

## Flash Report for Fiscal 2005 1Q

# Kikkoman Corporation



## Consolidated Financial Results

August 16, 2004

Three-month period ended June 30, 2004

Listed company name: **Kikkoman Corporation**  
Code No.: 2801  
Shares listed: Tokyo (1st Section), Osaka (1st Section)  
Head office: 250 Noda, Noda City, Chiba  
Contact: Takaharu Nakamura, Corporate Officer  
Public Relations and Investor Relations  
[E-mail:ir@mail.kikkoman.co.jp](mailto:ir@mail.kikkoman.co.jp)

U.S. dollar amounts in this release are translated from yen, for convenience only, at the rate of ¥108 = U.S.\$1.00, the approximate rate of exchange on June 30, 2004.



## <Index>

<b>1. Notes Relating to the Preparation of Quarterly Financial Statements .....</b>	<b>2</b>
1) Application of Simplified Method	
2) Changes in Accounting Treatment From Most Recent Fiscal Year	
3) Changes in Scope of Consolidation	
<b>2. Business Performance for the Three-month Period Ended June 30, 2004 (April 1, 2004 to June 30, 2004) .....</b>	<b>2</b>
1) Business Performance	
2) Financial Position	
<b>3. Forecasts of Business Performance for the Fiscal Year Ending March 31, 2005 (April 1, 2004 to March 31, 2005) .....</b>	<b>4</b>
<b>4. Summary of Consolidated Balance Sheets .....</b>	<b>5</b>
<b>5. Summary of Consolidated Statements of Income .....</b>	<b>7</b>
<b>6. Segment Information .....</b>	<b>8</b>
1) Business Segments	
2) Geographical Segments	
<b>7. Supplementary Schedules .....</b>	<b>10</b>
1) Consolidated Results for Fiscal 2005 1Q and Effect of Exchange Rate Differences on Translation of Overseas Subsidiaries' Financial Statements	



## 1. Notes Relating to the Preparation of Quarterly Financial Statements

### 1) Application of Simplified Method: Yes

Tax expenses, including corporate tax, are recorded using the simplified method.

### 2) Changes in Accounting Treatment From Most Recent Fiscal Year: None

### 3) Changes in Scope of Consolidation

Newly consolidated companies: 4

Companies no longer accounted for by the equity method: 1

## 2. Business Performance for the Three-month Period Ended June 30, 2004 (April 1, 2004 to June 30, 2004)

### 1) Business Performance

(Millions of yen)

	Net sales		Operating income	Recurring income
	Amount	Y o Y (%)		
Apr. 1, 2004 -Jun. 30, 2004	¥81,858	3.0	¥4,079	¥4,004
Apr. 1, 2003 -Jun. 30, 2003	¥79,470	-	-	-
Apr. 1, 2003 -Mar. 31, 2004	¥334,656	-2.3	¥17,059	¥15,428

	Net income	Net income per share (yen)	Net income per share (Assuming full dilution) (yen)
Apr. 1, 2004 -Jun. 30, 2004	¥2,572	¥13.19	-
Apr. 1, 2003 -Jun. 30, 2003	-	-	-
Apr. 1, 2003 -Mar. 31, 2004	¥9,287	¥47.15	-

Notes 1) Amounts less than ¥1 million, except for per share amounts, have been omitted in the following tables.

2) No results are available for the same period of the previous fiscal year, because this fiscal year is the first time Kikkoman has released quarterly operating results, with the exception of net sales.

### < Qualitative Information Concerning Consolidated Operating Results >

Consolidated net sales for the first quarter rose 3.0% year on year to ¥81,858 million. In terms of earnings, operating income was ¥4,079 million, recurring income was ¥4,004 million and net income was ¥2,572 million.

Results by business segment were as follows.



**(Foods—Manufacturing and Sales)**

This business segment recorded higher year-on-year sales as a result of steady growth in the Soy Sauce Derivative Products Division and Del Monte Division as well as a recovery in results in the Soy Sauce Division in the U.S. market, particularly in the foodservice-use sector. This increase came despite lackluster sales in the Soy Sauce Division in Japan and the negative impact on sales of a stronger yen compared to a year earlier.

Overall, the segment posted net sales of ¥42,965 million, a 0.6% increase over the previous fiscal year.

**(Foods—Wholesale)**

Despite the negative effect on sales of a stronger yen compared to a year earlier, sales continued to grow due to expansion in oriental food products overseas. Earnings, which have been recovering since the second half of the previous year, also continued to grow strongly in the first quarter.

The segment posted net sales of ¥12,830 million, 9.1% higher year on year.

**(Coca-Cola)**

This segment continued to face a difficult operating environment as competition intensified. However, the market expanded in the first quarter, with growth driven by a spell of good weather. The segment was also bolstered by the launch of new products designed to respond to wide-ranging consumer preferences for healthier and more functional products.

The segment posted net income of ¥25,381 million, 4.2% up on the previous fiscal year.

**(Others)**

Net sales increased 5.5% to ¥1,003 million.



**2) Financial Position**

(Millions of yen)

	Total assets	Shareholders' equity	Shareholders' equity ratio	Shareholders' equity per share (yen)
Jun.30, 2004	¥279,594	¥142,365	50.9%	¥729.78
Jun.30, 2003	-	-	-	-
Mar.31, 2004	¥278,602	¥141,849	50.9%	¥726.57

**<Qualitative Information Concerning Changes in Consolidated Financial Position >**

Current assets at June 30, 2004 were ¥4,229 million higher than March 31, 2004 due to factors such as increases in cash and time deposits, trade notes and accounts receivable and other current assets. On the other hand, fixed assets declined ¥3,238 million over the same period due to decreases in property, plant and equipment and investments in securities as well as other factors. As a result, total assets at June 30, 2004 stood at ¥279,594 million, ¥991 million higher than at March 31, 2004.

Current liabilities increased ¥1,160 million from March 31, 2004, despite a decrease in other accounts payable, due to an increase in short-term bank loans. Long-term liabilities, meanwhile, decreased ¥675 million due to factors such as a decrease in accrued employees' pension and severance costs. As a result, total liabilities at June 30, 2004 stood at ¥117,041 million, ¥485 million higher than at March 31, 2004.

Shareholders' equity increased ¥515 million to ¥142,365 million at June 30, 2004 despite the translation adjustments account worsening due to the yen's appreciation relative to the U.S. dollar. The increase reflected increases in both retained earnings and unrealized holding gain on securities.

**3. Forecasts of Business Performance for the Fiscal Year Ending March 31, 2005 (April 1, 2004 to March 31, 2005)**

There has been no change to forecasts, as operating results were almost the same as forecasts issued with fiscal 2004 results on May 11, 2004.

Forecasts are based on information available to management at the time of announcement. Due to a number of inherent uncertainties in forecasts, actual results may differ materially from forecasts.



#### 4. Summary of Consolidated Balance Sheets

	<b>June 30, 2004</b>	<b>March 31, 2004</b>	<b>June 30, 2004</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
<b>Assets</b>			
Current assets:			
Cash and time deposits	¥ 26,647	¥ 25,679	\$ 246,731
Trade notes and accounts receivable	42,019	40,086	389,065
Allowance for doubtful receivables	(760)	(626)	(7,037)
	<u>41,258</u>	<u>39,459</u>	<u>382,019</u>
Inventories	24,952	24,726	231,037
Deferred tax assets	3,724	3,731	34,481
Other current assets	7,413	6,169	68,639
Total current assets	<u>103,996</u>	<u>99,766</u>	<u>962,926</u>
Property, plant and equipment, at cost:			
Land	32,041	32,286	296,676
Buildings and structures	91,172	91,012	844,185
Machinery, equipment and vehicles	136,305	135,466	1,262,083
Other	53,585	53,294	496,157
Construction in progress	812	2,065	7,519
	<u>313,916</u>	<u>314,125</u>	<u>2,906,630</u>
Accumulated depreciation	(202,158)	(200,954)	(1,871,833)
Property, plant and equipment, net	<u>111,758</u>	<u>113,170</u>	<u>1,034,796</u>
Investments and other assets:			
Investments in securities	32,572	34,291	301,593
Investments in and advances to unconsolidated subsidiaries and affiliates	16,812	16,487	155,667
Intangible assets	7,489	7,725	69,343
Deferred tax assets	3,791	3,827	35,102
Other assets	3,172	3,332	29,370
Total investments and other assets	<u>63,838</u>	<u>65,664</u>	<u>591,093</u>
Total assets	<u>¥ 279,594</u>	<u>¥ 278,602</u>	<u>\$ 2,588,833</u>



## 4. Summary of Consolidated Balance Sheets (continued)

	June 30, 2004	March 31, 2004	June 30, 2004
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
<b>Liabilities and shareholders' equity</b>			
Current liabilities:			
Short-term bank loans	¥ 18,814	¥ 14,906	\$ 174,204
Current portion of long-term debt	1,391	1,438	12,880
Trade notes and accounts payable	12,335	12,590	114,213
Other accounts payable	12,008	14,239	111,185
Accrued expenses	1,381	2,030	12,787
Accrued income taxes	2,107	2,210	19,509
Other current liabilities	4,818	4,282	44,611
Total current liabilities	<u>52,858</u>	<u>51,697</u>	<u>489,426</u>
Long-term liabilities:			
Long-term debt	24,656	24,723	228,296
Accrued employees' pension and severance costs	25,425	25,903	235,417
Accrued officers' severance benefits	1,313	1,451	12,157
Deposits received	6,607	6,702	61,176
Deferred tax liabilities	5,123	4,973	47,435
Other long-term liabilities	1,056	1,102	9,778
Total long-term liabilities	<u>64,182</u>	<u>64,857</u>	<u>594,278</u>
Minority interests	20,187	20,196	186,917
Shareholders' equity:			
Common stock:			
Authorized: 300,000,000 shares			
Issued: 197,202,300 shares	11,599	11,599	107,398
Additional paid-in capital	5,770	5,770	53,426
Retained earnings	120,980	120,176	1,120,185
Unrealized holding gain on securities	11,281	11,012	104,454
Translation adjustments	(6,194)	(5,665)	(57,352)
	<u>143,436</u>	<u>142,892</u>	<u>1,328,111</u>
Treasury stock, at cost:			
June 30, 2004 – 2,122,375 shares	(1,071)	–	(9,917)
March 31, 2004 – 2,090,396 shares	–	(1,042)	–
Shareholders' equity, net	<u>142,365</u>	<u>141,849</u>	<u>1,318,194</u>
Contingent liabilities			
Total liabilities and shareholders' equity	<u>¥ 279,594</u>	<u>¥ 278,602</u>	<u>\$ 2,588,833</u>



## 5. Summary of Consolidated Statements of Income

	<b>Three-month period ended June 30, 2004</b>	<b>Year ended March 31, 2004</b>	<b>Three-month period ended June 30, 2004</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net sales	¥ 81,858	¥ 334,656	\$ 757,944
Cost of sales	48,730	200,281	451,204
Gross profit	33,127	134,375	306,731
Selling, general and administrative expenses	29,047	117,316	268,954
Operating income	4,079	17,059	37,769
Other income (expenses):			
Interest and dividend income	428	790	3,963
Equity in earnings of unconsolidated subsidiaries and affiliates	63	444	583
Interest expense	(151)	(635)	(1,398)
Gain on sales of securities	9	11	83
Gain on sales of investments in affiliates	-	573	-
Gain on sales of property, plant and equipment	268	93	2,481
Loss on revaluation of investments in securities	-	(35)	-
Loss on revaluation of investments in affiliates	-	(71)	-
Other, net	(416)	(2,228)	(3,852)
	201	(1,059)	1,861
Income before income taxes and minority interests	4,281	15,999	39,639
Income taxes	1,716	5,470	15,889
Income before minority interests	2,565	10,529	23,750
Minority interests	7	(1,241)	65
Net income	¥ 2,572	¥ 9,287	\$ 23,815



## 6. 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, including soy sauce and other seasonings, sauces, Del Monte processed fruit and vegetables, and sake and wine; wholesale sales of oriental food products, including eastern foods; Coca-Cola, which includes Coca-Cola and other beverages; and other businesses which include pharmaceuticals, real estate rental and restaurants.

### 1) Business Segments

#### Three-month period ended June 30, 2004

	<u>Foods – manufacturing and sales</u>	<u>Foods – wholesale</u>	<u>Coca-Cola</u>	<u>Others</u>	<u>Total</u>	<u>Eliminations and corporate</u>	<u>Consoli- dated</u>
	<i>(Millions of yen)</i>						
I. Sales and operating income:							
Sales to third parties	¥ 42,832	¥ 12,640	¥ 25,381	¥ 1,003	¥81,858	¥ -	¥81,858
Intragroup sales and transfers	133	190	-	-	323	(323)	-
Total sales	42,965	12,830	25,381	1,003	82,181	(323)	81,858
Operating expenses	39,533	12,442	25,304	821	78,102	(323)	77,778
Operating income	<u>¥ 3,432</u>	<u>¥ 388</u>	<u>¥ 76</u>	<u>¥ 182</u>	<u>¥ 4,079</u>	<u>¥ 0</u>	<u>¥ 4,079</u>

#### Three-month period ended June 30, 2004

	<u>Foods – manufacturing and sales</u>	<u>Foods – wholesale</u>	<u>Coca-Cola</u>	<u>Others</u>	<u>Total</u>	<u>Eliminations and corporate</u>	<u>Consoli- dated</u>
	<i>(Thousands of U.S. dollars)</i>						
I. Sales and operating income:							
Sales to third parties	\$ 396,593	\$ 117,037	\$ 235,009	\$ 9,287	\$ 757,944	\$ -	\$ 757,944
Intragroup sales and transfers	1,231	1,759	-	-	2,991	(2,991)	-
Total sales	397,824	118,796	235,009	9,287	760,935	(2,991)	757,944
Operating expenses	366,046	115,204	234,296	7,602	723,167	(2,991)	720,167
Operating income	<u>\$ 31,778</u>	<u>\$ 3,593</u>	<u>\$ 704</u>	<u>\$ 1,685</u>	<u>\$ 37,769</u>	<u>\$ 0</u>	<u>\$ 37,769</u>

#### Year ended March 31, 2004

	<u>Foods – manufacturing and sales</u>	<u>Foods – wholesale</u>	<u>Coca-Cola</u>	<u>Others</u>	<u>Total</u>	<u>Eliminations and corporate</u>	<u>Consoli- dated</u>
	<i>(Millions of yen)</i>						
I. Sales and operating income:							
Sales to third parties	¥ 169,152	¥ 47,855	¥113,655	¥ 3,992	¥334,656	¥ -	¥334,656
Intragroup sales and transfers	492	667	-	-	1,160	(1,160)	-
Total sales	169,645	48,522	113,655	3,992	335,817	(1,160)	334,656
Operating expenses	158,251	46,851	110,462	3,195	318,760	(1,163)	317,597
Operating income	<u>¥ 11,394</u>	<u>¥ 1,671</u>	<u>¥ 3,193</u>	<u>¥ 796</u>	<u>¥ 17,056</u>	<u>¥ 2</u>	<u>¥ 17,059</u>



## 6. Segment Information (continued)

### 2) Geographical Segments

Geographical segment information for the Company and its consolidated subsidiaries for the three-month period ended June 30, 2004 and year ended March 31, 2004 is summarized as follows:

<b>Three-month period ended June 30, 2004</b>						
	<b>Japan</b>	<b>North America</b>	<b>Other</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>
	<i>(Millions of yen)</i>					
Sales to third parties	¥63,181	¥15,352	¥3,324	¥81,858	¥ -	¥81,858
Interarea sales and transfers	1,909	972	138	3,020	(3,020)	-
Total sales	65,091	16,324	3,462	84,878	(3,020)	81,858
Operating expenses	63,252	14,442	3,098	80,792	(3,013)	77,778
Operating income	¥ 1,839	¥ 1,882	¥ 364	¥4,086	¥ (6)	¥ 4,079

  

<b>Three-month period ended June 30, 2004</b>						
	<b>Japan</b>	<b>North America</b>	<b>Other</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>
	<i>(Thousands of U.S. dollars)</i>					
Sales to third parties	\$585,009	\$142,148	\$30,778	\$757,944	\$ -	\$757,944
Interarea sales and transfers	17,676	9,000	1,278	27,963	(27,963)	-
Total sales	602,694	151,148	32,056	785,907	(27,963)	757,944
Operating expenses	585,667	133,722	28,685	748,074	(27,898)	720,167
Operating income	\$ 17,028	\$ 17,426	\$ 3,370	\$ 37,833	\$ (56)	\$ 37,769

  

<b>Year ended March 31, 2004</b>						
	<b>Japan</b>	<b>North America</b>	<b>Other</b>	<b>Total</b>	<b>Eliminations and corporate</b>	<b>Consolidated</b>
	<i>(Millions of yen)</i>					
Sales to third parties	¥260,237	¥62,880	¥11,537	¥334,656	¥ -	¥334,656
Interarea sales and transfers	8,040	1,275	1,680	10,996	(10,996)	-
Total sales	268,277	64,156	13,218	345,653	(10,996)	334,656
Operating expenses	259,583	57,033	11,998	328,614	(11,016)	317,597
Operating income	¥ 8,694	¥ 7,123	¥ 1,220	¥ 17,039	¥ 20	¥ 17,059



## 7. Supplementary Schedules

### 1) Consolidated Results for Fiscal 2005 1Q and Effect of Exchange Rate Differences on Translation of Overseas Subsidiaries' Financial Statements

#### Geographical Segments

(Millions of yen)

	Fiscal 2005	Fiscal 2004	Increase/ decrease		Translation difference	Increase/ decrease except translation difference	
	1Q	1Q					
	Apr. 1.2004 - Jun. 30.2004	Apr. 1.2003 - Jun. 30.2003	Amount	%		Amount	%
Japan	65,091	63,171	1,920	103.0	-	1,920	103.0
North America	16,324	15,973	351	102.2	(1,761)	2,112	113.2
Other	3,462	3,158	303	109.6	(14)	318	110.1
Interarea sales and transfers	(116)	(42)	(73)	272.5	13	(86)	303.3
Overseas total	19,670	19,089	581	103.0	(1,763)	2,344	112.3
Intragroup sales and transfers	(2,904)	(2,790)	(113)	104.1	107	(220)	107.9
Consolidated total	81,858	79,470	2,387	103.0	(1,656)	4,044	105.1
	US\$ 107.13	119.23	(12.10)				

#### Business Segments

(Millions of yen)

	Fiscal 2005	Fiscal 2004	Increase/ decrease		Translation difference	Increase/ decrease except translation difference	
	1Q	1Q					
	Apr. 1.2004 - Jun. 30.2004	Apr. 1.2003 - Jun. 30.2003	Amount	%		Amount	%
Foods- manufacturing and sales	42,965	42,710	255	100.6	(652)	907	102.1
Foods - wholesale	12,830	11,761	1,069	109.1	(1,019)	2,089	117.8
Coca- Cola	25,381	24,362	1,018	104.2	-	1,018	104.2
Others	1,003	951	52	105.5	6	45	104.8
Intragroup sales and transfers	(323)	(314)	(8)	102.6	9	(17)	105.5
Consolidated total	81,858	79,470	2,387	103.0	(1,656)	4,044	105.1
	US\$ 107.13	119.23	(12.10)				