Annual Report 1999

Kikkoman Corporation

Profile

Kikkoman Corporation takes pride in enriching the lives of consumers throughout the world with the distinctive qualities of its food seasonings. The number one producer of soy sauce in the world, Kikkoman has grown from humble beginnings in the 17th century to become a company that provides a comprehensive range of good foodstuffs, fine wines, superb dining, and effective biotechnology. We are constantly searching for new recipes to enhance the flavors of Western and Oriental cuisines, drawing on more than 350 years of natural brewing experience and an intimate knowledge of the technical processes involved in the creation of our products. Superseding these activities is a higher goal of contributing to the health and happiness of the communities in the almost 100 countries in which we operate. Our commitment is to ensuring the quality of your lifestyle.

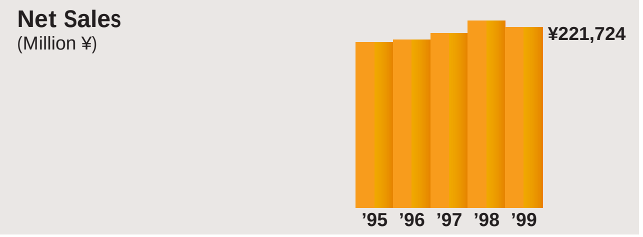
Contents

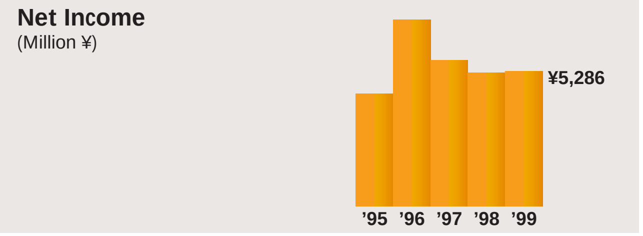
Financial Highlights

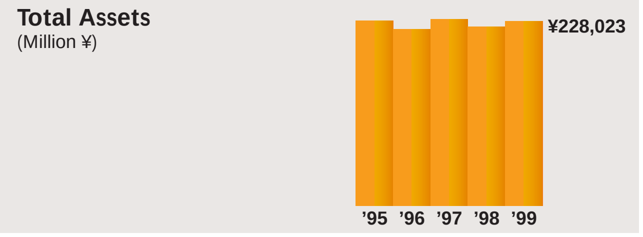
Kikkoman Corporation and Consolidated Subsidiaries
Years ended December 31, 1999 and 1998

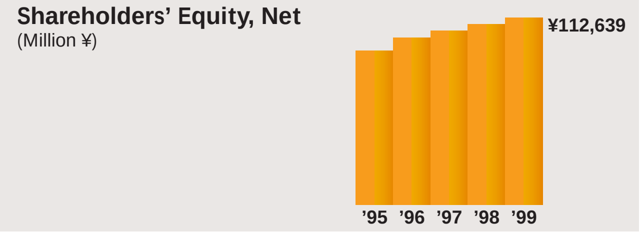
	Millions of yen		Thousands of U.S. dollars (Note)
	1999	1998	**1999**
For the year:			
Net sales	**¥221,724**	¥229,476	**$2,165,276**
Operating income	**11,046**	10,601	**107,873**
Net income	**5,286**	5,219	**51,626**
At year-end:			
Total assets	**¥228,023**	¥221,179	**$2,226,789**
Interest-bearing debt	**42,831**	38,786	**418,272**
Shareholders' equity, net	**112,639**	108,790	**1,099,996**
	Yen		U.S. dollars (Note)
Per share data:			
Net income	**¥26.80**	¥26.46	**$0.26**
Cash dividends applicable to the year	**7.00**	7.00	**0.07**

Note: U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥102.40=US$1.









BUSINESS PERFORMANCE

Overview of the Fiscal Year

Some signs of recovery were seen in the Japanese economy during Kikkoman Corporation's fiscal 1999, ended December 31, 1999, due to improvements in the financial system and high levels of public spending. However, the domestic food and alcoholic beverage industry faced both intense price competition and sluggish consumption, which resulted in a difficult business environment. On the other hand, in overseas markets, the United States, in particular, showed steady growth supported by robust personal consumption. Moreover, the economies of both Asia and Europe continued to trend toward recovery.

Given the current situation in Japan, Kikkoman and its group of companies (referred to collectively as Kikkoman Group) worked toward reducing costs, particularly in the areas of production and distribution, in addition to developing new products and strengthening their sales capabilities. Overseas, in addition to actively expanding our market positions, we have implemented policies to expand our production facilities.

As Kikkoman Group continued to implement the above-mentioned policies, consolidated net sales amounted to ¥221.7 billion in fiscal 1999, a decline of 3.4% from the previous fiscal year, but net income rose 1.3%, to ¥5.3 billion. On a foreign currency basis, overseas sales (excluding exports from Japan) rose 8.7%, but the appreciation of the yen reduced this growth in yen terms. Excluding this currency factor, total sales would have risen 0.7% and net income 10.1%. Sales in Japan declined 2.4%, due largely to weakness in wine sales compared with the previous year. Kikkoman's international operations continued to play a major role in overall performance, accounting for 27% of net sales and 49% of operating income. Other factors contributing to the growth in income were lower raw material costs, increased efficiencies in manufacturing processes and distribution, and enhanced effectiveness of sales promotion and advertising expenditures.

The market for soy sauce in Japan has matured, but sales of soy sauce to the industrial sector remained on an upward trend during the fiscal year. Sales to the consumer market and to the food-service sector, however, declined, reflecting an incremental drop in the overall market. In view of these market conditions, the Company devoted attention to sustaining its share of the household market while implementing strategies to expand sales to the food-service and industrial sectors.

Although the market for soy sauce has matured in Japan, a structural change is taking place as consumers select high-quality, healthy seasonings with distinctive flavors and purchase more soy sauce derivative products. Therefore, total sales of soy sauces and soy sauce derivative products are expanding steadily. As part of our medium-term business strategy, the Company is responding to this trend by broadening its line of products to include deluxe and organic soy sauces as well as *tare* (dipping and marinade sauces) and *tsuyu* (soy sauce soup base), both of which are soy sauce derivative products and in strong demand. Overseas, soy sauce remains a growth product, and sales, along with net income, in the United States and other major markets continue to expand.

Among other activities, the Del Monte Division reported further increases in sales of seasonings, and a new product, *Pasta Veloce,* began to contribute to sales beginning in August 1999, leading to overall expansion in sales of the division despite a decline in beverage products. Sales of the Sake and Wine Division, which expanded substantially in the previous year owing to gains in sales of wine, declined as the wine boom cooled.

Principal Developments

During the fiscal year, major developments included the completion of a new head office building in the city of Noda, where the predecessor companies of

Yuzaburo Mogi

President and
Chief Executive Officer

today’s Kikkoman have manufactured soy sauce for more than 350 years. The new office will contribute to enhancing the efficiency of the Company’s activities and help to revitalize the corporate culture. Also, to increase domestic production efficiency, the reorganization of manufacturing facilities in Noda began, with the aim of ultimately consolidating the Company’s six plants into two facilities.

Kikkoman has made many contributions to international exchange in food culture. To commemorate the 80th anniversary of the Company’s establishment, the Company opened a research foundation within Kikkoman Group on October 19, 1999: Kikkoman Institute for International Food Culture. The new institute has facilities for exhibitions, a library, and a lecture hall equipped with multimedia equipment. Its objectives include furthering the development of more affluent food culture and lifestyles as well as promoting the use of fermented seasonings around the world.

Overseas, principal developments included the conclusion of an agreement in November 1999 to establish a joint venture in China for the production of soy sauce. Shipments are scheduled to begin in 2001. Also, this year to respond to rising demand in overseas markets Kikkoman will expand production capacity at its California plant from 10,000 kiloliters to 15,000 kiloliters and will boost the output of its European plant in the Netherlands from 5,000 kiloliters to 6,000 kiloliters.

SUMMARY OF BUSINESS POLICY

Business Principles

The business principles of Kikkoman Group in the “Food and Health” area include:

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

As Kikkoman Group’s future performance and prosperity are based on customer satisfaction, the Group constantly develops products that address the ever-changing needs of consumers and provides opportunities for new culinary experiences. As a manufacturer, Kikkoman Group’s fundamental function is to produce high-quality products and services at a lower cost than its competitors in a safe and hygienic manner. Kikkoman believes that the interests of shareholders and investors are best served through the execution of this function.

Kikkoman Group also promotes the international exchange of food culture by introducing "Soy Sauce," known as the essence of Japanese flavoring, and also by establishing the Kikkoman brand as a reliable symbol of quality throughout the world. Moreover, to build a reputation as a company that is indispensable to the global community Kikkoman Group values natural resources and emphasizes the need to coexist with the environment, while actively contributing to the community.

Medium-Term Business Strategy

Domestically, the Company's strategy is to increase both the sales of its soy sauce and soy sauce derivative products—by introducing value-added products, such as the certified organic soy sauce *Tokusen Yuki Shoyu*—and the market share of its soy sauce products in the industrial and food service markets. We are also trying to increase the sales of the soy sauce soup base, *tsuyu,* and the dipping and marinade sauces, *tare,* both of which are growing market sectors and will become increasingly important contributors to net income. In the Del Monte Division, new products will be introduced following the pasta sauce line launched last year in an effort to further expand its product lineup. As the demand for wine is also expected to increase, our sales capability will be strengthened to further increase sales. In the field of biotechnology operations, efforts will be more sharply focused, and new business fields will include the expansion of sales of delicatessen items, some of which were successfully test marketed in fiscal 1999.

Overseas, the Company will continue to focus its efforts on further developing the U.S market in response to the increased demand, and, as previously mentioned, the California plant, which commenced shipments in October 1998, will be readied for increased production. In the European market, the Company aims to spur continued growth in demand and plans to increase the capacity of its plant in the Netherlands. In mainland China, which is a potential future market, a project is under way for shipments of soy sauce beginning in 2001. This new facility will be our sixth overseas production plant.

Business Organization

To further increase the Company's competitiveness and to address the rapidly changing business environment of the 21st century, Kikkoman will introduce an executive officer system beginning March 2001. The new system aims to further streamline decision-making functions and ensure the timely execution of operations. In this regard, four executive officers were elected in March 2000.

Basic Policy on Distribution of Profits

Kikkoman Group's basic policy is to work for a stable distribution of profits backed by a strong financial performance, while continuing to strengthen its corporate foundation and expanding its core businesses. Moreover, internal reserves will be used for various activities that enhance corporate value from a long-term perspective, such as investment in research and development targeting new businesses, investment to develop new market demand, and investment in the rationalization of such production facilities as those for soy sauce.

Looking to the Future

Under Kikkoman's medium-term plan, the Company has set a sales target (excluding the revenues of Tone Coca-Cola Bottling Co., Ltd.) of ¥260 billion in 2002, with ¥180 billion in sales in Japan and the remaining ¥80 billion in overseas markets. The Company's operating profit target for 2002 is ¥15 billion, with ¥8 billion generated domestically and ¥7 billion by our overseas operations. By the same date, Kikkoman will aim for a return on equity of 7%. These targets assume an exchange rate of ¥115 to US$1.

The share of international sales is expected to continue rising, as demand for soy sauce in overseas markets is forecast to grow for at least the coming decade. The Company's main line of business will therefore remain the production of soy sauce for an ever more international customer base.

To promote more aggressive development, Kikkoman is adopting certain policies that go beyond conventional Japanese management practices and we anticipate having board members from overseas in the years to come. Moreover, to encourage an increased focus on improving performance and the importance of shareholder value among management and staff, a stock option system has been introduced.

Tasks for the Coming Years

To attain the previously mentioned objectives, Kikkoman has identified eight priority tasks:

- Expand the share of Kikkoman soy sauce
- Achieve substantial growth in soy sauce derivative products
- Revitalize the Del Monte brand
- Pursue R&D focused on new product development
- Substantially expand and deepen our position in overseas markets
- Take specific action to strengthen operating and financial positions

• Enhance the effectiveness of advertising and other sales promotion expenditures
• Pursue activities to preserve the natural environment and contribute to society

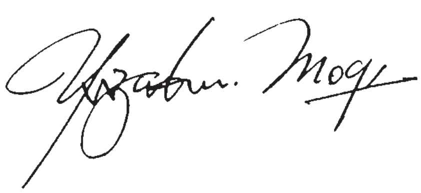
In Closing

Kikkoman has stepped up its investor relations activities to promote the understanding of its business activities among present and potential shareholders and has accordingly disclosed more detailed information on its financial performance and business activities in recent years.

I believe that, in Japan today, we can find a "Dynamic Japan" and a "Slow Japan." Many seem to think that the food products industry belongs to the "Slow Japan," but this is changing, and food products companies are becoming more dynamic. Overseas, Kikkoman has an image of being aggressive in developing its operations, and the Company is increasingly working to bring this dynamism back to the home market.

Kikkoman is clearly well positioned to continue to expand its position internationally through the further development of the soy sauce market. As we progress toward the attainment of our objectives, we look forward to building a close and mutually beneficial dialog with our shareholders and stakeholders.

May 2000



Yuzaburo Mogi
President and Chief Executive Officer

Kikkoman Foods, Inc., Kikkoman's first overseas production plant, in Walworth, Wisconsin, celebrated 25 years of operations in June 1998. One of the first major production facilities constructed by a Japanese corporation in the United States, the Wisconsin Plant has played a pivotal role in the introduction of soy sauce in that country. Today, more than 100 items are manufactured at the plant, including Kikkoman's popular *Lite Soy Sauce* and *Lite Teriyaki Marinade & Sauce.*

The rise in shipments in recent years has resulted in the Wisconsin Plant approaching its annual soy sauce production capacity of 80,000 kiloliters. To meet long-term market needs, on October 6, 1998, Kikkoman Foods opened its second U.S. manufacturing plant in Folsom, California. The 210,000-square-meter facility was built at a cost of US$46 million and had an initial annual soy sauce production capacity of 10,000 kiloliters. There is scope to expand this capacity fourfold. In 2000, production capacity is expected to reach 15,000 kiloliters.

Annual per capita consumption of soy sauce in the United States has increased to 700 milliliters. This is still far short of the per capita intake in Japan, which is estimated at 9,000 milliliters. Nevertheless, U.S. consumption is expected to double within the next 10 years. In recent years, sales growth of commercial-use products has outstripped that of household items, and the industrial and food-service sectors are expected to account for an increasing portion of Kikkoman's soy sauce output. In 1999, Kikkoman reached new highs in market share for retail sales of soy sauce in the United States.

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

The Americas

FURTHER GROWTH IS EXPECTED IN KIKKOMAN'S BIGGEST OVERSEAS MARKET.

In 1999, the California Integrated Waste Management Board gave Kikkoman Foods' California Plant an award under its Waste Reduction Awards Program (WRAP). The program was set up to honor California businesses for their recycling and waste-reduction efforts.

In December 1999, Kikkoman cooperated with the New York chapter of the Japan Society to host a food forum with the theme 'soy sauce and Japanese flavors in international cuisine.' The event was a great success in promoting Japanese food culture.

The European market is one that holds great potential for Kikkoman. Through well-planned, consistent educational and marketing activities, the Company is steadily building a solid customer base for soy sauce in the household, industrial, and food-service sectors. The diversity of cuisine throughout the region provides Kikkoman with enormous opportunities to expand on this foundation with high-quality soy sauce based seasonings that cater to local taste preferences.

Japanese food culture education, in particular, is crucial to realizing sales growth in Europe. Kikkoman is pursuing a variety of strategies designed to demonstrate the versatility of soy sauce as a flavor enhancer. Recipe competitions with local cuisine themes have proved particularly successful in this regard. In addition, advertising and promotional materials have reinforced Kikkoman's commitment to developing enriching seasonings with consistent product quality. Such a reputation will support Kikkoman's long-term expansion in the European foodstuffs market.

Marketing operations were reinforced by the opening of Kikkoman Foods Europe B.V.'s European Plant in October 1997. The plant, located in the Netherlands, began full-scale production in 1998, thereby enhancing the ability of Kikkoman to ensure reliable and timely deliveries to countries in Europe. In late 1999, the plant became profitable, less than three years after production began. Annual production capacity will be increased to 6,000 kiloliters in 2000.

Europe

CONTINUED EDUCATION HIGHLIGHTS THE OPPORTUNITIES FOR SOY SAUCE IN LOCAL CUISINES.

Every year, leading chefs from England and Germany ply their recipe-creation skills at Kikkoman Masters cooking competitions. In 1999, Kikkoman held the 10th German Masters competition at the Landhaus Scherrer restaurant, in Hamburg. The competition theme was soy sauce in pasta dishes. Mr. Kai Sanders (back row, far right) walked away with first prize—a 10-day trip to Japan.

As one of a number of cultural promotion activities planned to coincide with the establishment of its first European plant, Kikkoman provided financial support for a project to repair and expand the Rembrandthouse Museum, in Amsterdam. A new wing was completed in April 1998, after which work commenced on repairing the gallery's main building. In September 1999, the refurbished gallery was opened.

Kikkoman continued to make steady progress in raising brand awareness in Asian markets outside Japan and throughout Oceania during 1999. The currency crises have abated, and the outlook for imports to the region has improved considerably. More importantly for Kikkoman, interest in quality seasonings has risen. The Company's marketing groundwork in the region is expected to yield significant long-term benefits as consumers in Asia grow in affluence and become more knowledgeable of the superior flavors offered by Kikkoman's products.

In line with its overseas expansion policy, Kikkoman is localizing its operations in Asia and Oceania. The Company's Singapore Plant serves Southeast Asian countries, as well as China, Australia, New Zealand, and other countries of the Pacific. President Kikkoman Inc., a production and marketing joint venture in Taiwan, has steadily increased its share of the market for seasonings in that country. In November 1999, Kikkoman reached an agreement with Uni-President Enterprises Corp., its joint venture partner in Taiwan, to establish a soy sauce production plant near Shanghai. The plant will be Kikkoman's sixth overseas production plant and will focus on the Chinese market.

In Asia, marketing activities for Kikkoman and Del Monte brand products are performed by Kikkoman Trading (S) Pte. Ltd., based in Singapore, while in Australia and New Zealand, where soy sauce has reached high market penetration levels, Kikkoman Australia Pty. Limited has established Kikkoman as the leading name in soy sauce.

Asia & Oceania

KIKKOMAN'S QUALITY SOY SAUCES CONTINUE TO GAIN GROUND IN ASIA.

In November 1999, Kikkoman reached an agreement with Uni-President Enterprises, Taiwan's largest food manufacturer, to establish a soy sauce production plant in Kunshan, near Shanghai. The joint venture will have an initial annual production capacity of 14,000 kiloliters and is scheduled to begin shipments in 2001. The new plant strengthens Kikkoman's ability to meet the demand for quality soy sauce products in China, which is rising in tandem with its economic development.

Adding value is the term that best defines Kikkoman's strategic response to the evolving market for seasonings in Japan. More than ever, Japan's busy consumer lifestyles demand that seasonings offer convenience and have a distinctive flavor. These qualities are being emphasized by Kikkoman in its aggressive development of value-added soy sauces and soy sauce derivative products.

Kikkoman has responded to growing demand for non-genetically modified products by releasing *Yuki Shoyu* (certified organic soy sauce). The ingredients and manufacturing processes used to make *Yuki Shoyu* have received quality certification from the Organic Growers and Buyers Association (OGBA), a third-party, worldwide membership organization. Kikkoman has also worked hard to accommodate diversifying market tastes by promoting original Western foodstuffs under the Del Monte brand. The launch of *Pasta Veloce* in 1999 helped to sustain Kikkoman's momentum in the market for tomato-based seasonings.

Careful attention to the environmental impact in all stages of operations is a hallmark of Kikkoman's management policy. The Company began addressing environmental issues as early as 1970, when it established a committee for the control of environmental conditions at its plants. Kikkoman's four domestic soy sauce production plants have obtained ISO 14001 certification. Another four Group production centers plan to obtain certification in 2000, while Kikkoman's plant in Singapore is also on schedule to obtain certification before the year-end.

Kikkoman is now working toward several specific environmental targets. These include reducing the volume of CO_2 emissions 8% compared with 1990 levels by 2010, and achieving 99% and 95% waste-recycling rates for production and non-production divisions, respectively.

Japan

Kikkoman is creating new value to retain its familiar position in Japanese cuisine.

Kikkoman Institute for International Food Culture was opened on October 19, 1999, a project undertaken in part to commemorate the Company's 80th anniversary. Located in the Company's new headquarters, the institute has been established to promote food research and cultural activities. Kikkoman hopes that the institute's activities will serve to increase the awareness of soy sauce and the recognition of the Kikkoman name around the world.

Kikkoman opened its new headquarters in Noda, Chiba Prefecture, on July 30, 1999.

Depressed economic conditions continued to have an impact on demand for soy sauce in both the household and commercial markets, leading to, approximately, a 2% decline in total domestic demand during the year.

Kikkoman has responded to evolving consumer tastes by introducing new soy sauces with refined qualities. Since 1990, the Company has strengthened its lineup of value-added offerings, which includes *Tokusen Marudaizu Shoyu* (premium soy sauce), *Tokusen Marudaizu Gen-en Shoyu* (premium low-sodium soy sauce), and *Yuki Shoyu* (certified organic soy sauce), which was released in 1998. Although the popularity of these products continued to grow during the year, sales of Kikkoman's mainstay *Koikuchi Shoyu* (regular soy sauce) fell below the level recorded in fiscal 1998, resulting in a decline in total household market sales.

Aggressive marketing led to a solid increase in sales of soy sauce used in food processing, but sales to the foodservice industry declined amid a depressed business environment. Consequently, total sales of commercial-use products dipped below the previous year's figure.

As a result of these performances, soy sauce sales declined to ¥64.5 billion, compared with ¥66.9 billion in fiscal 1998.

SOY SAUCE

Gen-en Shoyu: "Light" soy sauce with 50% less sodium than regular Kikkoman soy sauce

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

Sashimi Shoyu: Special soy sauce designed to enrich the taste of sashimi or sushi

Marudaizu Shoyu: Flavorful *marudaizu* soy sauce at a lower price

Yuki Shoyu: Organic soy sauce certified by the Organic Growers and Buyers Association (OGBA)

Tokusen Marudaizu Shoyu: Premium *marudaizu* soy sauce is widely accepted in Japan.

Chotokusen Marudaizu Fukamurasaki Shoyu: Super-premium soy sauce with a rich flavor and pleasant aroma

Tokusen Marudaizu Gen-en Shoyu: "Light" soy sauce with 50% less sodium than regular *Tokusen Marudaizu Shoyu*

Tokuyo Shoyu: Low-priced soy sauce with Kikkoman quality

SOY SAUCE DERIVATIVE PRODUCTS

Kodawari Sukiyakidare: Akazake (red spirit) is added to the pure flavors of *Tokusen Marudaizu Shoyu* and *Hon Mirin* to create a rich Japanese meat sauce.

Aka-to-Kuro: Soy sauce based steak dipping sauce enriched with vegetable ingredients to create a refreshing, light flavor

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

Yakiniku Shoyu: This soy sauce based meat sauce is offered in *moromi* (unrefined soy), *ninniku* (garlic), and *oroshi* (grated radish) flavors.

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

Momidare•Tsukedare: Momidare (soy sauce and miso based marinade) and *tsukedare* (apple and lemon juice flavored sauce) seasonings for steak dishes.

Ume-katsuo Tsuyu: A bonito *dashi* and *marudaizu* soy sauce base is seasoned with pickled plum in this fresh-tasting straight *somentsuyu.*

Steak Shoyu: Having a deep soy sauce aroma and mellow flavor, this steak sauce highlights the true taste of meats.

Kokyu-ponzu: Made from top-quality fruit juices and soy sauce, this seasoning is used with *nabe,* vinegared foods, and grilled fish.

The improved performance of this division reflected Kikkoman's ongoing efforts to strategically position itself in growth product categories.

Shipments of steak dipping sauces, including mainstay *Akadare* (red label) and *Kurodare* (black label) items, advanced; however, an increase in demand for larger container sizes resulted in sales slipping below the level in fiscal 1998. Kikkoman enhanced the diversity of its *tare* (dipping and marinade sauces) lineup with the launch of *Momidare* and *Tsukedare*—sauces for Korean-style barbecues—in February 1999 and promoted other items developed with specific tastes in mind, such as sukiyaki and *shabu shabu* dishes.

Television commercials and other concentrated promotion activities during the summer peak demand season, combined with year-round marketing of recipe proposals, contributed to a significant rise in sales of *Hon Tsuyu* (soy sauce soup base) during fiscal 1999. The *Straight Tsuyu* series was bolstered by the introduction of straight *Ume-katsuo Tsuyu,* intended as a fresh new flavor for spring and summer dishes, and new soup bases for autumn and winter dishes.

In the industrial and food-service sectors, Kikkoman's reputation for quality supported strong sales of "customer brand" dipping sauces for food-service providers. Amid intense cost competition, Kikkoman maintained its share of the market for *mirin* seasoning.

As a result of these activities, sales in the Soy Sauce Derivative Products Division expanded 2.0%, to ¥19.4 billion.

Demand for tomato-based seasonings in the household market grew steadily during the year under review. Kikkoman's focus here is on meeting the needs of time-pressed household users by strengthening a lineup of ready-to-use, value-added products incorporating whole-tomato and diced-tomato bases.

Sales of tomato ketchup, the core product in the Del Monte Division, grew strongly, with consumers appreciating the value offered in 500ml and 800ml PET bottles introduced during the year. In response to the growing popularity of Italian cuisine, pasta sauces have attracted a growing number of consumers, and Kikkoman released a new pasta sauce, *Pasta Veloce,* in August.

Price competition led to a decline in sales of tomato juices; however, a direct-from-the-factory delivery campaign and other promotional activities contributed to solid sales of other vegetable juices. Sales of the Del Monte Division's products were down slightly in the competitive industrial and food-service sectors, but increased sales for home consumption products led to sales of ¥22.1 billion, compared with sales of ¥21.6 billion in the previous year.

DEL MONTE

Nikomi yo Tomato Sauce: Tomato sauce seasoned with authentic Italian spices. A tasty base that makes cooking easy

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

Kihon no Tomato Sauce: A delicious plain tomato sauce that is ideal for seasoning a wide variety of dishes

Yuki Tomato Puree: Organic tomato puree sealed in convenient packages (certified by QAI)

Pasta Veloce Tomato Meat Sauce: Combines meat and vegetable flavors with fully ripened tomatoes and various spices in a rich meat sauce

Yuki Tomato Ketchup: A richly flavored organic tomato ketchup (certified by QAI)

Pasta Veloce Carbonara Sauce: Fresh cream, cheese, and egg ingredients are spiked with black pepper to add bite to a smooth textured sauce.

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

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

SAKE AND WINE

Depressed market conditions led to a decline in the market demand for *shochu,* a clear Japanese spirit, impacting sales of Kikkoman's mainstay *Triangle* brand. The Company sought to differentiate its brands from those of its competitors with television promotions of its *Triangle Indigo* brand and through other means, but price competition was severe. Sales of 2.7-liter and 4-liter bottles of *shochu* increased slightly, but overall sales declined marginally.

The wine market in 1999 fell back after the sharp rise in wine sales enjoyed in 1998, and Kikkoman's wines did not escape this trend. Price competition became quite intense, as firms sought to dispose of their surplus stock of imported wines. The Company fought the decline with the introduction of *Manns Mon Bio,* a new series of wines produced without antioxidant additives and with a bottle made from 100% recycled glass, and through other promotions. However, the total volume of wine sold in 1999 was down approximately 20% compared to the previous year.

Sales of *mirin,* a sweet sake used in cooking, have cooled off after the 1997 market deregulation boosted sales by increasing distribution channels. Sales of *mirin* for home consumption held steady, but overall *mirin* sales were affected by price competition, leading to a decline in sales.

Due to these performances, sales in the Sake and Wine Division fell 8.2%, to ¥30.6 billion.

Goyo Shochu: A clear Japanese spirit with a versatile flavor that is equally refreshing straight, on the rocks, or as a cocktail base

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

Manns Mon Frère: Inexpensive fine wines under the *Manns Mon Frère* label offer excellent consumer value.

Hon Mirin: A high-quality traditional *mirin* sake noted for its refined sweet taste

Manns Mon Frère: Large magnum and carton containers have proved very popular with consumers.

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

Manns Votre Santé: Aptly named "drink to your health," the concentration of polyphenols in *Votre Santé* wines is twice that of other *Manns* red wines.

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

Manns Votre Santé: A light, sweet white wine that has a polyphenol concentration equivalent to that of light red wines

Research & Development

Beginning with work to understand the scientific processes that take place during the production of soy sauce, Kikkoman has steadily expanded its R&D activities in the areas of fermentation, biotechnology, and food engineering. This work has enabled the Company to meet its principal goals of providing seasonings of the highest quality and contributing to the health of consumers. Today, Kikkoman is recording great commercial success in the food-processing, medical, and other fields with such products as pharmaceutical raw materials, diagnostic enzymes and substrates, industrial enzymes and functional substances, and research reagents. In 1999, the Company's biotechnology operations enjoyed strong sales growth.

In recent years, proanthocyanidin, a type of polyphenol, has attracted attention because of its effectiveness as an antioxidant. In August 1994, Kikkoman developed and began selling a grape seed extract under the name *Gravinol,* which contains proanthocyanidins that act as powerful free-radical scavengers. Since then, Kikkoman has developed and marketed a variety of types of *Gravinol* products, which are used as ingredients in nutritional supplements, health foods, food additives, and cosmetic products in several countries, including Japan and the United States. In 1999, Kikkoman introduced *VINOPOWER,* a grape seed extract.

With one of the largest safety testing facilities in Japan, Kikkoman is also involved in the safety testing of food products. In March 1998, Kikkoman began selling *LuciPac,* a simple, self-contained hygiene-monitoring device developed to measure total adenosine triphosphate (ATP) levels.

Maintaining superior R&D capabilities is central to Kikkoman's long-term growth strategies. The R&D Division conducts fundamental research and applies its findings in the development of products and technologies with viable commercial applications. Kikkoman is working to develop overseas markets for its biotechnology and food-technology applications.

RESEARCH & DEVELOPMENT

Gravinol (right) and *Vino Protein* (left), which contains *Gravinol*

VINOPOWER

LuciPac

Consolidated Five-Year Summary

Kikkoman Corporation and Consolidated Subsidiaries
Years ended December 31, 1999, 1998, 1997, 1996, and 1995

	Millions of yen					Thousands of U.S. dollars (Note 2)
	1999	1998	1997	1996	1995	**1999**
For the year:						
Net sales	**¥221,724**	¥229,476	¥214,338	¥206,001	¥203,287	**$2,165,276**
Operating income	**11,046**	10,601	9,366	9,877	11,418	**107,873**
Net income	**5,286**	5,219	5,711	7,287	4,448	**51,626**
At year-end:						
Total assets	**¥228,023**	¥221,179	¥230,295	¥217,842	¥228,309	**$2,226,789**
Property, plant and equipment, net	**82,111**	84,155	85,231	74,713	72,865	**801,869**
Shareholders' equity, net	**112,639**	108,790	105,005	100,758	92,770	**1,099,996**

	Yen					U.S. dollars (Note 2)
Per share data:						
Net income (Note 1)	**¥26.80**	¥26.46	¥28.95	¥36.95	¥23.68	**$0.26**
Diluted net income	**25.00**	24.63	26.47	32.60	—	**0.24**
Cash dividends applicable to the year	**7.00**	7.00	7.00	7.00	7.00	**0.07**

Notes: 1. Net income per share is computed based on the weighted average number of shares outstanding during the year.
2. U.S. dollar amounts are translated from yen, for convenience only, at the rate of ¥102.40=US$1.

NET SALES

In fiscal 1999, ended December 31, 1999, while there were some signs of improvement in the Japanese economy, intense price competition and sluggish consumption resulted in another difficult operating environment for Japanese food and beverage manufacturers.

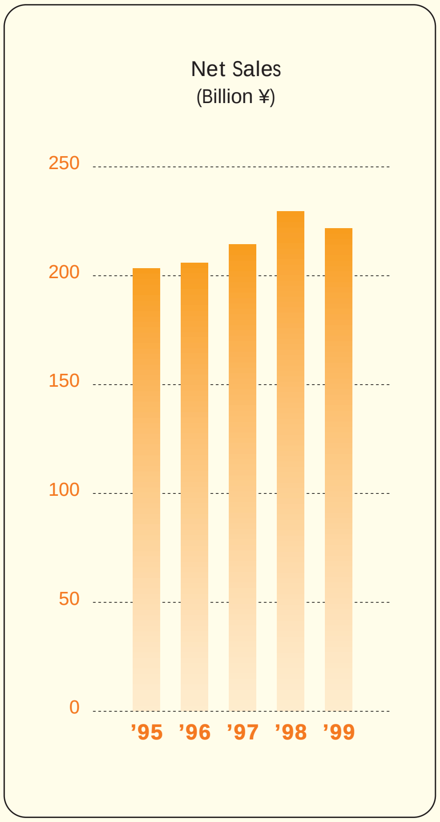
In Japan, sales of *Tokusen Yuki Shoyu* and Kikkoman's other premium products benefited from the growing popularity of value-added soy sauces during the year; however, sales of mainstay *Koikuchi Shoyu* fell below the previous year's level as did shipments of products to the industrial and food-service sectors, resulting in a decline in total soy sauce sales. In contrast, demand for *tare* (dipping sauces), *tsuyu* (soy soup bases), and marinades expanded. Soy Sauce Derivatives Division sales advanced, with product campaigns and new product introductions supporting especially strong gains for *Hon Tsuyu* and *Straight Tsuyu* soy-sauce based soups.

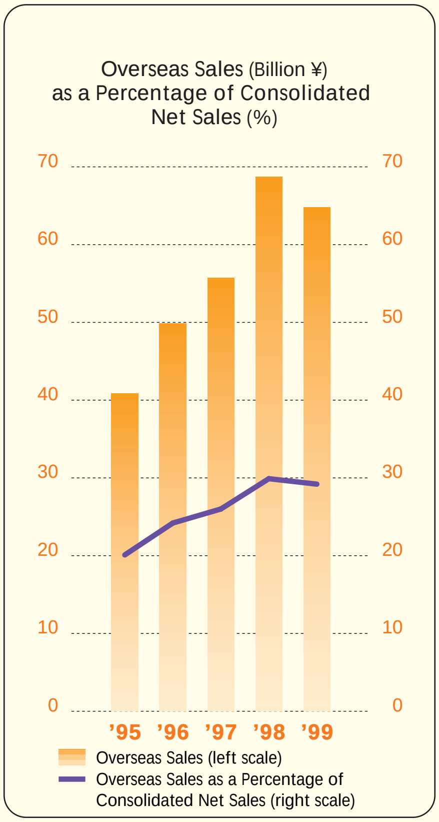
The Del Monte Division capitalized on strong demand for tomato ketchup during the year and launched a new pasta sauce, which contributed to divisional sales growth. The Sake and Wine Division felt the repercussions of the wine boom in 1998, as demand for both *Manns* wine and imported wine declined. *Hon Mirin* (sweet sake for cooking) continued to perform well in the household sector, but sluggish sales in the industrial sector resulted in a slight decline in sales.

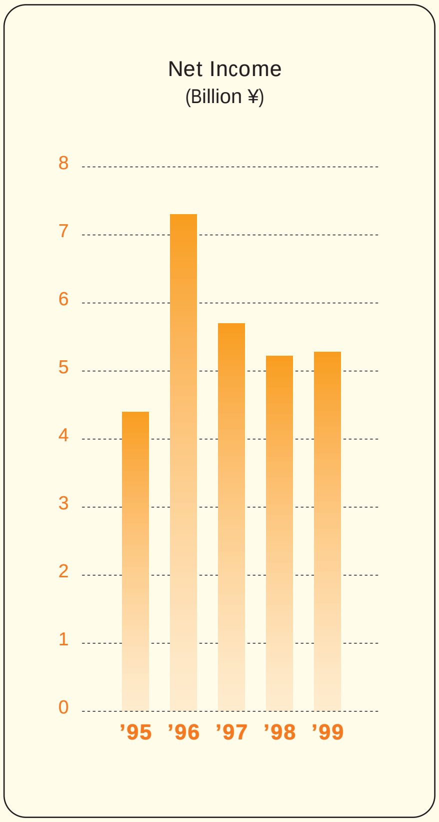
Overseas, demand for soy sauce continued to expand in all market sectors in the United States, and Kikkoman's local plants continued to operate at full capacity. In Europe, against the background of steadily increasing market penetration for soy sauce, Kikkoman raised the annual production capacity of its Hoogezand-Sappemeer Plant, in the Netherlands, from 4,000 kiloliters to 5,000 kiloliters. In Southeast Asia, shipments from Kikkoman's Singapore plant increased. Also, Kikkoman announced a joint venture agreement to build a soy sauce production plant in China, which is scheduled to come on-line in 2001.

As a result of these activities, total sales in North America, Europe, and Asia and Oceania grew a firm 8.7% on a foreign currency basis. However, due to the rise in the value of the yen during the year, overseas sales, excluding exports from Japan, declined 6.0%, to ¥60.6 billion.

As a result of these performances, Kikkoman's consolidated net sales declined 3.4%, to ¥221.7 billion.







INCOME, COSTS, AND EXPENSES

The cost of sales contracted ¥5.5 billion, or 4.1%, to ¥130.1 billion, and the cost of sales ratio fell from 59.1% to 58.7%, reflecting low raw material costs and efforts to improve manufacturing efficiency. As a result, gross profit dipped ¥2.3 billion, or 2.4%, to ¥91.6 billion.

Selling, general and administrative expenses amounted to ¥80.6 billion, down ¥2.7 billion, or 3.2%, from the previous year. Increased marketing and distribution efficiency helped push operating income up ¥0.4 billion, to ¥11.0 billion.

Other expenses declined from ¥0.8 billion to ¥0.5 billion, due to the stronger performances of subsidiaries and lower interest expenses.

As a result of these activities, net income remained at approximately the same level, at ¥5.3 billion, and net income per share edged from ¥26.46 to ¥26.80. Kikkoman paid cash dividends of ¥7.00 per share for the year, thereby maintaining its policy of providing shareholders with stable returns.

FINANCIAL POSITION

At December 31, 1999, Kikkoman's total assets amounted to ¥228.0 billion, up ¥6.8 billion, or 3.1%, from the previous fiscal year-end. Kikkoman maintained a policy of seeking higher returns from its asset base through more efficient resource allocation. Investments in securities and subsidiaries were the main factors behind the asset expansion.

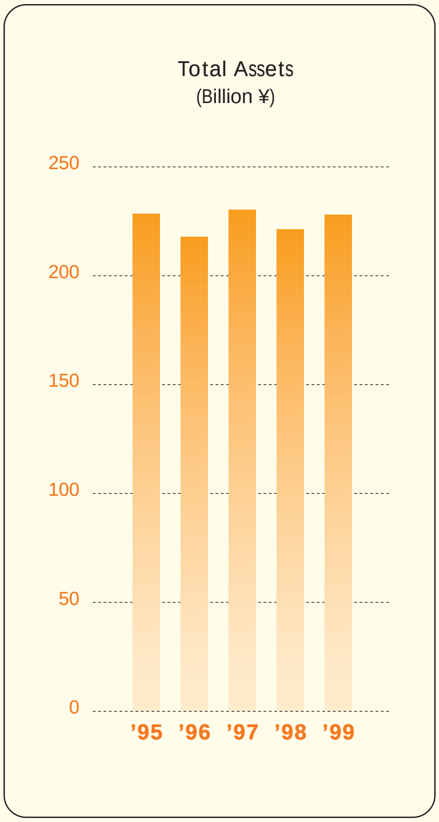
Current assets increased ¥0.8 billion, to ¥95.6 billion. The major changes were a ¥2.0 billion increase in cash and a ¥0.7 billion decline in inventories, flowing from reduction measures.

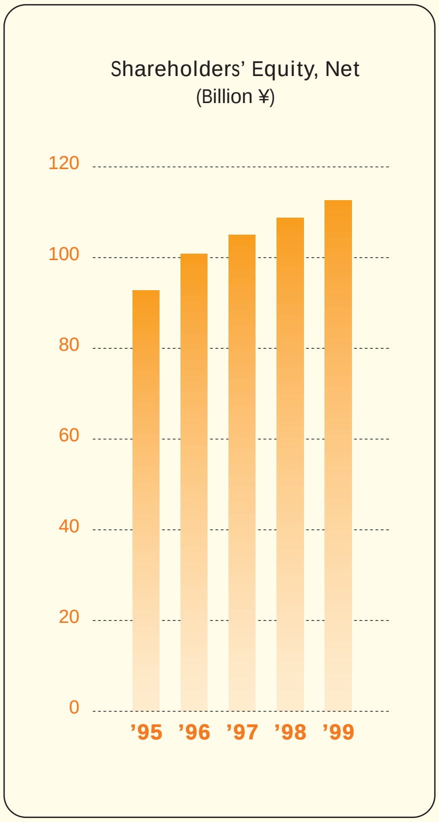
Property, plant and equipment, net, declined ¥2.0 billion, or 2.4%, to ¥82.1 billion. Yen appreciation again affected asset values. Adjusted for the change in the exchange rate, property, plant and equipment rose ¥0.7 billion.

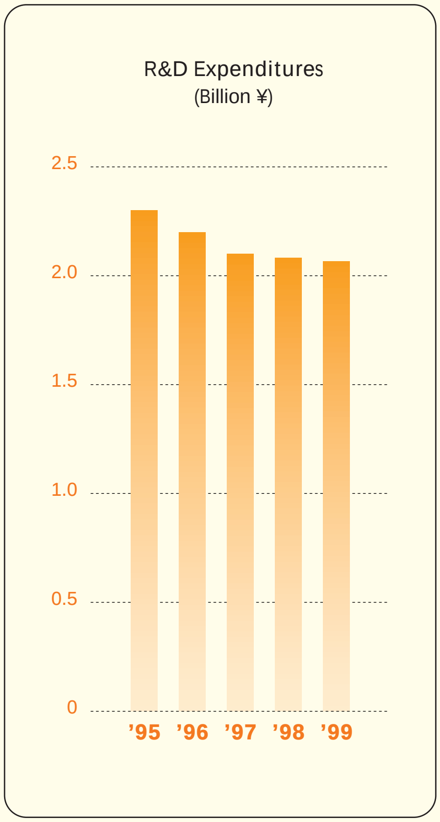
Total current liabilities amounted to ¥65.0 billion, up ¥14.8 billion, or 29.5%, compared with total current liabilities at the previous fiscal year-end, mainly as a result of long-term debt becoming current during the year and additional short-term bank loans. Also, as a consequence, long-term liabilities fell 19.1%, to ¥50.0 billion.

Shareholders' equity, net, increased ¥3.8 billion, to ¥112.6 billion, in line with the advance in retained earnings. The shareholders' equity ratio was 49.4%, essentially unchanged.

Working capital fell to ¥30.7 billion, from ¥44.7 billion, and the current ratio dropped to 147.2%, from 189.0%.







Consolidated Balance Sheets

Kikkoman Corporation and Consolidated Subsidiaries
December 31, 1999 and 1998

ASSETS	Millions of yen 1999	Millions of yen 1998	Thousands of U.S. dollars (Note 4) 1999
Current assets:			
Cash	**¥ 21,502**	¥ 19,539	**$ 209,978**
Marketable securities (Note 5)	**2,052**	1,941	**20,043**
Receivables:			
Trade notes and accounts receivable	**45,160**	45,671	**441,014**
Allowance for doubtful receivables	**(645)**	(702)	**(6,294)**
	44,515	44,969	**434,720**
Inventories (Note 6)	**23,592**	24,341	**230,394**
Other current assets	**3,982**	4,069	**38,884**
Total current assets	**95,643**	94,859	**934,019**
Property, plant and equipment, at cost:			
Land	**16,475**	16,338	**160,891**
Buildings and structures	**63,002**	60,372	**615,253**
Machinery, equipment, and vehicles	**119,405**	120,751	**1,166,067**
Other	**11,869**	11,369	**115,909**
Construction in progress	**1,809**	1,321	**17,669**
	212,560	210,151	**2,075,789**
Less: Accumulated depreciation	**(130,449)**	(125,996)	**(1,273,920)**
Property, plant and equipment, net	**82,111**	84,155	**801,869**
Investments and other assets:			
Investments in securities (Note 5)	**7,579**	4,567	**74,013**
Investments in and advances to unconsolidated subsidiaries and affiliates	**24,449**	22,079	**238,763**
Intangible assets	**8,368**	9,251	**81,716**
Other assets	**3,965**	4,156	**38,717**
Total investments and other assets	**44,361**	40,053	**433,209**
Translation adjustments	**5,908**	2,112	**57,692**
Total assets	**¥228,023**	¥221,179	**$2,226,789**

See accompanying notes to consolidated financial statements.

LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen 1999	Millions of yen 1998	Thousands of U.S. dollars (Note 4) 1999
Current liabilities:			
Short-term bank loans	**¥ 18,916**	¥ 14,206	**$ 184,731**
Current portion of long-term debt (Note 7)	**12,428**	1,100	**121,365**
Trade notes and accounts payable	**12,842**	13,063	**125,407**
Other accounts payable	**14,146**	14,656	**138,148**
Accrued expenses	**619**	609	**6,044**
Accrued income taxes (Note 9)	**2,881**	2,713	**28,135**
Other current liabilities	**3,149**	3,845	**30,749**
Total current liabilities	**64,981**	50,192	**634,579**
Long-term liabilities:			
Long-term debt (Note 7)	**11,487**	23,480	**112,176**
Retirement allowances	**23,427**	23,215	**228,780**
Deposits received	**13,707**	13,446	**133,857**
Other long-term liabilities	**1,419**	1,711	**13,853**
Total long-term liabilities	**50,040**	61,852	**488,666**
Minority interests	**363**	345	**3,548**
Shareholders' equity:			
Common stock, ¥50 par value:			
Authorized: 300,000,000 shares			
Issued: 1999—197,202,300 shares	**11,599**	—	**113,275**
Issued: 1998—197,202,300 shares	**—**	11,599	**—**
Additional paid-in capital (Note 8)	**5,768**	5,768	**56,329**
Retained earnings (Notes 8 and 15)	**95,273**	91,424	**930,401**
Total shareholders' equity	**112,640**	108,791	**1,100,005**
Treasury stock, at cost:			
1999—1,414 shares	**(1)**	—	**(9)**
1998—1,229 shares	**—**	(1)	**—**
Shareholders' equity, net	**112,639**	108,790	**1,099,996**
Contingent liabilities (Note 12)			
Total liabilities and shareholders' equity	**¥228,023**	¥221,179	**$2,226,789**

Consolidated Statements of Income

Kikkoman Corporation and Consolidated Subsidiaries
Years ended December 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars (Note 4)
	1999	1998	**1999**
Net sales	**¥221,724**	¥229,476	**$2,165,276**
Cost of sales	**130,122**	135,621	**1,270,723**
Gross profit	**91,602**	93,855	**894,553**
Selling, general and administrative expenses (Note 10)	**80,556**	83,254	**786,680**
Operating income	**11,046**	10,601	**107,873**
Other income (expenses):			
Interest and dividend income	**838**	830	**8,184**
Equity in earnings of unconsolidated subsidiaries and affiliates	**1,252**	845	**12,231**
Interest expense	**(1,200)**	(1,496)	**(11,718)**
Other, net	**(1,377)**	(946)	**(13,446)**
	(487)	(767)	**(4,749)**
Income before income taxes and minority interests	**10,559**	9,834	**103,124**
Income taxes (Note 9):			
Current	**5,271**	4,597	**51,478**
Deferred	**(19)**	15	**(188)**
	5,252	4,612	**51,290**
Income before minority interests	**5,307**	5,222	**51,834**
Minority interests in earnings of consolidated subsidiaries	**(21)**	(3)	**(208)**
Net income (Note 13)	**¥ 5,286**	¥ 5,219	**$ 51,626**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Kikkoman Corporation and Consolidated Subsidiaries
Years ended December 31, 1999 and 1998

	Millions of yen		Thousands of U.S. dollars (Note 4)
	1999	1998	**1999**
Common stock:			
Balance at beginning and end of year (1999—197,202,300 shares; 1998—197,202,300 shares)	**¥11,599**	¥11,599	**$113,275**
Additional paid-in capital:			
Balance at beginning and end of year	**¥ 5,768**	¥ 5,768	**$ 56,329**
Retained earnings (Notes 8 and 15):			
Balance at beginning of year	**¥91,424**	¥87,641	**$892,810**
Add:			
Net income	**5,286**	5,219	**51,626**
Deduct:			
Cash dividends paid	**(1,380)**	(1,381)	**(13,481)**
Bonuses to directors and statutory auditors	**(57)**	(55)	**(554)**
Balance at end of year	**¥95,273**	¥91,424	**$930,401**

See accompanying notes to consolidated financial statements.

1 Basis of Preparation

KIKKOMAN CORPORATION (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles and practices generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of the countries of their domicile. The accompanying consolidated financial statements have been prepared in accordance with accounting principles and practices generally accepted in Japan and are compiled from the consolidated financial statements prepared by the Company as required under the Securities and Exchange Law of Japan.

Accordingly, the accompanying consolidated financial statements are not intended to present the consolidated financial position and results of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Due to a change, effective the year ended December 31, 1999, in the regulations relating to the presentation of amortization of excess of cost over net assets acquired and equity in earnings of unconsolidated subsidiaries and affiliates in the consolidated statement of income, as well as certain accounts including the legal reserve in the consolidated balance sheet and the consolidated statement of shareholders' equity, the corresponding amounts in the prior years' consolidated financial statements have been reclassified to conform to the current year's presentation.

2 Summary of Significant Accounting Policies

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

The accompanying consolidated financial statements include the accounts of the Company and its significant subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

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

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

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

(b) Foreign currency translation

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 the historical exchange rates.

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

(c) Inventories

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

(d) Depreciation and amortization

Depreciation of property, plant and equipment of the Company and its domestic consolidated subsidiaries is determined primarily by the declining-balance method, except for buildings and two of the Company's factories on which depreciation is computed by the straight-line method, at rates based on the estimated useful lives of the respective assets. Depreciation of property, plant and equipment of the foreign consolidated subsidiaries is computed principally by the straight-line method. See Note 3.

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

(e) Leases

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

(f) Marketable and investment securities

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

(g) Research and development expenses

Research and development expenses are charged to income as incurred.

(h) Income taxes

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

(i) Retirement allowances and pension plans

The Company's employees are covered by an employee retirement allowances plan and an employee pension plan. The employee retirement allowances plan provides for a lump-sum payment, payable upon mandatory retirement or earlier termination of employment, based on the approximate rate of pay at the time of termination, years of service and certain other factors. The employee pension plan, which is noncontributory and funded, was introduced to cover one-half of the benefits under the retirement allowance plans for employees who retire at the mandatory retirement age with 20 or more years of service. The assets of the pension plan of the Company at July 31, 1999, the most recent valuation date, were ¥15,411 million ($150,501 thousand). The past service cost of the Company's pension plan is being funded at an annual rate of 50%.

All employees of consolidated subsidiaries are covered by pension plans.

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

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

(j) Appropriation of retained earnings

Under the Commercial Code of Japan (the "Code"), the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The accounts for that period do not, therefore, reflect such appropriation. See Note 15.

3 Accounting Change

Effective January 1, 1999, the Company and its domestic consolidated subsidiaries changed their method of depreciation of buildings from the declining-balance method to the straight-line method because allocating depreciation expense to each period in equal amounts was regarded as being more reasonable for a fair presentation of the operating results, considering that these buildings are expected to be utilized on a stable basis with their respective condition having a relatively minor effect on their capability to generate revenue or their productivity.

The effect of this change was to decrease depreciation expenses by ¥550 million ($5,371 thousand) and to increase operating income and income before income taxes and minority interests by ¥525 million ($5,123 thousand) and ¥534 million ($5,213 thousand), respectively, for the year ended December 31, 1999.

4 U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥102.40=US$1, the approximate rate of exchange on December 31, 1999. 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.

5 Marketable and Investment Securities

The book and related aggregate market values of the current and noncurrent marketable securities held by the Company at December 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Current:			
Carrying value	**¥ 1,028**	¥ 918	**$ 10,034**
Aggregate market value	**7,927**	5,959	**77,408**
Net unrealized gains	**¥ 6,899**	¥ 5,041	**$ 67,374**
Noncurrent:			
Carrying value	**¥ 3,527**	¥ 3,724	**$ 34,438**
Aggregate market value	**27,515**	19,380	**268,700**
Net unrealized gains	**¥23,988**	¥15,656	**$234,262**

6 Inventories

Inventories at December 31, 1999 and 1998 were as follows:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
Merchandise	**¥ 8,861**	¥ 9,515	**$ 86,531**
Finished products	**4,603**	4,164	**44,952**
Work in process	**6,362**	6,726	**62,130**
Ingredients and supplies	**3,766**	3,936	**36,781**
	¥23,592	¥24,341	**$230,394**

7 Long-Term Debt

Long-term debt at December 31, 1999 and 1998 comprised the following:

	Millions of yen		Thousands of U.S. dollars
	1999	1998	**1999**
1.6% unsecured convertible bonds, payable in yen, due 2000	**¥10,000**	¥10,000	**$ 97,656**
1.7% unsecured convertible bonds, payable in yen, due 2002	**10,000**	10,000	**97,656**
Loans from banks	**3,915**	4,580	**38,229**
	23,915	24,580	**233,541**
Less: Current portion	**12,428**	1,100	**121,365**
	¥11,487	¥23,480	**$112,176**

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

	Conversion price per share at December 31, 1999	Period (up to and including)
1.6% convertible bonds due 2000	¥969.50	December 28, 2000
1.7% convertible bonds due 2002	969.50	December 26, 2002

The indentures of the 1.6% and 1.7% unsecured convertible bonds provide that the cumulative amount of cash dividends, which can be paid subsequent to December 1993, may not exceed the aggregate amount of net income, as defined, of the Company reported during that period plus ¥6,500 million ($63,477 thousand), so long as any of the convertible bonds remain outstanding.

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

8 Additional Paid-in Capital and Retained Earnings

In accordance with the Commercial Code of Japan, the Company has provided a legal reserve, which is included in retained earnings. This reserve amounted to ¥2,900 million ($28,320 thousand) as of December 31, 1999 and 1998 as appropriations of retained earnings. The Code provides that neither additional paid-in capital nor the legal reserve is available for dividends, but both may be used to reduce or eliminate a deficit by resolution of the shareholders or may be transferred to common stock by resolution of the Board of Directors.

9 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 47.5% and 51% for 1999 and 1998, respectively. Income taxes of foreign consolidated subsidiaries are based generally on the tax rates applicable in their countries of incorporation. The effective tax rates reflected in the accompanying consolidated statements of income differ from the statutory tax rate primarily due to the effect of timing differences in the recognition of certain income and expenses for tax and financial reporting purposes and the effect of permanent nondeductible expenses.

10 Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended December 31, 1999 and 1998 were ¥2,065 million ($20,165 thousand) and ¥2,082 million, respectively.

11 Leases

The following pro forma amounts represent the acquisition cost, accumulated depreciation and net book value of the leased assets as of December 31, 1999, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance lease transactions currently accounted for as operating leases:

	Millions of yen		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	¥ 337	¥ 176	¥ 161
Other	2,097	949	1,148
Total	¥2,434	¥1,125	¥1,309
	Thousands of U.S dollars		
	Acquisition cost	Accumulated depreciation	Net book value
Machinery, equipment and vehicles	$ 3,330	$ 1,720	$ 1,580
Other	20,479	9,270	11,209
Total	$23,779	$10,990	$12,789

Lease payments relating to finance lease transactions accounted for as operating leases amounted to ¥491 million ($4,791 thousand) and ¥518 million, which were equal to the depreciation expense of the leased assets computed by the straight-line method over the respective lease term for the years ended December 31, 1999 and 1998, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to December 31, 1999 for finance lease transactions accounted for as operating leases are summarized as follows:

Year ending December 31,	Millions of yen	Thousands of U.S. dollars
2000	¥ 478	$ 4,665
2001 and thereafter	832	8,124
Total	¥1,310	$12,789

12 Contingent Liabilities

The Company and its consolidated subsidiary had the following contingent liabilities at December 31, 1999:

	Millions of yen	Thousands of U.S. dollars
Trade notes discounted with banks	¥ 10	$ 98
As guarantor of indebtedness of:		
Unconsolidated subsidiaries	232	2,270
Employees	94	915
	¥336	$3,283

In addition to the above, the Company provided letters of awareness to financial institutions regarding the indebtedness of an unconsolidated subsidiary which amounted to ¥35 million ($342 thousand) at December 31, 1999.

13 Amounts per Share

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

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

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

	Yen		U.S. dollars
	1999	1998	**1999**
Net income:			
Basic	**¥ 26.80**	¥ 26.46	**$0.26**
Diluted	**25.00**	24.63	**0.24**
Net assets	**571.19**	551.67	**5.58**
Cash dividends applicable to the year	**7.00**	7.00	**0.07**

14 Segment Information

The Company and its consolidated subsidiaries are primarily engaged in the manufacture and sales of products in the foods segment, which includes soy sauce and other processed seasonings, sauces, Del Monte processed fruit and vegetables and beverage products, in Japan and abroad. As net sales, operating income and total assets from the foods segment constituted more than 90% of the consolidated totals for both the years ended December 31, 1999 and 1998, the disclosure of business segment information has been omitted.

Geographical segment information for the Company and its consolidated subsidiaries for the years ended December 31, 1999 and 1998 is as follows:

	Millions of yen					
Year ended December 31, 1999	Japan	North America	Other	Total	Eliminations and other	Consolidated
Sales to third parties	**¥161,091**	**¥51,224**	**¥ 9,409**	**¥221,724**	**¥ —**	**¥221,724**
Interarea sales and transfers	**6,483**	**959**	**1,178**	**8,620**	**(8,620)**	**—**
Total sales	**167,574**	**52,183**	**10,587**	**230,344**	**(8,620)**	**221,724**
Operating expenses	**161,930**	**47,144**	**10,206**	**219,280**	**(8,602)**	**210,678**
Operating income	**¥ 5,644**	**¥ 5,039**	**¥ 381**	**¥ 11,064**	**¥ (18)**	**¥ 11,046**
Total assets	**¥189,671**	**¥32,582**	**¥ 8,157**	**¥230,410**	**¥(2,387)**	**¥228,023**
	Thousands of U.S. dollars					
Sales to third parties	**$1,573,154**	**$500,237**	**$ 91,885**	**$2,165,276**	**$ —**	**$2,165,276**
Interarea sales and transfers	**63,306**	**9,365**	**11,504**	**84,175**	**(84,175)**	**—**
Total sales	**1,636,460**	**509,602**	**103,389**	**2,249,451**	**(84,175)**	**2,165,276**
Operating expenses	**1,581,344**	**460,396**	**99,665**	**2,141,405**	**(84,002)**	**2,057,403**
Operating income	**$ 55,116**	**$ 49,206**	**$ 3,724**	**$ 108,046**	**$ (173)**	**$ 107,873**
Total assets	**$1,852,255**	**$318,186**	**$ 79,661**	**$2,250,102**	**$(23,313)**	**$2,226,789**

Due to a change in the method of depreciation of buildings, as explained in Note 3, operating expenses for "Japan" decreased by ¥550 million ($5,371 thousand) from that of the prior year, and operating income for "Japan" increased by ¥525 million ($5,123 thousand) and total assets for "Japan" increased by ¥534 million ($5,213 thousand) for the year ended December 31, 1999 over the corresponding amounts for the previous year.

	Millions of yen					
Year ended December 31, 1998	Japan	North America	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥164,999	¥54,427	¥10,050	¥229,476	¥ —	¥229,476
Interarea sales and transfers	5,676	1,101	1,396	8,173	(8,173)	—
Total sales	170,675	55,528	11,446	237,649	(8,173)	229,476
Operating expenses	165,519	50,276	11,239	227,035	(8,160)	218,875
Operating income	¥ 5,156	¥ 5,252	¥ 207	¥ 10,614	¥ (13)	¥ 10,601
Total assets	¥183,297	¥33,971	¥10,187	¥227,455	¥(6,276)	¥221,179

Corporate assets included under the column heading "Eliminations and other" amounted to ¥5,908 million ($57,692 thousand) and ¥2,112 million at December 31, 1999 and 1998, respectively, and represented translation adjustments.

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 December 31, 1999 and 1998 are summarized as follows:

	Millions of yen		
Year ended December 31, 1999	North America	Other	Total
Overseas sales	**¥51,400**	**¥13,388**	**¥ 64,788**
Consolidated net sales			**221,724**
	Thousands of U.S dollars		
	North America	Other	Total
Overseas sales	**$501,955**	**$130,741**	**$ 632,696**
Consolidated net sales			**2,165,276**
Ratio of overseas sales to consolidated net sales	**23.2%**	**6.0%**	**29.2%**

	Millions of yen		
Year ended December 31, 1998	North America	Other	Total
Overseas sales	¥54,845	¥13,837	¥ 68,682
Consolidated net sales			229,476
Ratio of overseas sales to consolidated net sales	23.9%	6.0%	29.9%

15 Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended December 31, 1999 were approved at a shareholders' meeting held on March 30, 2000:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥7.00=$0.07 per share)	¥1,380	$13,481
Bonuses to directors and statutory auditors	50	488
	¥1,430	$13,969

Report of Independent Certified Public Accountants

The Board of Directors
KIKKOMAN CORPORATION

We have examined the consolidated balance sheets of KIKKOMAN CORPORATION and its consolidated subsidiaries as of December 31, 1999 and 1998, and the related consolidated statements of income and shareholders' equity for the years then ended, all expressed in yen. Our examinations were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the consolidated financial position of KIKKOMAN CORPORATION and its consolidated subsidiaries at December 31, 1999 and 1998, and the consolidated results of their operations for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the method of depreciation of buildings as described in Note 3 to the consolidated financial statements.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended December 31, 1999 are presented solely for convenience. Our examination also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 4 to the consolidated financial statements.

March 30, 2000

Showa Ota & Co.

Corporate History

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

1925 April
Noda Shoyu Co., Ltd., absorbs Noda Shoyu Jozo Co., Ltd., Manjo Mirin Co., Ltd., and Nippon Shoyu Co., Ltd., through a merger.

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

1957 June
Kikkoman International Inc. is established in San Francisco, California, in the United States.

1961 July
Kikko Food Industries Co., Ltd., is established. In July 1991, the company becomes Nippon Del Monte Corporation.

1962 February
Tone Beverage Co., Ltd., is established. In February 1963, the company becomes Tone Coca-Cola Bottling Co., Ltd.

1962 October
Katsunuma Yoshu Co., Ltd., is established. In March 1964, the company becomes Mann's Wine Co., Ltd.

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

1969 June
Kikkoman invests in Japan Food Corporation, of the United States. In June 1978, the company becomes JFC International Inc.

1970 March
Kikkoman invests in Pacific Trading Co., Ltd.

1972 March
Kikkoman Foods, Inc., is established in Walworth, Wisconsin, in the United States.

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.

1983 October
Kikkoman Business Development Inc. is established.

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

1990 January
Kikkoman buys perpetual marketing rights for the Del Monte brand in the Asian-Pacific region, excluding the Philippines.

1990 February
A joint venture company, President Kikkoman Inc., is established to produce soy sauce in Tainan, in Taiwan.

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

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

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

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

1998 October
The second manufacturing plant of Kikkoman Foods, Inc., in Folsom, California, begins shipments.

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.

1999 November
Kikkoman announces a joint venture with its partner in Taiwan to build a soy sauce plant in China.

(As of April 2000)

Global Network

KIKKOMAN CORPORATION

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Tokyo Head Office

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

DOMESTIC

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Pacific Trading Co., Ltd.*
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OVERSEAS

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*Consolidated subsidiary

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

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

(As of April 2000)

Board of Directors and Officers

President and
Chief Executive Officer
Yuzaburo Mogi

Executive Vice President
Hyozaemon Takanashi

Executive Managing Directors
Kenzaburo Mogi

Minato Ishii

Nobuyuki Enokido

Managing Directors
Tatsuo Komuro

Michio Miyaji

Kaichiro Someya

Kiyoshi Omori

Directors
Tomoyuki Oguri

Noboru Miki

Takashi Ushiku

Shigetaka Ishii

Yoshinobu Ito

Mitsuo Someya

Toru Kumagai

Hideaki Imanari

Kenzaburo Mogi

Teruo Taniguchi

Hiroshi Yanagimoto

Hiroshi Takamatsu

Tadao Kondo

Kakuji Nishiyama

Statutory Auditors
Asao Kawamura

Tsuneo Iida

Reiichi Hisamoto

Tomitoshi Ueno

Executive Officers
Akio Kumakiri

Masatoshi Noguchi

Yukio Sato

Yasufumi Kataoka

Corporate Data

Name
Kikkoman Corporation

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

Date of Establishment
December 7, 1917

Paid-in Capital
¥11,599,398,094

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

Number of Employees
2,817

Stock Exchange Listings
Tokyo, Osaka

Transfer Agent
Mitsubishi Trust & Banking Corp.
11-1, Nagata-cho 2-chome,
Chiyoda-ku, Tokyo 100-8212

Stock Price Range
on the Tokyo Stock Exchange

Fiscal 1999:			
	High:	¥1,075	Low: ¥661
Fiscal 1998:			
	High:	¥855	Low: ¥620
Fiscal 1997:			
	High:	¥821	Low: ¥580

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 soy bean products
- Production and marketing of processed agricultural and marine food products and livestock feed
- Production and marketing of medicines, medical reagents, industrial-use enzymes, and other chemicals
- Development and marketing of production machinery and automated systems for food, medicines, and livestock feed
- Management of restaurants and coffee shops
- Administration of athletic clubs, swimming schools, and other sports facilities
- Leasing and management of real estate and car parking centers
- Operation of delivery trucks and warehouse facilities
- Production and marketing of plant seedlings, compost, and garden fertilizers and provision of gardening advisory services
- Environmental health monitoring, testing activities, and certification

(As of April 2000)

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