As a result, the European market recorded double-digit growth as a whole for the second consecutive year. In the Asia and Oceania market, results surpassed the previous fiscal year, owing to efforts to further entrench the Kikkoman brand in each country.

SOY SAUCE DERIVATIVE PRODUCTS DIVISION

In *tsuyu*, celebrating its 10th anniversary since its first product launch, *Hon Tsuyu* made further quality improvements. *Hon Tsuyu* also recorded healthy sales, growing to become one of Kikkoman's core products in Japanese seasonings. Meanwhile, *Straight Tsuyu* posted sales results similar to fiscal 2005, while sales of *Nabe Tsuyu* saw solid growth. In *tare*, amid sluggish market conditions, sales rose above the previous fiscal year, mainly on healthy sales of *Wagaya-wa-Yakinikuyasan* and *Steak Shoyu*. In addition, *Uchi-no-Gohan* (a handy Japanese-style seasoning mix) saw sales grow above the previous year's results, reflecting the benefits of active efforts to develop new products and sales promotion activities.

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 900g PET bottles. Overseas, sales grew higher due to growth in Hong Kong and Korea.

SAKE AND WINE DIVISION

Hon Mirin sales overall fell below the previous fiscal year. Although sales in the home-use sector exceeded fiscal 2005 owing to performance of products in 1-liter and 500-ml bottles, sales in the foodservice- and industrial-use sectors dropped due to price competition. *Shochu* also saw sales dip year on year, even though products sold in large containers performed strongly. Likewise, although sales of *Mon Frere* and other table wines grew, total wine sales posted a decline from a year ago as sales of products sold in large containers edged down.

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 continued expansion in the Japanese foods market. In Europe, as well, the popularity of Japanese food in emerging markets such as Russia and Central and Eastern Europe continued to drive sales higher. As a result, segment sales rose 14.7% year on year to ¥59,617 million and operating income increased 29.3% to ¥2,341 million.

COCA-COLA

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

During the fiscal year under review, the company struggled as it saw severe sales competition and intensifying price competition. Against this backdrop, the company launched *Hajime*, a new green tea drink, which posted healthy sales. Sales of other new products, such as *Aquarius Active Diet,* also contributed to segment sales. However, the core brand *Coca-Cola* saw sales decrease from fiscal 2005.

The segment also continued to reinforce and promote greater efficiency in marketing activities geared to major customers in the Tokyo Metropolitan Area. To this end, in April 2005, Coca-Cola East Japan Chain Store Sales (CCEJCS), an organization that integrates the sales promotion sections of the four chain store bottlers covering the Tokyo Metropolitan Area, was launched and began operations.

As a result, segment sales dropped 1.3% to ¥117,886 million and operating income declined 31.7% to ¥2,736 million.

OTHERS

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

The segment grew strongly as a whole on steady growth of functional food materials, medical reagents, reagents for hygiene testing, and enzymes for processing, despite the challenging environment created by revisions to pharmaceutical pricing and intensified market competition.

As a result, segment sales increased 8.2% to ¥4,804 million and operating income rose 32.9% to ¥1,214 million.

FINANCIAL POSITION

ASSETS

Total assets as of March 31, 2006 were ¥331,781 million, or ¥35,979 million higher than a year ago. Current assets increased ¥18,364 million year on year due to an increase in cash and time deposits and other factors. Investments and other assets increased ¥17,267 million due to an increase in investments in securities resulting from share acquisition, higher market values, and other factors.

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities were ¥22,605 million lower than a year ago at the end of March 2006. This reflected a drop in short-term bank loans and the scheduled redemption of bonds in less than a year. Long-term liabilities increased ¥36,574 million largely due to an increase in bonds. Consequently, there was a ¥13,968 million increase in total liabilities to ¥139,773 million at March 31, 2006. Minority interests were up ¥704 million to ¥23,331 million.

Shareholders' equity rose ¥21,306 million from a year ago to ¥168,676 million. This was due to an increase in retained earnings and higher unrealized gain on securities. The shareholders' equity ratio edged up by 1.0 percentage point to 50.8%. Equity per share increased ¥110.49 year on year to ¥870.82.

CASH FLOWS

Cash and cash equivalents were ¥35,642 million at March 31, 2006, the result of an increase in cash and cash equivalents of ¥15,300 million and an increase of ¥1,526 million in cash and cash equivalents arising from changes in the accounting periods of consolidated subsidiaries.

Operating activities provided net cash of ¥20,646 million, an increase of ¥241 million from the previous fiscal year. This was the result mainly of an increase in income before income taxes and minority interests, and depreciation and amortization, combined with an increase in notes and accounts receivable in fiscal 2005, despite an increase in income taxes paid.

Investing activities used net cash of ¥17,270 million, a year-on-year decrease of ¥13,953 million. The main reasons for this decrease were a ¥5,166 million decrease in the acquisition of investments in securities and a ¥7,414 million decrease in addition to loans receivable, which was partially offset by a ¥2,793 million increase in the acquisition of property, plant and equipment.

Financing activities provided net cash of ¥11,240 million, up ¥6,783 million from the previous fiscal year. This was mainly due to a net increase of ¥29,032 million in short-term bank loans and ¥7,000 million in redemption of corporate bonds, despite proceeds of ¥39,768 million from the issuance of corporate bonds.

RISK FACTORS

ECONOMIC CONDITIONS

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

JAPANESE MARKET

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

OVERSEAS MARKET

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

EXCHANGE RATE FLUCTUATIONS

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

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

FLUCTUATIONS IN RAW MATERIAL PRICES

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

WEATHER

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

PRODUCT DEVELOPMENT

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

COMPETITION

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

PRODUCT AND SERVICE QUALITY RISK

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

INTELLECTUAL PROPERTY

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

ALLIANCES AND CORPORATE ACQUISITIONS

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

LAWS AND REGULATIONS

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

FORCE MAJEURE

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

Products Lineup

Original Kikkoman Shoyu:

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

Tokusen Marudaizu Shoyu:

Premium marudaizu soy sauce is widely accepted in Japan.

Tokusen Yuki Shoyu:

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

Gen-en Shoyu:

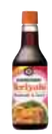
Soy sauce with 50% less sodium than *Original Kikkoman Shoyu*.

Tokusen Marudaizu Gen-en Shoyu:

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

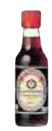
Less Sodium Soy Sauce (America):

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



Teriyaki Marinade & Sauce (America):

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

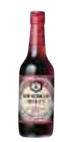


Soy Sauce (Europe):

The original soy sauce made in Europe.

Special Fragrance Soy Sauce (Singapore):

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



Soy Sauce Sweet Type (China):

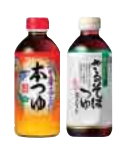
This has a rich taste and aroma, and was specially brewed for Chinese consumers.

Houjun Hon Mirin:

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

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):

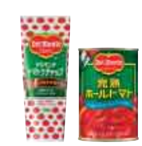
Natural bonito and seaweed *dashi* (broth), *marudaizu* soy sauce, and *hon mirin* are blended to create this *mentsuyu* (noodle soup).

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):

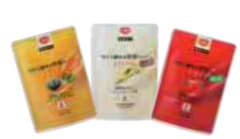
100% tomato juice and vegetable juice.

Del Monte "Lact-Vege" (right):

A new type of vegetable drink which contains vegetables that are fermented using lactobacillus of plant origin

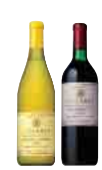
Chilled Beverages:

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



Chilled Soup:

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



Manns Solaris:

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

Geographical Sales and Operating Income Information

Year ended March 31, 2006 — Millions of yen

Segment		Segment Total	% Share	Japan	% Share	Overseas	% Share
Foods—manufacturing and sales	Sales	¥178,588	49.6	¥141,840	50.7	¥38,488	41.9
	Operating income	32,266	67.3	19,600	62.0	12,650	77.4
	Operating income ratio (%)	18.1		13.8		32.9	
(Soy Sauce)	Sales	86,031	23.9	54,357	19.4	33,414	36.4
	Operating income	23,877	49.8	11,707	37.0	12,157	74.4
	Operating income ratio (%)	27.8		21.5		36.4	
(Soy Sauce Derivative Products)	Sales	25,729	7.1	25,729	9.2		
	Operating income	2,700	5.6	2,700	8.6		
	Operating income ratio (%)	10.5		10.5			
(Del Monte)	Sales	44,657	12.4	39,582	14.1	5,074	5.5
	Operating income	3,858	8.1	3,363	10.6	493	3.0
	Operating income ratio (%)	8.6		8.5		9.7	
(*Sake* and Wine)	Sales	23,367	6.5	23,367	8.4		
	Operating income	1,831	3.8	1,831	5.8		
	Operating income ratio (%)	7.8		7.8			
(Eliminations)	Sales	(1,197)	(0.3)	(1,197)	(0.4)		
	Operating income	(1)	(0.0)	(2)	(0.0)		
	Operating income ratio (%)	0.2		0.2			
Foods—wholesale	Sales	59,617	16.6	16,307	5.8	52,970	57.7
	Operating income	4,325	9.0	683	2.1	3,654	22.4
	Operating income ratio (%)	7.3		4.2		6.9	
Coca–Cola	Sales	117,886	32.8	117,886	42.2		
	Operating income	9,669	20.2	9,669	30.6		
	Operating income ratio (%)	8.2		8.2			
Others	Sales	4,804	1.3	4,348	1.6	456	0.5
	Operating income	1,705	3.5	1,667	5.3	38	0.2
	Operating income ratio (%)	35.5		38.3		8.4	
Eliminations	Sales	(991)	(0.3)	(797)	(0.3)	(81)	(0.1)
	Operating income	0	0.0	(2)	(0.0)	1	0.0
	Operating income ratio (%)	–		0.3			
Total	Sales	¥359,906	100.0	¥279,587	100.0	¥91,834	100.0
	Operating income	47,968	100.0	31,619	100.0	16,344	100.0
	Operating income ratio (%)	13.3		11.3		17.8	
Advertising expenses		¥ 6,936		¥ 4,583		¥ 2,353	
(% of sales)		1.9		1.7		2.6	
Headquarter operating expenses		23,474		18,228		4,222	
(% of sales)		6.2		6.5		4.6	
Operating income		18,557		8,806		9,769	
(% of sales)		5.2		3.1		10.6	

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

Consolidated Balance Sheets

Kikkoman Corporation and Consolidated Subsidiaries March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
Assets	**2006**	2005	**2006**
Current assets:			
Cash and time deposits (Note 4)	**¥ 36,487**	¥ 20,664	**$ 311,855**
Trade notes and accounts receivable (Note 8)	**44,652**	43,586	**381,641**
Allowance for doubtful receivables	**(786)**	(670)	**(6,718)**
	43,865	42,916	**374,915**
Inventories (Note 6)	**27,142**	26,427	**231,983**
Deferred tax assets (Note 10)	**4,314**	3,739	**36,872**
Other current assets (Note 4)	**7,333**	7,031	**62,675**
Total current assets	**119,143**	100,779	**1,018,316**
Property, plant and equipment, at cost (Note 8):			
Land	**29,273**	32,381	**250,197**
Buildings and structures	**96,092**	92,977	**821,299**
Machinery, equipment and vehicles	**144,552**	139,841	**1,235,487**
Other	**54,395**	54,035	**464,915**
Construction in progress	**2,669**	1,905	**22,812**
	326,983	321,142	**2,794,726**
Accumulated depreciation	**(212,921)**	(207,426)	**(1,819,838)**
Property, plant and equipment, net	**114,062**	113,715	**974,889**
Investments and other assets:			
Investments in securities (Note 5)	**45,168**	33,221	**386,051**
Investments in and advances to unconsolidated subsidiaries and affiliates	**41,816**	34,380	**357,402**
Intangible assets	**6,841**	7,462	**58,470**
Deferred tax assets (Note 10)	**3,238**	3,972	**27,675**
Other assets	**1,510**	2,270	**12,906**
Total investments and other assets	**98,575**	81,307	**842,521**
Total assets	**¥ 331,781**	¥ 295,802	**$ 2,835,735**

See accompanying notes to consolidated financial statements.

Liabilities and shareholders' equity	Millions of yen 2006	Millions of yen 2005	Thousands of U.S. dollars (Note 3) 2006
Current liabilities:			
Short-term bank loans (Notes 7 and 8)	**¥ 5,905**	¥ 25,043	**$ 50,470**
Current portion of long-term debt (Notes 7 and 8)	**2,920**	7,144	**24,957**
Trade notes and accounts payable	**13,391**	13,183	**114,453**
Other accounts payable	**15,478**	15,104	**132,291**
Accrued expenses	**2,016**	2,010	**17,231**
Accrued income taxes (Note 10)	**2,040**	2,344	**17,436**
Other current liabilities	**4,995**	4,521	**42,692**
Total current liabilities	**46,748**	69,353	**399,556**
Long-term liabilities:			
Long-term debt (Notes 7 and 8)	**55,005**	17,381	**470,128**
Accrued employees' pension and severance costs (Note 9)	**18,616**	23,714	**159,111**
Accrued officers' severance benefits	**1,784**	1,744	**15,248**
Deposits received	**6,419**	6,356	**54,863**
Deferred tax liabilities (Note 10)	**9,319**	4,747	**79,650**
Other long-term liabilities	**1,880**	2,506	**16,068**
Total long-term liabilities	**93,025**	56,451	**795,085**
Minority interests	**23,331**	22,627	**199,410**
Shareholders' equity:			
Common stock:			
Authorized: 300,000,000 shares			
Issued: 197,202,300 shares in 2006 and 2005	**11,599**	11,599	**99,137**
Additional paid-in capital (Note 11)	**5,775**	5,773	**49,359**
Retained earnings (Notes 11 and 18)	**136,546**	127,951	**1,167,060**
Unrealized holding gain on securities	**19,497**	11,008	**166,641**
Translation adjustments	**(2,073)**	(6,408)	**(17,718)**
	171,344	149,923	**1,464,479**
Treasury stock, at cost:			
March 31, 2006—3,612,457 shares	**(2,668)**	–	**(22,803)**
March 31, 2005—3,510,184 shares	**–**	(2,553)	**–**
Shareholders' equity, net	**168,676**	147,370	**1,441,675**
Contingent liabilities (Note 14)			
Total liabilities and shareholders' equity	**¥331,781**	¥295,802	**$2,835,735**

Consolidated Statements of Income

Kikkoman Corporation and Consolidated Subsidiaries Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2005	**2006**
Net sales	**¥359,906**	¥344,625	**$3,076,120**
Cost of sales	**216,975**	207,276	**1,854,487**
Gross profit	**142,931**	137,348	**1,221,632**
Selling, general and administrative expenses (Notes 9 and 12)	**124,373**	119,500	**1,063,017**
Operating income	**18,557**	17,847	**158,607**
Other income (expenses):			
Interest and dividend income	**852**	774	**7,282**
Equity in (losses) earnings of unconsolidated subsidiaries and affiliates	**716**	580	**6,120**
Interest expense	**(660)**	(544)	**(5,641)**
Gain on sales of securities	**611**	246	**5,222**
Gain on sales of property, plant and equipment	**798**	378	**6,821**
Gain on establishment of pension trust fund	**2,520**	–	**21,538**
Loss on sales of property, plant and equipment	**(4)**	(190)	**(34)**
Loss on disposal of property, plant and equipment	**(1,360)**	(1,204)	**(11,624)**
Loss on revaluation of investments in securities	**(36)**	(5)	**(308)**
Loss on impairment of fixed assets	**(1,965)**	–	**(16,795)**
Loss on revaluation of investments in affiliates	**(73)**	–	**(624)**
Special additional severance benefits	**(230)**	–	**(1,966)**
Costs related to vending machines to accept the tender of new yen bills	**(171)**	(284)	**(1,462)**
Write-down of inventories	**(452)**	–	**(3,863)**
Loss on revaluation of golf memberships	**(11)**	–	**(94)**
Environmental conservation costs	**(86)**	–	**(735)**
Other, net	**(1,638)**	(1,261)	**(14,000)**
	(1,194)	(1,511)	**(10,205)**
Income before income taxes and minority interests	**17,362**	16,336	**148,393**
Income taxes (Note 10):			
Current	**6,391**	5,737	**54,624**
Deferred	**(156)**	4	**(1,333)**
	6,235	5,742	**53,291**
Income before minority interests	**11,127**	10,593	**95,103**
Minority interests	**(1,002)**	(1,106)	**(8,564)**
Net income (Note 15)	**¥ 10,125**	¥ 9,487	**$ 86,538**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Kikkoman Corporation and Consolidated Subsidiaries Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2005	**2006**
Common stock			
Balance at beginning and end of the year (March 31, 2006—197,202,300 shares; March 31, 2005—197,202,300 shares)	**¥ 11,599**	¥ 11,599	**$ 99,137**
Additional paid-in capital (Note 11)			
Balance at beginning of the year	**¥ 5,773**	¥ 5,770	**$ 49,342**
Add:			
Gain on sales of treasury stock	**2**	2	**17**
Balance at end of the year	**¥ 5,775**	¥ 5,773	**$ 49,359**
Retained earnings (Notes 11 and 18)			
Balance at beginning of the year	**¥127,951**	¥120,176	**$1,093,598**
Add:			
Net income	**10,125**	9,487	**86,538**
Increase from accounting period changes of consolidated subsidiaries	**435**	–	**3,718**
Other	**76**	462	**650**
Deduct:			
Cash dividends paid	**(1,945)**	(1,959)	**(16,624)**
Bonuses to directors and statutory auditors	**(96)**	(87)	**(821)**
Other	**–**	(127)	**–**
Balance at end of the year	**¥136,546**	¥127,951	**$1,167,060**
Unrealized holding gain on securities			
Balance at beginning of the year	**¥ 11,008**	¥ 11,012	**$ 94,085**
Net change during the year	**8,488**	(3)	**72,547**
Balance at end of the year	**¥ 19,497**	¥ 11,008	**$ 166,641**
Translation adjustments			
Balance at beginning of the year	**¥ (6,408)**	¥ (5,665)	**$ (54,769)**
Net change during the year	**4,335**	(743)	**37,051**
Balance at end of the year	**¥ (2,073)**	¥ (6,408)	**$ (17,718)**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Kikkoman Corporation and Consolidated Subsidiaries Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2006	2005	**2006**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 17,362**	¥ 16,336	**$ 148,393**
Depreciation and amortization	**14,223**	13,622	**121,564**
Loss on impairment of fixed assets	**1,965**	–	**16,795**
Accrued employees' pension and severance costs	**(2,105)**	(2,418)	**(17,991)**
Accrued officers' severance benefits	**40**	180	**342**
Interest and dividend income	**(852)**	(774)	**(7,282)**
Interest expense	**660**	544	**5,641**
Equity in losses (earnings) of unconsolidated subsidiaries and affiliates	**(716)**	(580)	**(6,120)**
Gain on sales of property, plant and equipment	**(798)**	(378)	**(6,821)**
Gain on sales of securities	**(611)**	(246)	**(5,222)**
Gain on establishment of pension trust fund	**(2,520)**	–	**(21,538)**
Loss on disposal of property, plant and equipment	**1,360**	1,204	**11,624**
Loss on sales of property, plant and equipment	**4**	190	**34**
Loss on revaluation of investments in securities	**36**	5	**308**
Loss on revaluation of investments in affiliates	**73**	–	**624**
Notes and accounts receivable	**126**	(2,430)	**1,077**
Inventories	**813**	(1,024)	**6,949**
Notes and accounts payable	**(726)**	99	**(6,205)**
Other	**(846)**	1,253	**(7,231)**
Subtotal	**27,490**	25,583	**234,957**
Interest and dividends received	**1,212**	982	**10,359**
Interest paid	**(694)**	(518)	**(5,932)**
Income taxes paid	**(7,362)**	(5,641)	**(62,923)**
Net cash provided by operating activities	**20,646**	20,405	**176,462**
Cash flows from investing activities			
Acquisition of property, plant and equipment	**(15,391)**	(12,598)	**(131,547)**
Proceeds from sales of property, plant and equipment	**1,340**	991	**11,453**
Acquisition of intangible assets	**(1,164)**	(1,244)	**(9,949)**
Acquisition of investments in securities	**(8,164)**	(13,331)	**(69,778)**
Proceeds from sales of investments in securities	**4,170**	2,483	**35,641**
Addition to loans receivable	**(186)**	(7,601)	**(1,590)**
Collection of loans receivable	**935**	858	**7,991**
Other	**1,190**	(781)	**10,171**
Net cash used in investing activities	**(17,270)**	(31,224)	**(147,607)**
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	**(19,144)**	9,887	**(163,624)**
Proceeds from long-term debt	**39,768**	–	**339,897**
Repayment of long-term debt	**(7,144)**	(1,449)	**(61,060)**
Acquisition of treasury stock	**(130)**	(1,523)	**(1,111)**
Cash dividends paid	**(2,194)**	(2,201)	**(18,752)**
Other	**86**	(257)	**735**
Net cash used in financing activities	**11,240**	4,456	**96,068**
Effect of exchange rate changes on cash and cash equivalents	**683**	47	**5,838**
Increase (decrease) in cash and cash equivalents	**15,300**	(6,314)	**130,769**
Cash and cash equivalents at beginning of the year	**18,815**	25,100	**160,812**
Increase from the changes of accounting year-end date in certain consolidated subsidiaries	**1,526**	–	**13,043**
Increase arising from inclusion of subsidiaries in consolidation	**–**	29	**–**
Cash and cash equivalents at end of the year (Note 4)	**¥ 35,642**	¥ 18,815	**$ 304,632**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Kikkoman Corporation and Consolidated Subsidiaries Years ended March 31, 2006 and 2005

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 one of the Company's factories and part of rental equipments on which depreciation is computed by the straight-line method at rates based on the estimated useful lives of the respective assets. Depreciation of property, plant and equipment of the foreign consolidated subsidiaries is computed principally by the straight-line method.

The 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.

(m) Changes in accounting policies

Accounting Standard for Impairment of fixed assets

Effective April 1, 2005, the Company and domestic consolidated subsidiaries adopted a new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Council on August 9, 2002) and the Implementation Guidance for the Accounting Standard for Impairment of Fixed Assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003).

As the result of adopting initial adoption of the Standards for the year ended March 31, 2006, income before income taxes and minority interests for the period has been deceased by ¥1,965 million (U.S.$16,795 thousand) due to the loss on impairment of fixed assets.

Accumulated total of loss on impairment for fixed assets were directly deducted from the balance of each category of fixed asset.

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 ¥117 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2006. 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, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2006**	2005	**2006**
Cash and time deposits	**¥36,487**	¥20,664	**$311,855**
Other current assets	**129**	129	**1,103**
Time deposits with maturities of more than three months	**(974)**	(1,978)	**(8,325)**
	¥35,642	¥18,815	**$304,632**

5. FAIR VALUE OF SECURITIES

At March 31, 2006 and 2005, 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, 2006 and 2005 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2006	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:						
Stocks	**¥8,248**	**¥40,039**	**¥31,791**	**$70,496**	**$342,214**	**$271,718**
	8,248	**40,039**	**31,791**	**70,496**	**342,214**	**271,718**
Unrealized loss:						
Stocks	**1,012**	**969**	**(43)**	**8,650**	**8,282**	**(368)**
Other	**100**	**98**	**(1)**	**855**	**838**	**(9)**
	1,112	**1,068**	**(44)**	**9,504**	**9,128**	**(376)**
Total	**¥9,360**	**¥41,107**	**¥31,746**	**$80,000**	**$351,342**	**$271,333**

	Millions of yen		
March 31, 2005	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:			
Stocks	¥ 7,288	¥25,615	¥18,327
Other	321	326	5
	7,609	25,942	18,332
Unrealized loss:			
Stocks	1,170	864	(306)
Bonds:			
Corporate bonds	2,522	2,516	(6)
Other	87	83	(4)
	3,781	3,464	(316)
Total	¥11,390	¥29,406	¥18,015

Non-marketable securities classified as other securities at March 31, 2006 and 2005 amounted to ¥4,056 million ($34,667 thousand) and ¥3,811 million, respectively.

Proceeds from sales of securities classified as other securities amounted to ¥4,170 million ($35,641 thousand) and ¥2,483 million with an aggregate gain on sales of ¥611 million ($5,222 thousand) and ¥246 million for the years ended March 31, 2006 and 2005, respectively.

6. INVENTORIES

Inventories at March 31, 2006 and 2005 were as follows:

March 31,	Millions of yen 2006	2005	Thousands of U.S. dollars 2006
Merchandise	**¥14,380**	¥13,276	**$122,906**
Finished products	**4,095**	3,749	**35,000**
Work in process	**6,106**	6,436	**52,188**
Ingredients and supplies	**2,559**	2,965	**21,872**
	¥27,142	¥26,427	**$231,983**

7. LONG-TERM DEBT AND CREDIT FACILITIES

Long-term debt at March 31, 2006 and 2005 consisted of the following:

March 31,	Millions of yen 2006	2005	Thousands of U.S. dollars 2006
1.33% unsecured bonds, payable in yen, due 2005	**¥ –**	¥ 7,000	**$ –**
1.77% unsecured bonds, payable in yen, due 2007	**5,000**	5,000	**42,735**
0.53% unsecured bonds, payable in yen, due 2007	**10,000**	10,000	**85,470**
0.98% unsecured bonds, payable in yen, due 2012	**20,000**	–	**170,940**
1.89% unsecured bonds, payable in yen, due 2016	**20,000**	–	**170,940**
Loans from banks	**2,925**	2,525	**25,000**
	57,925	24,525	**495,085**
Less: Current portion	**2,920**	7,144	**24,957**
	¥55,005	¥17,381	**$470,128**

The annual maturities of long-term debt subsequent to March 31, 2006 are summarized as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2007	¥ 2,920	$ 24,957
2008	15,005	128,248
2009	–	–
2010	–	–
2011 and thereafter	40,000	341,880
	¥57,925	$495,085

The Company and its consolidated subsidiaries have lines of credit from banks which provide for up to ¥41,115 million ($351,410 thousand) and ¥40,546 million in borrowings and, at March 31, 2006 and 2005, respectively, had ¥5,422 million ($46,342 thousand) and ¥24,620 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, 2006 and 2005 were as follows:

March 31,	Millions of yen 2006	2005	Thousands of U.S. dollars 2006
Accounts receivable	**¥1,644**	¥ 833	**$14,051**
Property, plant and equipment, at net book value	**5,452**	5,507	**46,598**
Other	**59**	50	**504**
	¥7,156	¥6,391	**$61,162**

9. ACCRUED PENSION AND SEVERANCE COSTS

The Company and its domestic consolidated subsidiaries have non-contributory tax-qualified pension plans, welfare pension fund plans (the "WPFP") and lump-sum severance indemnity plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. The Company has established pension trust fund. Certain 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, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2006**	2005	**2006**
Projected benefit obligation	**¥(75,331)**	¥(74,706)	**$(643,855)**
Plan assets at fair value	**46,988**	37,541	**401,607**
Unfunded benefit obligation	**(28,343)**	(37,164)	**(242,248)**
Unrecognized actuarial gain or loss	**18,097**	23,071	**154,675**
Unrecognized prior service cost (Reduction of obligation)	**(8,360)**	(9,572)	**(71,453)**
Prepaid pension and severance costs	**9**	48	**77**
Accrued pension and severance costs	**¥(18,616)**	¥(23,714)	**$(159,111)**

The components of net periodic pension and severance costs for the years ended March 31, 2006 and 2005 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
Year ended March 31,	**2006**	2005	**2006**
Service cost	**¥ 2,271**	¥ 2,198	**$ 19,410**
Interest cost on projected benefit obligation	**1,572**	1,581	**13,436**
Expected return on plan assets	**(1,020)**	(927)	**(8,718)**
Gain on plan amendment (Prior service cost)	**(1,212)**	(1,180)	**(10,359)**
Amortization of actuarial differences	**2,496**	2,507	**21,333**
Total	**¥ 4,108**	¥ 4,179	**$ 35,111**

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

Year ended March 31,	**2006**	2005
Discount rates	**Mainly 2.0%**	Mainly 2.0%
Expected rates of return on plan assets	**Mainly 2.0 – 3.0%**	Mainly 2.0 – 3.0%

10. INCOME TAXES

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitants' taxes and enterprise tax which, in the aggregate, resulted in a statutory tax rate of approximately 40.5% for 2006 and 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, 2006 and 2005 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2006**	2005	**2006**
Deferred tax assets:			
Inventories	**¥ 592**	¥ 766	**$ 5,060**
Loss on impairment of fixed assets	**792**	–	**6,769**
Accrued enterprise tax	**228**	221	**1,949**
Other accounts payable	**1,304**	1,034	**11,145**
Allowance for doubtful receivables	**983**	669	**8,402**
Accrued expenses	**818**	815	**6,991**
Accrued pension and severance costs	**9,430**	9,287	**80,598**
Tax loss carryforward	**229**	251	**1,957**
Unrealized profit	**408**	378	**3,487**
Other	**1,609**	1,795	**13,752**
Valuation allowance	**(88)**	–	**(752)**
Total deferred tax assets	**16,307**	15,220	**139,376**
Deferred tax liabilities:			
Depreciation	**(1,383)**	(1,599)	**(11,821)**
Deferred capital gain	**(2,637)**	(3,289)	**(22,538)**
Gain on establishment of pension trust fund	**(1,020)**	–	**(8,718)**
Net unrealized gain on investments in securities	**(12,859)**	(7,244)	**(109,906)**
Other	**(179)**	(128)	**(1,530)**
Total deferred tax liabilities	**(18,081)**	(12,262)	**(154,538)**
Deferred tax assets (liabilities), net	**¥ (1,773)**	¥ 2,958	**$ (15,154)**

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 ($24,778 thousand) at March 31, 2006 and 2005. 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, 2006 and 2005 were ¥3,439 million ($29,393 thousand) and ¥3,453 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, 2006 and 2005, 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, 2006	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	**¥1,765**	**¥ 813**	**¥ 952**	**$15,085**	**$ 6,949**	**$ 8,137**
Other	**1,327**	**869**	**458**	**11,342**	**7,427**	**3,915**
Intangible assets	**14**	**6**	**8**	**120**	**51**	**68**
Total	**¥3,107**	**¥1,688**	**¥1,419**	**$26,556**	**$14,427**	**$12,128**

	Millions of yen		
March 31, 2005	Acquisition costs	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥1,629	¥ 580	¥1,048
Other	1,631	925	705
Intangible assets	22	13	8
Total	¥3,283	¥1,520	¥1,762

Lease payments relating to finance leases accounted for as operating leases amounted to ¥663 million ($5,667 thousand) and ¥709 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, 2006 and 2005, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31, 2006 and 2005 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2006**	2005	**2006**
Within 1 year	**¥ 551**	¥ 623	**$ 4,709**
Over 1 year	**867**	1,139	**7,410**
	¥1,419	¥1,762	**$12,128**

(b) Operating leases

1) As Lessees

Future minimum lease payments subsequent to March 31, 2006 and 2005 for noncancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2006**	2005	**2006**
Within 1 year	**¥ 946**	¥ 820	**$ 8,085**
Over 1 year	**2,548**	2,464	**21,778**
	¥3,494	¥3,285	**$29,863**

2) As Lessors

	Millions of yen		Thousands of U.S. dollars
March 31,	**2006**	2005	**2006**
Within 1 year	**¥ –**	¥ 5	**$ –**
Over 1 year	**–**	–	**–**
	¥ –	¥ 5	**$ –**

14. CONTINGENT LIABILITIES

The Company and its consolidated subsidiaries had the following contingent liabilities at March 31, 2006 and 2005:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2006**	2005	**2006**
As guarantor of indebtedness of:			
Unconsolidated subsidiaries	**¥298**	¥1,094	**$2,547**
Employees	**5**	5	**43**
	¥303	¥1,100	**$2,590**

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 ¥17 million ($145 thousand) and ¥18 million at March 31, 2006 and 2005, 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.

	Yen		U.S. dollars
Year ended March 31,	**2006**	2005	**2006**
Net income:			
Basic	**¥ 51.80**	¥ 48.16	**$0.44**
Diluted	**51.79**	–	**0.44**
Net assets	**870.82**	760.33	**7.44**
Cash dividends applicable to the year	**12.00**	10.00	**0.10**

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, 2006 and 2005:

Currency related transactions

March 31, 2006	Millions of yen Notional amount	Fair value	Unrealized gain (loss)	Thousands of U.S. dollars Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:						
Buy:						
US$	**¥97**	**¥97**	**¥(0)**	**¥829**	**¥829**	**$(0)**
EURO	**0**	**0**	**0**	**0**	**0**	**0**
Yen	**48**	**48**	**0**	**410**	**410**	**0**
Total			**¥(0)**			**$(0)**

March 31, 2005	Millions of yen Notional amount	Fair value	Unrealized gain (loss)
Forward foreign exchange contracts:			
Sell:			
US$	¥606	¥610	¥(4)
HKD	11	12	(0)
THB	80	80	0
Buy:			
US$	183	182	(0)
EURO	0	0	0
Yen	49	48	(1)
Total			¥(5)

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, 2006	Foods–manufacturing and sales	Foods–wholesale	Coca-Cola	Others	Total	Eliminations and corporate	Consolidated
I. Sales and operating income:							
Sales to third parties	**¥177,989**	**¥59,226**	**¥117,886**	**¥4,803**	**¥359,906**	**¥ –**	**¥359,906**
Intragroup sales and transfers	**598**	**391**	**–**	**1**	**991**	**(991)**	**–**
Total sales	**178,588**	**59,617**	**117,886**	**4,804**	**360,897**	**(991)**	**359,906**
Operating expenses	**166,331**	**57,275**	**115,150**	**3,589**	**342,347**	**(998)**	**341,349**
Operating income	**¥ 12,256**	**¥ 2,341**	**¥ 2,736**	**¥1,214**	**¥ 18,549**	**¥ 7**	**¥ 18,557**
II. Assets, depreciation, impairment and capital expenditures:							
Total assets	**¥176,252**	**¥22,481**	**¥ 59,621**	**¥7,108**	**¥265,462**	**¥66,318**	**¥331,781**
Depreciation and amortization	**9,289**	**260**	**4,464**	**209**	**14,223**	**–**	**14,223**
Loss on impairment of fixed assets	**1,763**	**–**	**201**	**–**	**1,965**	**–**	**1,965**
Capital expenditures	**10,802**	**209**	**6,077**	**67**	**17,156**	**–**	**17,156**

Year ended March 31, 2006	Foods–manufacturing and sales	Foods–wholesale	Coca-Cola	Others	Total	Eliminations and corporate	Consolidated
							Thousands of U.S. dollars
I. Sales and operating income:							
Sales to third parties	**$1,521,274**	**$506,205**	**$1,007,573**	**$41,051**	**$3,076,120**	**$ –**	**$3,076,120**
Intragroup sales and transfers	**5,111**	**3,342**	**–**	**9**	**8,470**	**(8,470)**	**–**
Total sales	**1,526,393**	**509,547**	**1,007,573**	**41,060**	**3,084,590**	**(8,470)**	**3,076,120**
Operating expenses	**1,421,632**	**489,530**	**984,188**	**30,675**	**2,926,043**	**(8,530)**	**2,917,513**
Operating income	**$ 104,752**	**$ 20,009**	**$ 23,385**	**$10,376**	**$ 158,538**	**$ 60**	**$ 158,607**
II. Assets, depreciation, impairment and capital expenditures:							
Total assets	**$1,506,427**	**$192,145**	**$ 509,581**	**$60,752**	**$2,268,906**	**$566,821**	**$2,835,735**
Depreciation and amortization	**79,393**	**2,222**	**38,154**	**1,786**	**121,564**	**–**	**121,564**
Loss on impairment of fixed assets	**15,068**	**–**	**1,718**	**–**	**16,795**	**–**	**16,795**
Capital expenditures	**92,325**	**1,786**	**51,940**	**573**	**146,632**	**–**	**146,632**

Year ended March 31, 2005	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	¥169,604	¥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

Geographical Segments

Geographical segment information for the Company and its consolidated subsidiaries for the years ended March 31, 2006 and 2005 is summarized as follows:

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

Year ended March 31, 2006	Japan	North America	Other	Total	Eliminations and corporate	Consolidated
	Thousands of U.S. dollars					
Sales to third parties	**$2,309,906**	**$625,838**	**$140,368**	**$3,076,120**	**$ –**	**$3,076,120**
Interarea sales and transfers	**79,726**	**20,051**	**4,393**	**104,179**	**(104,179)**	**–**
Total sales	**2,389,632**	**645,897**	**144,769**	**3,180,299**	**(104,179)**	**3,076,120**
Operating expenses	**2,314,359**	**576,735**	**130,436**	**3,021,530**	**(104,017)**	**2,917,513**
Operating income	**$ 75,265**	**$ 69,154**	**$ 14,333**	**$ 158,769**	**$ (162)**	**$ 158,607**
Total assets	**$1,934,026**	**$504,316**	**$138,231**	**$2,576,581**	**$ 259,145**	**$2,835,735**

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

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, 2006 and 2005 are summarized as follows:

Year ended March 31, 2006	North America	Other	Total	North America	Other	Total
	Millions of yen			Thousands of U.S. dollars		
Overseas sales	**¥72,636**	**¥21,595**	**¥ 94,232**	**$620,821**	**$184,573**	**$ 805,402**
Consolidated net sales			**359,906**			**3,076,120**
Ratio of overseas sales to consolidated net sales	**20.2%**	**6.0%**	**26.2%**	**20.2%**	**6.0%**	**26.2%**

Year ended March 31, 2005	North America	Other	Total
	Millions of yen		
Overseas sales	¥62,703	¥19,474	¥ 82,177
Consolidated net sales			344,625
Ratio of overseas sales to consolidated net sales	18.2%	5.6%	23.8%

18. SUBSEQUENT EVENT

On November 25, 2005, the Company's Board of Director decided transfer of its *Shochu* business. On December 28, 2005, the Company made contract with Sapporo Breweries Ltd., and on April 1, 2006, *Shochu* business is transferred.

The Company holds 40.1% interest in the voting stock of Kibun Food Chemifa Co., Ltd. ("KFC") and at the KFC's shareholders' meeting held on June 23, 2006, individuals related to the Company were appointed as directors to dominate the majority of KFC's Board of Directors. Accordingly, KFC, which was previously an affiliate accounted for by the equity method, has became one of consolidated subsidiaries of the Company.

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, 2006, were approved at a shareholders' meeting held on June 27, 2006:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥12.00 = $0.10 per share)	**¥2,333**	**$19,940**
Bonuses to directors and statutory auditors	**53**	**453**
	¥2,386	**$20,393**

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, 2006 and 2005, 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, 2006 and 2005, 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, 2006 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, 2006

Ernst & Young ShinNihon

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

Corporate History

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

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

(As of July 2006)

Major Group Companies

KIKKOMAN CORPORATION

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

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

Plants: Noda and Takasago
Research & Development Division: Noda

JAPAN

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

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

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

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

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

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

OVERSEAS

The Americas

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

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

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

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

Kikkoman Marketing & Planning, Inc.
675 Tollgate Road, Suite G,
Elgin, Illinois 60123, U.S.A.
Tel: +1 (847) 622-9540
Fax: +1 (847) 622-9545

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

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

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

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

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

Europe

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

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

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

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

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

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

Asia

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

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

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

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

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

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

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

Oceania

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

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

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

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

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

(As of July 2006)

Board of Directors and Officers

Board of Directors and Corporate Officers

Chairman of the Board
Yuzaburo Mogi*

Vice Chairman
Kenzaburo Mogi

President
Takashi Ushiku*

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

*Representative Director

Corporate Auditors
Masatoshi Noguchi
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 Officers
Mitsuo Someya
Tadao Kondo

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

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

(As of June 27, 2006)

Corporate Data

Name
Kikkoman Corporation

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

Date of Establishment
December 7, 1917

Paid-in Capital
¥11,599,398,094

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

Number of Employees (Consolidated)
6,422 (As of March 31, 2006)

Stock Exchange Listings
Tokyo, Osaka

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

Stock Price Range on the Tokyo Stock Exchange

Fiscal 2006:	High:	¥1,340	Low:	¥942
Fiscal 2005:	High:	¥1,105	Low:	¥798
Fiscal 2004:	High:	¥ 889	Low:	¥687

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 2006)

Head Office
250 Noda, Noda-shi, Chiba 278-8601, Japan
Tokyo Head Office
1-1, Nishi-Shinbashi 2-chome,
Minato-ku, Tokyo 105-8428, Japan

http://www.kikkoman.com/

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