




Annual Report 2017

Year Ended March 31, 2017

kikkoman
seasoning your life

Profile

Kikkoman Corporation takes pride in enriching the lives of consumers throughout the world with the distinctive qualities of its food seasonings. Kikkoman has grown from humble beginnings in the 17th century to become a company that provides a comprehensive range of foodstuffs, fine wines, superb dining, and effective biotechnology. We are constantly searching for new recipes to enhance the flavors of Western and Oriental cuisines, drawing on more than 300 years of natural brewing experience. Superseding these activities is a higher goal of contributing to the health and happiness of the communities in the over 100 countries in which we operate.

Contents

ON THE FRONT COVER

A word about the photographs used on the cover of this Annual Report

As part of efforts to share the meaning of its corporate slogan of “seasoning your life” with customers everywhere, Kikkoman began holding a photography contest on its website from fiscal 2009, based on the theme of “delicious things you use to season your life.”

During fiscal 2017, customers responded by submitting many wonderful photographs, all of which can be viewed on Kikkoman’s website.

Some of the prize-winning submissions to this photography contest are featured on the cover of this Annual Report.

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

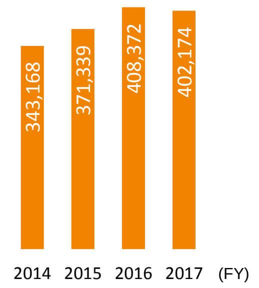
Note:
Fiscal years in this report are April to March.
Example: Fiscal 2017 = April 2016 - March 2017

Financial Highlights

Kikkoman Corporation and Consolidated Subsidiaries

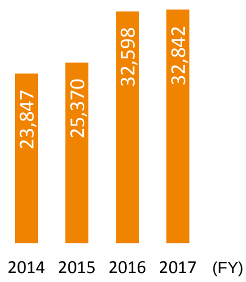
Net Sales

Millions of yen



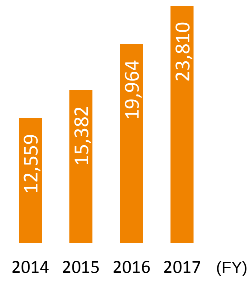
Operating Income

Millions of yen



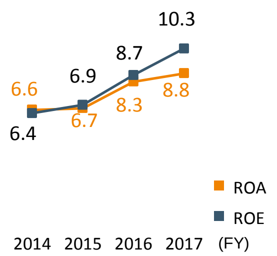
Net Income Attributable to Owners of Parent

Millions of yen



ROA / ROE

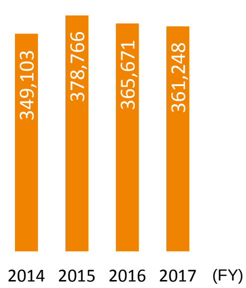
%



ROA=Ordinary income/Average total assets

Total Assets

Millions of yen

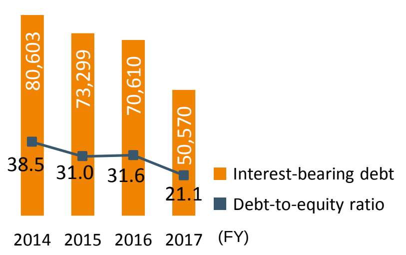


Net Assets

Millions of yen

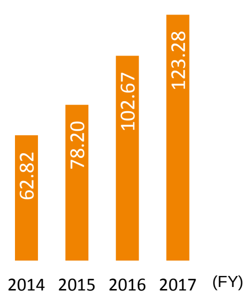
Interest-Bearing Debt / Debt-to-Equity Ratio

Millions of yen / %



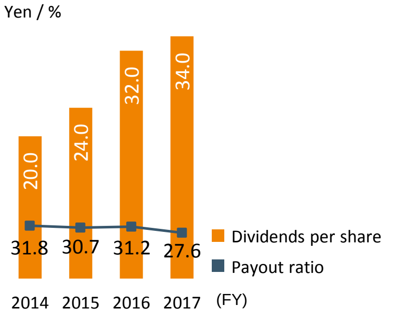
Net Income per Share

Yen



Dividends per Share / Payout Ratio

Yen / %



KEY POINT ANALYSIS

Net Sales

Net sales declined 1.5% year on year to ¥402,174 million. In Japan, sales were largely steady, supported by firm sales of soy sauce and beverages, which offset weaker sales of food products and liquor and wine. Overseas, sales on a local currency basis rose year on year, reflecting firm sales of soy sauce and a strong performance by the Foods – Wholesale business. However, overseas sales were affected by forex factors due to the strong yen.

Operating Income

Operating income increased 0.7% year on year to ¥32,842 million, reflecting higher profits in Japan on the back of sales growth for soy sauce and beverages, as well as lower raw material costs. Overseas, sales rose steadily on a local currency basis, but profits declined year on year due to forex factors caused by the strong yen.

Total Assets

Total assets declined ¥4,422 million year on year to ¥361,248 million. Current assets rose due to increases in cash and deposits and other current assets, but investments and other assets declined mainly due to a drop in investments in and advances to unconsolidated subsidiaries and affiliates.

Message from the Management

Make Kikkoman Soy Sauce a truly global seasoning

Yuzaburo Mogi
Honorary Chief Executive Officer and
Chairman of the Board of Directors

Noriaki Horikiri
President and
Chief Executive Officer

The Fiscal Year in Review

In fiscal 2017, ended March 31, 2017, growth in the global economy slowed slightly due to a loss of momentum in China and other emerging economies, despite a sustained moderate recovery in the U.S. and Europe.

The Japanese economy also recovered at a moderate pace, mirroring global economic trends.

Under these conditions, the Kikkoman Group's domestic sales were largely steady year on year, with firm sales of soy sauce and beverages offsetting a drop in sales of food products and liquor and wine. In overseas operations, sales were impacted by foreign exchange rates due to the strong yen. However, on a local currency basis, sales of soy sauce increased in North America, Europe and Asia/Oceania, and sales were strong in the Oriental food wholesale business, supporting an increase in overseas sales compared with the previous fiscal year.

As a result, consolidated net sales decreased 1.5% to ¥402,174 million, operating income rose 0.7% to ¥32,842 million, and net income attributable to owners of parent increased 19.3% to ¥23,810 million.

Management Principles and Business Fields

The management principles of the Kikkoman Group are based on the following three pillars:

1. To pursue the fundamental principle "consumer-oriented"
2. To promote the international exchange of food culture
3. To become a company whose existence is meaningful to global society

We believe that the existence and prosperity of a company is realized only by customer satisfaction. Based on this conviction, the Kikkoman Group provides value-added products and services by listening to the opinions of consumers and closely observing markets.

Moreover, as a food company, our fundamental mission is to offer consumers a stable supply of safe and high-quality products at reasonable prices. Moving forward, we will continue to steadily carry out these fundamental activities.

The Kikkoman Group will pursue global operations in the following fields:

1. Manufacturing and marketing food products
2. Providing products and services related to food and health

Medium-Term Management Plan

The Kikkoman Group has established a medium-term management plan that covers the period from fiscal 2016 to fiscal 2018.

Fiscal 2018 Medium-Term Management Plan targets

1. Net sales : ¥440 billion
   (average annual growth rate of 5.2%)
2. Operating income : ¥36 billion
   (for an 8.2% operating income margin)
3. Return on equity (ROE) : 9.0% or more
   (Exchange rate assumptions: ¥115/USD, ¥125/EUR)

To address business challenges of the Medium-Term Management Plan, we set a Group-wide objective of “improving profitability.” Under this objective, we pursue “maintaining growth overseas” and “improving productivity in Japan.”

In overseas operations, each business and each region performed well overall. In domestic operations, we also made steady progress with strengthening growth categories and improving the operating structure. We will continue to work towards the plan’s targets.

Business Outlook

We expect overseas operations, centered on the soy sauce business, to continue driving growth in the Kikkoman Group.

In North America, we will work to generate stable growth. For this purpose, we will raise the frequency of soy sauce use among existing users through initiatives such as offering products with more added value. We will also cultivate demand among new and occasional users.

In Europe, we aim to focus on expanding sales of soy sauce and maintain double-digit growth by further cultivating existing markets and developing new markets.

In Asia, we will implement sales strategies tailored to each country and region, and aim to capture this region’s fast-growing economies.

Amid the growing Japanese food market, we will work to establish a leading position for our Oriental food wholesale business by further improving its global network and its high-quality products and services, which are the Group’s strength.

In Japan, we are targeting growth and improved profitability in soy sauce and across our entire range of soy sauce-based seasonings, such as *tsuyu* (soy sauce soup base) and *tare* (dipping and marinade sauce). Specifically, in soy sauce, we will work to continue expanding sales of the *Itsudemo Shinsen* (Always Fresh) series of soy sauce and add more value to our entire range of soy sauce products. We also plan to further reinforce the *Uchi-no-Gohan* series in the growing category of handy Japanese-style seasoning mixes.

In Del Monte beverages, we will work to enhance the market presence of the Del Monte brand by improving product development and sales promotions. In soy milk beverages, we plan to build an even stronger position in the market by strengthening our production system and stimulating demand through marketing activities.

In liquor and wine, we will focus on expanding our market share in home-use *mirin* (sweet *sake* for cooking) and on supplying customers with value-added wines.

In biochemical products, we aim to enhance earnings capabilities by reviewing the business.

In terms of financial strategy, we need to make effective use of operating cash flow. We plan to use cash for capital investment, mainly in growing fields, returns to shareholders and investments in new businesses when opportunities arise.

Along with improving profitability and asset efficiency, capital efficiency is a key element of our management strategy as well, so we have set ROE as a target.

By implementing these initiatives, we will work to increase the Kikkoman Group's corporate value and presence.

August 2017

Yuzaburo Mogi
Honorary Chief Executive Officer and
Chairman of the Board of Directors

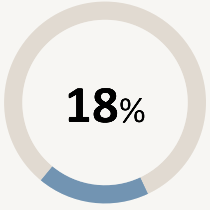
Noriaki Horikiri
President and Chief Executive Officer

Kikkoman at a Glance

OVERSEAS Foods–Manufacturing and Sales

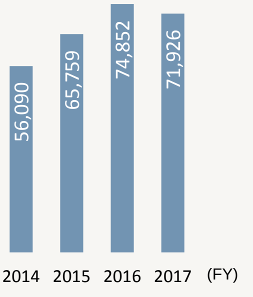
Net Sales Composition

Fiscal 2017



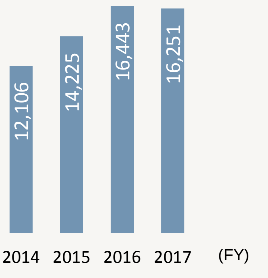
Net Sales

Millions of yen



Operating Income

Millions of yen



Soy Sauce

Major Products:
Soy sauce
Teriyaki sauce

➢ p. 18

Del Monte

Major Products:
Canned fruits
Canned corn
Tomato ketchup

➢ p. 18

Other Foods

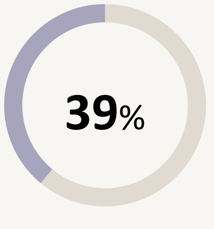
Major Products:
Health foods

➢ p. 18

OVERSEAS Foods–Wholesale

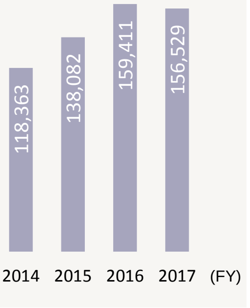
Net Sales Composition

Fiscal 2017



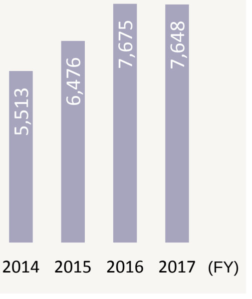
Net Sales

Millions of yen



Operating Income

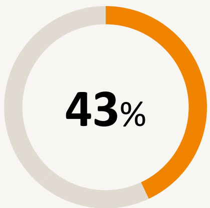
Millions of yen



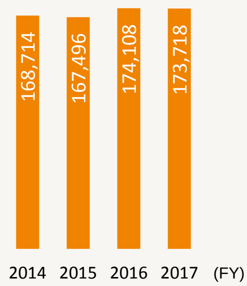
➢ p. 18

DOMESTIC

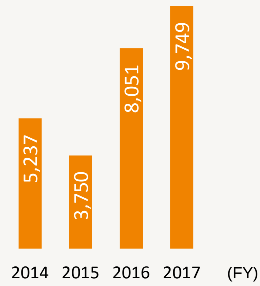
Net Sales Composition
Fiscal 2017



Net Sales
Millions of yen



Operating Income
Millions of yen



Foods–Manufacturing and Sales

Soy Sauce

Major Products:
Soy sauce

➢ p. 17

Food Products

Major Products:
Tsuyu (soy sauce soup base)
Tare (dipping and marinade sauces)
Handy seasoning mixes
Del Monte seasonings

➢ p. 17

Beverages

Major Products:
Soy milk beverages
Del Monte beverages

➢ p. 17

Liquor and Wine

Major Products:
Mirin (sweet *sake* for cooking)
Wines

➢ p. 18

Others

This business segment covers the production and sale of clinical diagnostic reagents, hygiene inspection agents, processing enzymes and chemical products such as hyaluronic acid, as well as real estate rental, logistics and back-office support for the Kikkoman Group, and other businesses.

➢ p. 18

* Graphs showing net sales exclude inter-segment transactions.

Corporate Citizenship

KIKKOMAN'S APPROACH TO CORPORATE SOCIAL RESPONSIBILITY

Since its establishment, Kikkoman has always regarded a connection with society as being of great importance. This attitude is reflected in our Management Principles. Now that we have come to supply a variety of products and services to customers in more than 100 countries worldwide, we recognize that our responsibilities to global society have grown together with the growth of our business.

We aim to become a company that is valued by people around the world and we will continue to implement activities that are aligned with our Management Principles.

The basics of our Management Principles are that we carry out our day-to-day business activities in a reliable and trustworthy manner and that we contribute to the realization of rich and healthy food lifestyles through our products and services. In addition, we aim to fulfill our responsibilities as a public entity and contribute to society through activities that are unique to Kikkoman. We believe that the cumulative pursuit of each and every one of these activities is our corporate social responsibility.

Kikkoman Corporate Citizenship Framework

The Kikkoman Group Management Principles

1. To pursue the fundamental principle "consumer-oriented"
2. To promote the international exchange of food culture
3. To become a company whose existence is meaningful to the global society

	Responsible Operations	Products / Services	Actions of global society
Key Aspects	Fundamental responsibilities of a corporate citizen We carry out responsible business operations that respond to the trust and expectations of each of our stakeholders; that comply not only with the law but also with social norms and standards of propriety; and that are in harmony with the environment.	Fundamental functions of a food company We deliver products and services of high quality and safety in a stable manner while promoting research and product development that create new value. We also propose new food lifestyles through the fusion of international food cultures.	Kikkoman's initiatives We contribute to the sustainable development of global society mainly in the areas of "food and health" by promoting activities that are unique to Kikkoman.
Areas of Focus	● Compliance ● Corporate governance ● Communication with stakeholders ● Environmental activities ● Building talent and fostering a positive workplace	● Product and service innovations ● Food safety and quality ● Stable supplies ● Delivering new and healthy food experiences	● Promotion of Japanese food culture ● Exchange of food cultures across the world ● *Shokuiku* (Food education) ● Commitment to society through food and health

On the following page, we introduce the main activities and programs implemented under the Kikkoman Corporate Citizenship Framework.

Reinforce Corporate Governance

Corporate Governance Overview (As of June 27, 2017)

Organization

Structure	Company with Audit & Supervisory Board
Corporate officer system	Yes

Key steps taken to reinforce corporate governance

	Initiative	Purpose
March 2001	Introduced corporate officer system	Clarified management responsibilities and accelerated decision-making and business execution
June 2002	Appointed outside directors	Increased management transparency and strengthened management oversight
	Established Nominating Committee and Remuneration Committee	
October 2009	Adopted holding company structure	Clarified roles and responsibilities of holding company and operating companies and created a structure to maximize Group synergies

Executives

	Directors	Audit & Supervisory Board Members
Number	10	4
Outside appointments	3	2
Term of office	1 year	4 years

* The Company has submitted independent director and auditor notifications to the Tokyo Stock Exchange for all its outside directors and outside audit & supervisory board members.

Nominating Committee and Remuneration Committee

	Composition	Role
Nominating Committee	5 members (3 outside directors, 2 directors) Committee chaired by an outside director	Recommends candidates for director, audit & supervisory board member and corporate officer posts to the Board of Directors
Remuneration Committee	5 members (3 outside directors, 2 directors) Committee chaired by an outside director	Develops remuneration proposals for directors, audit & supervisory board members and corporate officers

Directors, Audit & Supervisory Board Members and Corporate Officers

(As of June 27, 2017)

Directors and Audit & Supervisory Board Members

Honorary Chief Executive Officer and Chairman of the Board of Directors
Yuzaburo Mogi

President
Noriaki Horikiri*

Directors
Koichi Yamazaki*
Masanao Shimada
Shozaburo Nakano
Kazuo Shimizu
Osamu Mogi
Toshihiko Fukui**
Mamoru Ozaki**
Takeo Inokuchi**

* Representative Director
** Outside Director

Audit & Supervisory Board Members
Takashi Ozawa
Koichi Mori
Motohiko Kogo***
Toru Kajikawa***

*** Outside Audit & Supervisory Board Member

Corporate Officers

President and Chief Executive Officer
Noriaki Horikiri

Senior Executive Corporate Officers
Koichi Yamazaki
Masanao Shimada

Executive Corporate Officers
Shozaburo Nakano
Kazuo Shimizu
Osamu Mogi
Asahi Matsuyama
Takashi Hamada
Noboru Mimura
Kiminae Fujimura
Yoshiyuki Ishigaki
Takao Kamiyama
Tsuyoshi Matsuzaki

Corporate Officers
Yaichi Fukushima
Kazuki Usui
Hiroshi Miyake
Yoshiaki Asami
Yasuharu Nakajima
Yoshihisa Kitakura
Iwao Kawamura
Yasumasa Tajima
Ryohei Tsuji
Mitsunobu Nakamura
Hisato Nakano
Masami Oura
Atsushi Otsuyama
Nobumasa Inoue
Nobuaki Negishi
Yasuhiro Hoshino

Basic Approach

Our basic management approach is to increase corporate value by implementing the Kikkoman Group Management Principles.

To realize this objective, Kikkoman puts the highest priority on improving and reinforcing the Group's corporate governance framework. In line with this thinking, the Kikkoman Group is taking concrete steps to enhance corporate governance. Specifically, we are working to reinforce management supervisory functions and improve oversight by appointing outside directors and outside audit & supervisory board members who satisfy the criteria for independent appointments and by establishing a Nominating Committee and Remuneration Committee on which over half the members are outside directors. We have also introduced a corporate officer system to speed up decision-making and business execution.

Appointment of Outside Directors and Outside Audit & Supervisory Board Members

Kikkoman Corporation has 10 directors, including three outside directors, and four audit & supervisory board members, including two outside appointments. Kikkoman Corporation has established guidelines for the independence of outside board members, ensuring the selection of independent outside directors and outside audit & supervisory board members with no conflicts of interest. The Company has submitted independent director and auditor notifications to the Tokyo Stock Exchange for all its outside directors and outside audit & supervisory board members.

The role of outside directors is to strengthen management oversight from an objective standpoint using their wide-ranging experience and deep insight. Outside directors also contribute to greater management transparency by participating in meetings of the Board of Directors, the Nominating Committee and the Remuneration Committee. Outside audit & supervisory board members are responsible for ensuring appropriate oversight using their wide-ranging experience and deep insight.

Measures to Enhance Governance at Group Companies

The Kikkoman Group has prepared Authorization Guidelines, which set out the Company's internal decision-making standards. By abiding by these guidelines, holding company departments and Group companies engage in appropriate decision-making.

In addition, Kikkoman has established Administrative Rules and Regulations for Affiliated Companies to ensure compliance, ethical standards and reliable financial reporting at Group companies.

Under this system, Kikkoman Corporation directors and corporate officers responsible for Group companies issue instructions and provide supervision to ensure appropriate decision-making. These directors and corporate officers and the presidents of Group companies also submit regular business reports to the CEO and receive instructions at the CEO Briefing Meeting.

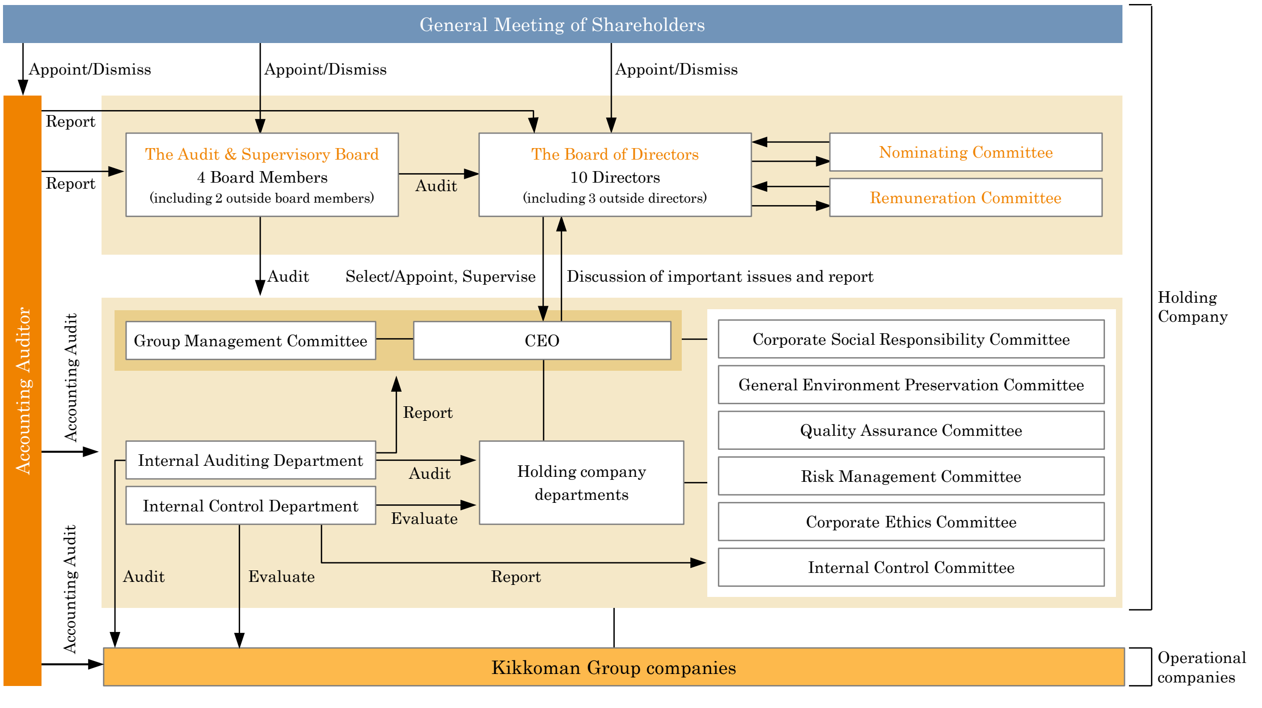
Internal Control Systems

Establishing an internal control system that ensures proper execution of business practices is high on our corporate agenda. Accordingly, we have been making Group-wide efforts to develop an enhanced framework for ensuring effective and efficient operations as well as compliance with laws and regulations.

We review and make appropriate updates to the basic policy for Establishing an Internal Control System, which was adopted by the Board of Directors in May 2006. Kikkoman significantly updated this basic policy to comply with the enactment of the revised Companies Act of Japan in May 2015.

In order to comply with the new internal controls reporting system mandated by the Financial Instruments and Exchange Act, which went into effect in April 2008, we established an Internal Control Committee and Internal Control Department in November 2008. To this same end, we have adopted a basic policy concerning internal controls as they relate to financial reporting and established a structure for strengthening internal controls related to financial reporting.

The Corporate Governance System
(As of June 27, 2017)



Environmental Activities

The Kikkoman Group strives to conduct business activities while maintaining harmony with the environment in accordance with the Company's environmental philosophy.

Environmental Preservation System

The Kikkoman Group has established the General Environment Preservation Committee; as a decision-making body, it is responsible for environmental preservation throughout the Group. The President and CEO of Kikkoman Corporation serves as the chairperson of the Committee, whose responsibilities include drawing up, implementing, and managing the Medium-Term Environmental Policy.

The Environment Preservation Promotion Committee, whose membership includes environmental management officers from Group companies, operates beneath the General Environment Preservation Committee to manage and guide environmental preservation activities from a Group-wide perspective.

Environment Preservation Committees at each Group worksite take the lead in orchestrating specific activities, while environmental manager information exchange meetings and other bodies provide a venue for sharing information and technologies of importance to the entire Group.

Environmental Philosophy

The Kikkoman Group will respect the working of nature, and contribute to the realization of a society comfortable to live in through our corporate activities keeping harmony with the environment.

Action Guidelines

We act on our Environmental Philosophy
with vigor and creativity.

1. Each of us will try to keep in harmony with the environment in performing one's own duties in all sectors (development, procurement, production, sales and support).
2. In addition to observing laws, we will formulate and observe the rules and regulations of our own.
3. As a member of society, we will participate actively in environmental preservation activities in our local communities.
4. We will study the environment and deepen our understanding.
5. We will think and act from a global point of view.

Medium-Term Environmental Preservation Goals

The Kikkoman Group is implementing the following initiatives in its Medium-Term Environmental Policy for fiscal 2016-18.

Goal	objective
Low carbon society	To reduce CO_2 emissions in procurement of raw materials
	To reduce CO_2 emissions in manufacturing
	To reduce CO_2 emissions in distribution
Recycling based society	To reduce waste from products and work in progress
	To reduce waste in general
	To reduce environmental load in containers and packaging
Symbiotic society	To enhance environmental assessment in raw material procurement
	To preserve water environment
	To reduce water consumption
Environmental management activity	To cooperate with local communities
	To respond against environmental risks
	To keep improving the environmental management system

Compliance

Basic Approach

The Kikkoman Group believes compliance goes beyond complying with laws and regulations to include company rules and regulations and social norms. Based on our view that compliance is about meeting the expectations of society, we are reinforcing the Group's compliance system as part of efforts to fulfill our responsibility as a corporate citizen.

Compliance System

The Kikkoman Group adopted the Kikkoman Group Code of Conduct in August 2002 to codify standards of behavior and conduct expected of Group employees. To strengthen compliance in accordance with this Code of Conduct, we have established the Kikkoman Group Corporate Ethics Committee and the Corporate Ethics Hotline as an internal whistleblower system. We also conduct compliance training courses for new employees and managers/ supervisors and hold sessions at Group company worksites as part of a continuous compliance training program.

CONTRIBUTE TO THE REALIZATION OF RICH AND HEALTHY FOOD LIFESTYLES

Aiming for higher quality and greater safety

In addition to providing safe and high-quality products through product quality assurance activities, the Kikkoman Group strives to utilize feedback from customers in initiatives to improve customer satisfaction.

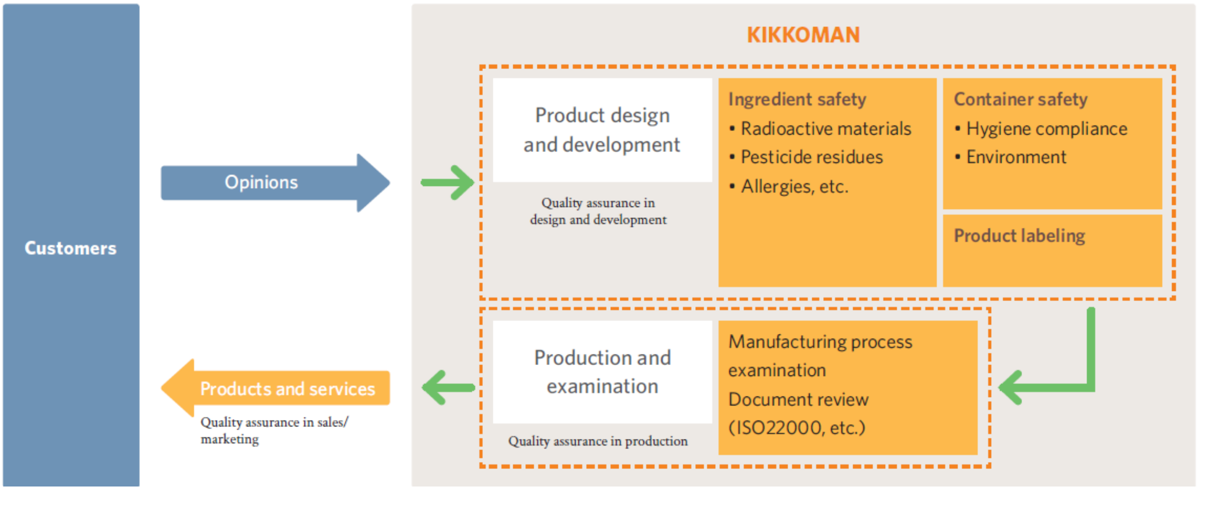
Basic Approach

The Kikkoman Group believes that "food safety" is our most important responsibility as a company within the food industry. Our responsibility to food safety takes on an even greater importance as we pursue the goals of Global Vision 2020, and our business becomes more global and diverse. To ensure our customers receive only the safest products and services, the Kikkoman Group will continue striving to provide appropriate information and the highest level of safety.

Quality Assurance Based on Safety and Peace of Mind

At the Kikkoman Group, we consider the safety of the products and services we provide to be our highest priority. To ensure safety, we conduct quality assurance inspections pursuant to strict control standards for all processes, from the selection of raw materials and ingredients to the final product stage, as part of our system for ensuring food safety. Our quality assurance inspections extend from product development to raw material safety, production regions, product manufacturing processes, sterilization conditions, product packaging, and labeling in accordance with the "Food Sanitation Act," the "Law Concerning Standardization, etc. of Agricultural and Forestry Products (JAS Law)," the "Food Labeling Act," and other regulations. We also examine product patentability, trademarks and related regulations, and the Quality Assurance Committee only approves the manufacture of a new product after it passes these inspections. At the same time, we place importance on delivering products that give peace of mind to customers. The Kikkoman Group believes that this comes from building relationships of deep trust with customers by communicating the safety of our products in an easy-to-understand manner. To ensure peace of mind, we actively disclose information to customers using product labeling, our website and other channels. We also ensure our product packaging and advertising complies with legal and industry standards, and we endeavor to make product labeling as clear and easy-to-understand as possible for customers.

The Kikkoman Group's quality assurance flow



ACTIONS OF GLOBAL SOCIETY

The Kikkoman Group's *Shokuiku* Activities

The Kikkoman Group considers *Shokuiku* (food education) the special responsibility of companies involved with food and food products. Since we announced our 'Commitment to *Shokuiku*', we have developed a program integrated throughout our business based on our "*Shokuiku* Framework."

Basic Approach

Since we announced our 'Commitment to *Shokuiku*' in May 2005, the Kikkoman Group is promoting *Shokuiku* activities based on our Shokuiku Framework.

Kikkoman's key *Shokuiku* Activities – educating people about food

The Kikkoman Soy Sauce Academy

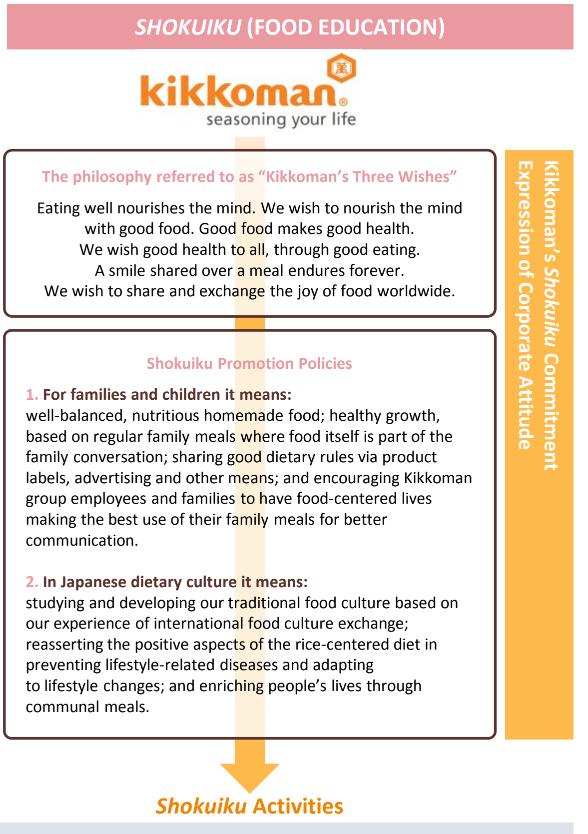
Kikkoman employees visit elementary schools in the role of soy sauce experts and assistants, using photos and illustrations to tell children about soy sauce ingredients and manufacturing processes in an easy-to-understand way.

The Kikkoman Academy

This is a program in which Kikkoman staff visit schools and other organizations to give lectures about a wide range of food-related topics.

Factory tours to see brewing processes first-hand

Kikkoman offers tours of soy sauce factories and Manns wineries in Japan. These tours include hands-on soy sauce-making courses for elementary school groups and other group visitors.



The Kikkoman Group's Overseas Operations – Kikkoman Soy Sauce Gaining Ground Worldwide

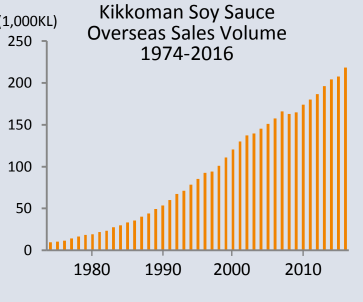
Kikkoman Soy Sauce is popular in more than 100 countries worldwide and the Group now has seven manufacturing sites overseas. We are working to make Kikkoman Soy Sauce a truly global seasoning. The strong belief that we have in our products has supported our expansion overseas.

We started our full-scale push into the U.S. in 1957. We first established Kikkoman International Inc. (now Kikkoman Sales USA, Inc.) in San Francisco to sell and market soy sauce. Since then, our soy sauce has become part of American food culture. Our local manufacturing subsidiary in the U.S., Kikkoman Foods, Inc., will also mark its 45th anniversary in 2018.

In October this year, our local subsidiary in Europe, Kikkoman Foods Europe B.V., will mark the 20th anniversary of the start of soy sauce supplies to the European market. Our European plant, which started operations in October 1997, has been progressively expanded in line with growth in the local soy sauce market. Today, the plant manufactures and sells Kikkoman Soy Sauce for the whole European market.

In Asia/Oceania, our subsidiary in Singapore, Kikkoman (S) Pte. Ltd., celebrated its 30th anniversary in 2015. The company runs marketing campaigns tailored to each country and region, supporting steady annual growth in shipments in the local Singapore market, as well as in Australia, New Zealand and ASEAN countries.

As a company that has provided, and will continue to provide, "food and health" to dining tables worldwide, Kikkoman will strive to make a positive impact on lifestyles through its products and services.



For more information about the Kikkoman Group's corporate citizenship activities, please read our Data Book.
https://www.kikkoman.com/en/csr/report/kikkoman_databook.html

Financial Section

Management's Discussion and Analysis

OPERATING RESULTS

In fiscal 2017, ended March 31, 2017, the Kikkoman Group's domestic sales were largely steady year on year, with firm sales of soy sauce and beverages offsetting a drop in sales of food products and liquor and wine.

In overseas operations, sales were affected by forex factors due to the strong yen. However, on a local currency basis, sales of soy sauce increased in North America, Europe and Asia/Oceania, and sales were strong in the Foods – Wholesale business, resulting in higher overseas sales compared with the previous fiscal year.

As a result, on a consolidated basis, net sales declined 1.5% year on year to ¥402,174 million, operating income rose 0.7% to ¥32,842 million and net income attributable to owners of parent increased 19.3% to ¥23,810 million.

NET SALES

Millions of yen

	2017	2016	Change	
Domestic Foods–Manufacturing and Sales	**¥167,337**	¥167,699	¥(361)	(0.2)%
Domestic Others	**21,035**	20,650	384	1.9%
Overseas Foods–Manufacturing and Sales	**81,783**	84,861	(3,077)	(3.6)%
Overseas Foods–Wholesale	**156,868**	159,754	(2,885)	(1.8)%
Adjustments	**(24,851)**	(24,594)	(257)	—
Consolidated	**¥402,174**	¥408,372	¥(6,198)	(1.5)%

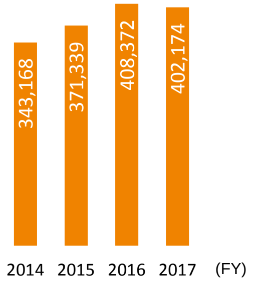
OPERATING INCOME

Millions of yen

	2017	2016	Change	
Domestic Foods–Manufacturing and Sales	**¥ 8,306**	¥ 6,536	¥1,769	27.1%
Domestic Others	**1,443**	1,515	(71)	(4.7)%
Overseas Foods–Manufacturing and Sales	**16,251**	16,443	(191)	(1.2)%
Overseas Foods–Wholesale	**7,648**	7,675	(26)	(0.3)%
Adjustments	**(806)**	427	(1,234)	—
Consolidated	**¥32,842**	¥32,598	¥244	0.7%

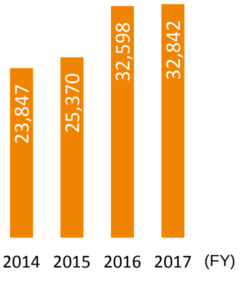
Net Sales

Millions of yen



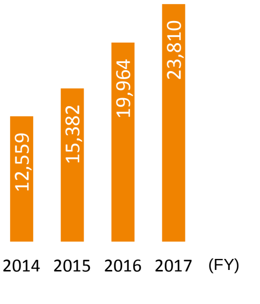
Operating Income

Millions of yen



Net Income Attributable to Owners of Parent

Millions of yen



SEGMENT INFORMATION

DOMESTIC

Foods – Manufacturing and Sales

Sales in this segment declined 0.2% to ¥167,337 million and operating income increased 27.1% to ¥8,306 million, with sales falling and profits rising year on year.

[Soy Sauce Division]

In soy sauce for the home-use sector, sales of the *Itsudemo Shinsen* series of fresh raw soy sauce continued to rise steadily, reflecting growing recognition in the market of the product's added value, such as the flavor of raw soy sauce and the easy-to-use bottles that keep the contents fresh. Improvements to the product lineup and increased in-store and TV advertising also contributed to sales growth. As a result, sales volume and sales value both rose year on year in the Soy Sauce Division.

[Food Products Division]

In the home-use sector, sales of *tsuyu* (soy sauce soup base) were supported by high value-added products such as *Itsudemo Shinsen Zeitaku Shirodashi Tsuyu* (always fresh, rich white soup stock), *Taidashi Shionabe Tsuyu* (salty hot pot *tsuyu* with red sea bream stock), *Ebidashi Nabe Tsuyu* (hot pot *tsuyu* with shrimp stock), and *Dashi Shikkari Genen Tsuyu* (full-flavor *tsuyu* with reduced salt stock), but overall sales of the *tsuyu* range declined year on year due to price revisions for flagship product *Hon Tsuyu* as part of a product renewal. Sales of *tare* (dipping and marinade sauces) increased year on year, supported by a wider lineup of products in our mainstay *Wagaya wa Yakinikuyasan* range of grilled meat sauces, such as *Jiwatto Karai Umakara Dare*, (spicy grilling sauce) and firm market conditions. Sales of *Uchi no Gohan* (handy Japanese-style seasoning mixes) declined year on year. Despite running various promotions, TV advertising and storefront marketing campaigns, sales were affected by weak demand in the market for seasoning mixes. In Del Monte seasonings, sales increased year on year on the back of higher sales in the mainstay ketchup range, particularly high value-added products due to a boost from a TV advertising campaign for lycopene-rich ketchup. As a result, sales overall in the Food Products Division declined compared with the previous fiscal year, mainly due to weaker sales of *tsuyu* products.

[Beverages Division]

In soy milk beverages, sales of foods for specified health uses (FOSHU products) increased amid growing interest in healthy lifestyles. Sales promotion activities aimed at growing the market for soy milk were also implemented, linking with advertising campaigns on TV, in magazines and other media that included the use of recipe books to promote the products as food ingredients, as well as beverages. As a result, sales of soy milk beverages increased compared with the previous fiscal year. In Del Monte beverages, sales of vegetable juices declined year on year, but sales campaigns and other promotional activities for mainstay tomato juice, gift packs and fruit juices helped to lift sales, leading to growth overall in sales of Del Monte beverages. As a result, sales in the Beverages Division increased compared with the previous fiscal year.

DOMESTIC

Foods–Manufacturing and Sales

This business segment manufactures and sells the products listed below in the domestic market.

Division	Main Products
Soy Sauce Division	• Soy sauce
Food Products Division	• *Tsuyu* (soy sauce soup base) • *Tare* (dipping and marinade sauces) • Handy seasoning mixes • Del Monte seasonings
Beverages Division	• Soy milk beverages • Del Monte beverages
Liquor and Wine Division	• *Mirin* (sweet *sake* for cooking) • Wines

Others

This business segment covers the production and sale of clinical diagnostic reagents, hygiene inspection agents, processing enzymes and chemical products such as hyaluronic acid, as well as real estate rental, logistics and back-office support for the Kikkoman Group, and other businesses.

OVERSEAS

Foods–Manufacturing and Sales

This business segment manufactures and sells the products listed below in overseas markets.

Division	Main Products	Main Region
Soy Sauce Division	• Soy sauce • *Teriyaki* sauce	North America, Europe, Asia/Oceania
Del Monte Division	• Canned fruits • Canned corn • Tomato ketchup	Asia and Oceania (Excluding the Philippines)
Other Foods Division	• Health foods	North America

Foods–Wholesale

This business segment purchases and sells oriental food products in Japan and overseas.

[Liquor and Wine Division]

In *Hon Mirin*, sales of *Komekoji Kodawari-jikomi Honmirin* (premium sweet *sake* for cooking) remained firm, as did sales of *Kokusanmai Kodawari-jikomi Ryori no Seishu* (premium *sake* for cooking) in *sake* for cooking. Despite solid sales of these and other high value-added products, sales of gift packs and industrial- and food service-use products were weak, leading to lower overall sales of *Hon Mirin* compared with the previous fiscal year. In domestic wines, sales were largely steady year on year. Sales of local products such as *Koshu Kobo no Awa*, which was served at the G7 Ise-Shima Summit, remained strong, but sales of wine packaged in 1.8L bottles and other large containers for food service-use declined year on year. Sales of imported wine also fell, reflecting poor demand for low-price products. As a result, sales in the Liquor and Wine Division declined compared with the previous fiscal year.

Others

Sales in this segment rose 1.9% year on year to ¥21,035 million and operating income fell 4.7% to ¥1,443 million, with sales rising but profits falling. Sales growth in this segment was supported by higher sales of clinical diagnostic reagents and hygiene inspection agents, and by sales growth in the logistics business.

OVERSEAS

Foods – Manufacturing and Sales

Sales in this segment declined 3.6% year on year to ¥81,783 million and operating income fell 1.2% to ¥16,251 million, with sales and profits both dropping.

[Soy Sauce Division]

In the North American market, the division worked to expand its business by leveraging the power of the Kikkoman brand. Specifically, this included continued efforts to enhance the lineup of mainstay soy sauce products and soy sauce-based seasonings for the home-use sector. In the industrial- and food service-use sectors, the division worked to accurately address customer needs, leading to firm sales in both sectors. As a result, on a local currency basis, sales in North America increased year on year.

In the European market, sales rose steadily in key markets such as Germany and France, supporting higher sales year on year on a local currency basis.

In Asia/Oceania, sales rose sharply on a local currency basis, supported by higher sales in Malaysia and other markets, and by the inclusion of results from a Chinese manufacturing and sales subsidiary from the fourth quarter of the fiscal year under review.

As a result, although sales in the Soy Sauce Division declined year on year due to forex factors, sales rose on a local currency basis.

[Del Monte Division]

Sales in this division declined year on year, reflecting weaker sales in key markets such as Hong Kong and China due to a supply shortage of Philippines-made canned pineapples caused by poor weather.

[Other Foods Division]

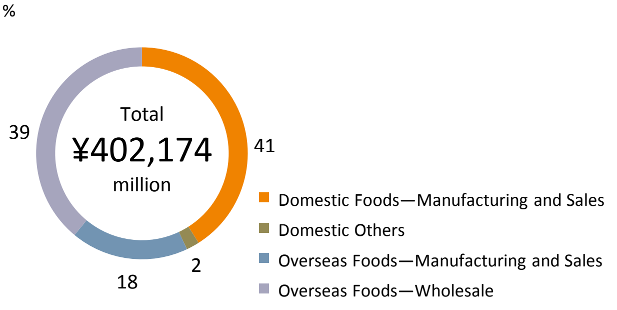
On a local currency basis, sales in this division increased year on year, reflecting strong sales through general stores and medical clinics.

Foods – Wholesale

Sales and profits both declined in the Overseas Foods – Wholesale segment. Sales fell 1.8% year on year to ¥156,868 million and operating income dropped 0.3% to ¥7,648 million.

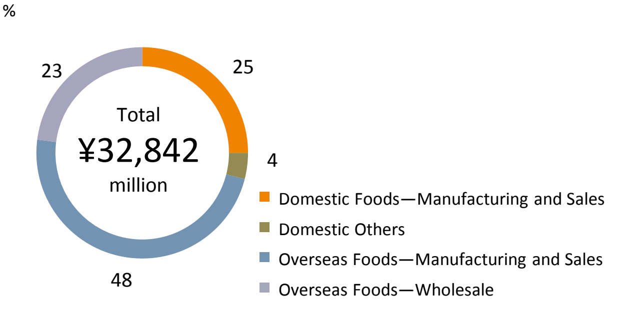
Sales in North America grew on a local currency basis, supported by efforts to build a stronger presence in the wider local market, in addition to the Asian American market. Also, the Japanese food market continued to grow in Europe and Asia/Oceania, contributing to steady sales in each region. As a result, on a local currency basis, sales in this segment increased compared with the previous fiscal year.

Net Sales Composition (Fiscal 2017)



* The figures are after elimination of inter-segment transactions.

Operating Income Composition (Fiscal 2017)



FINANCIAL POSITION

ASSETS

Current assets as of March 31, 2017 totaled ¥166,958 million, an increase of ¥20,663 million from the end of the previous fiscal year. This mainly reflected increases in cash and deposits and other current assets. Property, plant and equipment, at cost and investments and other assets totaled ¥194,290 million, a drop of ¥25,086 million from the end of the previous fiscal year, mainly reflecting a decline in investments in and advances to unconsolidated subsidiaries and affiliates.

As a result, total assets were ¥361,248 million, a decline of ¥4,422 million from the end of the previous fiscal year.

LIABILITIES

Current liabilities as of March 31, 2017 totaled ¥51,875 million, a decline of ¥5,692 million from the end of the previous fiscal year. This was mainly attributable to a decline in short-term bank loans. Non-current liabilities totaled ¥64,936 million, a decrease of ¥17,491 million from the end of the previous fiscal year, mainly due to a decline in long-term debt.

As a result, total liabilities were ¥116,811 million, a decline of ¥23,183 million from the end of the previous fiscal year.

NET ASSETS

Net assets as of March 31, 2017 totaled ¥244,437 million, an increase of ¥18,761 million from the end of the previous fiscal year. This was primarily attributable to a rise in retained earnings.

This resulted in an equity ratio of 66.4%, compared with 61.2% at the end of the previous fiscal year.

Net assets per share increased ¥82.66 to ¥1,242.71.

CASH FLOWS

Cash and cash equivalents were ¥44,205 million as of March 31, 2017, an increase of ¥9,055 million compared with the end of the previous fiscal year.

Details of cash flow positions in each type of activity and the major contributing factors during the year under review are described below.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥26,136 million, a decline of ¥11,525 million from the previous fiscal year, mainly reflecting cash used for income taxes paid.

Cash Flows from Investing Activities

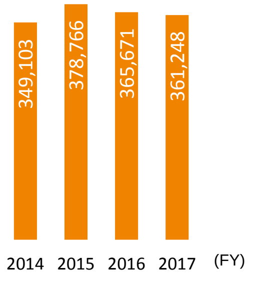
Net cash provided by investing activities was ¥13,235 million, primarily attributable to cash provided from proceeds from sales of investment securities.

Cash Flows from Financing Activities

Net cash used in financing activities was ¥30,359 million, mainly reflecting cash used for redemption of bonds and for cash dividends paid.

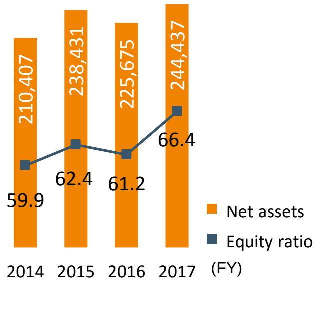
Total Assets

Millions of yen



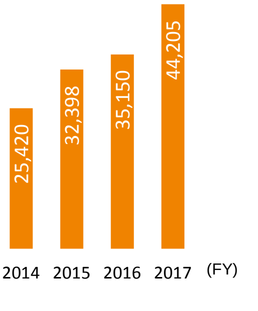
Net Assets / Equity Ratio

Millions of yen



Cash and Cash Equivalents

Millions of yen



RISK FACTORS

Listed below are the major risks faced by the Kikkoman Group in its business activities that could have a significant impact on the decisions of investors.

CHANGES IN THE MARKET ENVIRONMENT

The Kikkoman Group is developing business in various countries and regions worldwide, including Japan, North America, Europe and Asia, and aims for sustained business development. A decline in demand for the products and services that the Group provides, due to worsening economic conditions in particular countries where the Kikkoman Group is doing business, a change in consumers' tastes or values held in regard to products, the emergence of new business competitors, or other factors, could result in lower sales and earnings and thus adversely affect the Kikkoman Group's business results and financial position.

CHANGES IN THE SOCIAL ENVIRONMENT

Should any disruption in business activity arise in the countries where the Group does business, due to unexpected events such as war, terrorism or changes in politics or society, it could adversely affect the Group's business results and financial position.

NATURAL DISASTERS, EPIDEMICS AND ACCIDENTS

Should any emergency situation beyond expectation arise, such as an earthquake or other natural disaster, the wide-scale spread of an epidemic, or a major accident, resulting in damage to manufacturing, logistics, or other facilities; difficulties in the procurement of raw materials or energy; or complications in securing the required personnel, such events could reduce the Group's manufacturing and sales capabilities, and could thus lower sales and earnings.

In addition, cost increases including expenses incurred to restore facilities and the procurement cost of raw materials, energy and other resources, could adversely affect the Group's business results and financial position.

EXCHANGE RATE FLUCTUATIONS

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

Furthermore, exchange rate fluctuations could affect the provision price of products and services denominated in foreign currencies and the procurement cost of raw materials and products purchased by the Kikkoman Group.

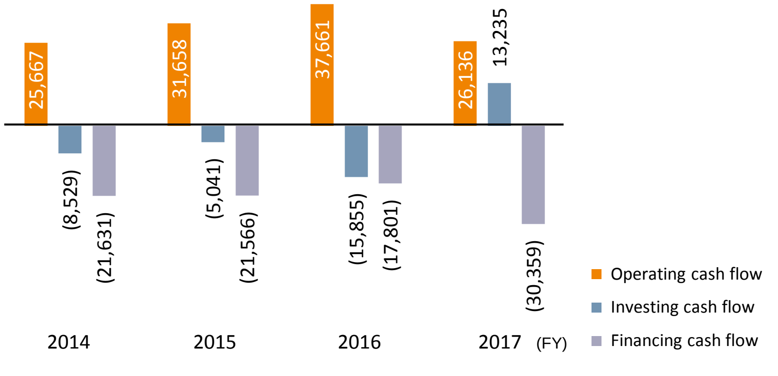
The Kikkoman Group uses various techniques to mitigate and avoid foreign currency exchange risk, but changes in currency markets could adversely affect its business results and financial position.

FLUCTUATIONS IN RAW MATERIAL PRICES

Some raw materials used by the Kikkoman Group are subject to the effects of commodities market conditions. The soybeans, soybean meal and wheat used in the mainstay soy sauce products are subject to the effects of conditions in international commodities markets. Fluctuations in crude oil prices could also affect manufacturing and delivery costs for PET bottles used to package Kikkoman's products and other products. A rapid increase in market

Cash Flows

Millions of yen



prices for these materials could lead to higher manufacturing and delivery expenses and thus adversely affect the Kikkoman Group's business results and financial position.

ACCOUNTING FOR IMPAIRMENT OF ASSETS

The Kikkoman Group owns a variety of assets, including real estate used in the course of business operations. Should recovery of the Group's investment in such assets become unlikely due to a decline in market value or a decrease in profitability, the assets will become liable for asset impairment accounting. This could adversely affect the Kikkoman Group's business results and financial position.

FLUCTUATIONS IN THE MARKET VALUE OF SECURITIES

The Kikkoman Group holds marketable securities with fair market values. Should there be a significant decline in the market value of these securities, this could adversely affect the Kikkoman Group's business results and financial position.

WEATHER

The Kikkoman Group's business portfolio includes products that are vulnerable to consumption patterns caused by the effects of the weather. In particular, a cool summer or warm winter could result in lower sales of these products, and thus adversely affect the Kikkoman Group's business results and financial position.

ISSUES RELATED TO FOOD SAFETY

The Kikkoman Group works to strengthen its quality assurance and quality control systems based on the fundamental mission of providing high-quality products in a safe and stable manner. Nevertheless, in the event that an accident occurs in connection with one of its products, including as the result of a chance occurrence, or in the event that a situation beyond the scope of the Group's initiatives arises, this could adversely affect the Group's business results and financial position.

INTELLECTUAL PROPERTY

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

ALLIANCES AND CORPORATE ACQUISITIONS

The Kikkoman Group has formed alliances with other companies in specific fields of business. Going forward, to utilize resources as necessary from outside the Group, the Group may form strategic alliances, including equity-based alliances and corporate acquisitions. However, the inability of the Kikkoman Group to carry out its business plan as expected after forming an alliance or conducting an acquisition could adversely affect the Group's business results and financial position.

LAWS AND REGULATIONS

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

INFORMATION AND IT SYSTEM MANAGEMENT

The Kikkoman Group operates IT systems related to operations such as product development, manufacturing, distribution and sales, and holds important information related to Group management and many corporations and individuals. The Group takes every possible step to ensure the maintenance and security of these systems in order to mitigate IT system problems and other such events, while at the same time operating a strict information management system. However, the Kikkoman Group's business results and financial position could be adversely affected by system failures or the leak or falsification of data due to events such as power failures, natural disasters, software and equipment failures, computer viruses, and unauthorized system access that have an impact which is greater than anticipated by the Group.

Consolidated Balance Sheets

KIKKOMAN CORPORATION and Consolidated Subsidiaries

	March 31, 2017	March 31, 2016	2017
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Assets			
Current assets:			
Cash and deposits *(Notes 4 and 15)*	¥ 45,297	¥ 36,260	$ 403,752
Trade notes and accounts receivable *(Notes 7 and 15)*	54,930	52,010	489,615
Allowance for doubtful receivables	(483)	(485)	(4,305)
	54,447	51,525	485,310
Short-term investment securities *(Notes 4 and 5)*	1,184	269	10,553
Merchandise and finished goods	34,120	31,986	304,126
Work in process	10,855	11,562	96,755
Raw materials and supplies	4,640	4,909	41,358
Deferred tax assets *(Note 9)*	4,534	3,746	40,413
Other	11,877	6,034	105,865
Total current assets	166,958	146,294	1,488,171
Property, plant and equipment, at cost *(Note 17):*			
Land	22,273	22,312	198,529
Buildings and structures	102,198	99,731	910,936
Machinery, equipment and vehicles	191,443	186,172	1,706,417
Leased assets	396	326	3,529
Other	19,438	18,973	173,259
Construction in progress	3,592	2,046	32,017
	339,340	329,564	3,024,690
Accumulated depreciation	(232,998)	(224,612)	(2,076,816)
Property, plant and equipment, net	106,344	104,951	947,891
Investments and other assets:			
Investment securities *(Notes 5 and 15)*	57,469	50,530	512,247
Investments in and advances to unconsolidated subsidiaries and affiliates	6,799	38,642	60,602
Goodwill	5,826	11,275	51,929
Other intangible assets	5,769	5,289	51,421
Deferred tax assets *(Note 9)*	2,442	760	21,766
Net defined benefit asset *(Note 8)*	6,523	4,629	58,142
Other	3,115	3,297	27,765
Total investments and other assets	87,945	114,425	783,893
Total assets	¥ 361,248	¥ 365,671	$ 3,219,966

	March 31,		
	2017	2016	2017
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Liabilities			
Current liabilities:			
Short-term bank loans *(Notes 7 and 15)*	¥ 2,820	¥ 4,871	$ 25,135
Current portion of long-term debt *(Notes 6 and 15)*	–	2,000	–
Lease obligations *(Notes 6 and 12)*	44	51	392
Trade notes and accounts payable *(Note 15)*	21,196	20,279	188,929
Other accounts payable *(Note 15)*	16,771	18,048	149,487
Accrued income taxes	1,888	2,975	16,828
Accrued employees' bonuses	2,383	2,312	21,240
Accrued directors' bonuses	101	105	900
Other	6,668	6,922	59,434
Total current liabilities	51,875	57,567	462,385
Non-current liabilities:			
Long-term debt *(Notes 6 and 15)*	43,300	59,300	385,952
Lease obligations *(Notes 6 and 12)*	54	58	481
Net defined benefit liability *(Note 8)*	4,521	5,236	40,297
Accrued directors' severance benefits	786	796	7,005
Provision for environmental remediation	349	457	3,110
Deferred tax liabilities *(Note 9)*	9,048	9,728	80,648
Other	6,877	6,849	61,297
Total non-current liabilities	64,936	82,427	578,803
Total liabilities	116,811	139,995	1,041,189
Contingent Liabilities *(Note 13)*			
Net assets			
Shareholders' equity:			
Common stock, without par value:			
Authorized: 600,000,000 shares at March 31, 2017 and 2016			
Issued: 210,383,202 shares at March 31, 2017 and 2016	11,599	11,599	103,387
Capital surplus *(Note 10)*	13,914	13,912	124,021
Retained earnings *(Notes 10 and 19)*	222,614	208,035	1,984,258
Treasury stock, at cost: 17,249,765 shares at March 31, 2017 and 17,560,687 shares at March 31, 2016	(30,600)	(30,833)	(272,751)
Total shareholders' equity	217,528	202,713	1,938,925
Accumulated other comprehensive income (loss):			
Unrealized holding gain (loss) on securities, net of taxes	20,306	18,728	180,996
Deferred hedge gain (loss), net of taxes	(3)	(14)	(26)
Foreign currency translation adjustments	2,652	5,203	23,638
Remeasurements of defined benefit plans, net of taxes *(Note 8)*	(473)	(2,947)	(4,216)
Total accumulated other comprehensive income (loss)	22,481	20,970	200,383
Non-controlling interests	4,427	1,991	39,459
Total net assets	244,437	225,675	2,178,777
Total liabilities and net assets	¥ 361,248	¥ 365,671	$ 3,219,966

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

KIKKOMAN CORPORATION and Consolidated Subsidiaries

	Years ended March 31,		
	2017	2016	2017
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net sales	¥ 402,174	¥ 408,372	$ 3,584,757
Cost of sales *(Notes 8 and 11)*	242,343	248,215	2,160,112
Gross profit	159,830	160,156	1,424,636
Selling, general and administrative expenses *(Notes 8 and 11)*	126,988	127,558	1,131,901
Operating income	32,842	32,598	292,735
Other income (expenses):			
Interest and dividend income	1,517	880	13,521
Equity in earnings of unconsolidated subsidiaries and affiliates	4	984	35
Foreign exchange gains, net	560	3,427	4,991
Rental income *(Note 17)*	712	682	6,346
Interest expenses	(762)	(1,067)	(6,792)
Sales discounts	(719)	(765)	(6,408)
Gain on sales of property, plant and equipment *(Note 17)*	46	21	410
Gain on sales of investment securities *(Note 5)*	166	–	1,479
Loss on impairment of fixed assets	(443)	(553)	(3,948)
Loss on disposal of property, plant and equipment	–	(148)	–
Loss on revaluation of investment securities *(Note 5)*	–	(28)	–
Loss on revaluation of golf club memberships	–	(5)	–
Amortization of goodwill	(3,813)	–	(33,986)
Loss on valuation of shares of subsidiaries and affiliates	(103)	–	(918)
Loss on sales of shares of subsidiaries and affiliates	(377)	–	(3,360)
Loss on redemption of bond	(432)	–	(3,850)
Special extra retirement payments	–	(61)	–
Other, net	(2,119)	(5,711)	(18,887)
Income before income taxes	27,079	30,253	241,367
Income taxes *(Note 9)*:			
Current	8,379	10,195	74,685
Deferred	(5,162)	(108)	(46,011)
	3,216	10,087	28,665
Net income	23,863	20,166	212,701
Net income attributable to non-controlling interests	(53)	(201)	(472)
Net income attributable to owners of parent *(Note 14)*	¥ 23,810	¥ 19,964	$ 212,229

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

KIKKOMAN CORPORATION and Consolidated Subsidiaries

	Years ended March 31,		
	2017	2016	2017
	(Millions of yen)		(Thousands of U.S. dollars) (Note 3)
Net income	¥ 23,863	¥ 20,166	$ 212,701
Other comprehensive income (loss):			
Unrealized holding gain (loss) on securities, net of taxes	2,413	324	21,508
Deferred hedge gain (loss), net of taxes	18	(49)	160
Foreign currency translation adjustments	(1,736)	(8,185)	(15,473)
Remeasurements of defined benefit plans, net of taxes	2,419	(3,205)	21,561
Share of other comprehensive income of affiliates accounted for using the equity method	(1,250)	(1,672)	(11,141)
Total other comprehensive income (loss)	¥ 1,865	¥ (12,789)	$ 16,623
Comprehensive income	¥ 25,728	¥ 7,377	$ 229,325
Total comprehensive income attributable to:			
Owners of parent	¥ 25,468	¥ 7,191	$ 227,007
Non-controlling interests	259	185	2,308

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

KIKKOMAN CORPORATION and Consolidated Subsidiaries

Year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				
	Common stock (210,383,202 shares)	Capital surplus *(Note 10)*	Retained earnings *(Notes 10 and 19)*	Treasury stock	Total shareholders' equity
Balance at beginning of the period	¥ 11,599	¥ 13,912	¥ 208,035	¥ (30,833)	¥ 202,713
Changes of items during the period					
Cash dividends			(9,273)		(9,273)
Net income attributable to owners of parent			23,810		23,810
Change of scope of consolidation			231		231
Purchase of treasury stock				(75)	(75)
Disposal of treasury stock		2		2	4
Change of scope of equity method			(188)	305	116
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	2	14,579	232	14,814
Balance at end of the period	¥ 11,599	¥ 13,914	¥ 222,614	¥ (30,600)	¥ 217,528

	Accumulated other comprehensive income (loss)					Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities, net of taxes	Deferred hedge gain (loss), net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes *(Note 8)*	Total accumulated other comprehensive income (loss)		
Balance at beginning of the period	¥ 18,728	¥ (14)	¥ 5,203	¥ (2,947)	¥ 20,970	¥ 1,991	¥ 225,675
Changes of items during the period							
Cash dividends							(9,273)
Net income attributable to owners of parent							23,810
Change of scope of consolidation							231
Purchase of treasury stock							(75)
Disposal of treasury stock							4
Change of scope of equity method							116
Net changes of items other than shareholders' equity	1,577	11	(2,550)	2,473	1,511	2,435	3,947
Total changes of items during the period	1,577	11	(2,550)	2,473	1,511	2,435	18,761
Balance at end of the period	¥ 20,306	¥ (3)	¥ 2,652	¥ (473)	¥ 22,481	¥ 4,427	¥ 244,437

Year ended March 31, 2017 *(Thousands of U.S. dollars) (Note 3)*

	Shareholders' equity				
	Common stock (210,383,202 shares)	Capital surplus *(Note 10)*	Retained earnings *(Notes 10 and 19)*	Treasury stock	Total shareholders' equity
Balance at beginning of the period	$103,387	$124,003	$1,854,309	$ (274,828)	$1,806,872
Changes of items during the period					
Cash dividends			(82,654)		(82,654)
Net income attributable to owners of parent			212,229		212,229
Change of scope of consolidation			2,059		2,059
Purchase of treasury stock				(668)	(668)
Disposal of treasury stock		17		17	35
Change of scope of equity method			(1,675)	2,718	1,033
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	17	129,949	2,067	132,043
Balance at end of the period	$103,387	$124,021	$1,984,258	$ (272,751)	$1,938,925

	Accumulated other comprehensive income (loss)						
	Unrealized holding gain (loss) on securities, net of taxes	Deferred hedge gain (loss), net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes *(Note 8)*	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at beginning of the period	$ 166,931	$ (124)	$ 46,376	$ (26,267)	$ 186,915	$ 17,746	$ 2,011,542
Changes of items during the period							
Cash dividends							(82,654)
Net income attributable to owners of parent							212,229
Change of scope of consolidation							2,059
Purchase of treasury stock							(668)
Disposal of treasury stock							35
Change of scope of equity method							1,033
Net changes of items other than shareholders' equity	14,056	98	(22,729)	22,042	13,468	21,704	35,181
Total changes of items during the period	14,056	98	(22,729)	22,042	13,468	21,704	167,225
Balance at end of the period	$ 180,996	$ (26)	$ 23,638	$ (4,216)	$ 200,383	$ 39,459	$ 2,178,777

Year ended March 31, 2016 *(Millions of yen)*

	Shareholders' equity				
	Common stock (210,383,202 shares)	Capital surplus *(Note 10)*	Retained earnings *(Notes 10 and 19)*	Treasury stock	Total shareholders' equity
Balance at beginning of the period	¥ 11,599	¥ 21,405	¥ 190,440	¥ (20,680)	¥ 202,765
Cumulative effects of the change in accounting policy		(7,472)	2,327		(5,145)
Balance at the beginning of the period after the retroactive application	11,599	13,932	192,767	(20,680)	197,619
Changes of items during the period					
Cash dividends			(4,697)		(4,697)
Net income attributable to owners of parent			19,964		19,964
Purchase of treasury stock				(10,154)	(10,154)
Disposal of treasury stock		4		3	8
Changes in treasury stock accompanying changes to holdings in unconsolidated subsidiaries and affiliates accounted for using the equity method				(1)	(1)
Changes in equity related to transactions with non-controlling shareholders		(25)			(25)
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(20)	15,267	(10,152)	5,094
Balance at end of the period	¥ 11,599	¥ 13,912	¥ 208,035	¥ (30,833)	¥ 202,713

	Accumulated other comprehensive income (loss)					Non-controlling interests	Total net assets
	Unrealized holding gain (loss) on securities, net of taxes	Deferred hedge gain (loss), net of taxes	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes *(Note 8)*	Total accumulated other comprehensive income (loss)		
Balance at beginning of the period	¥ 19,103	¥ 14	¥ 13,903	¥ 721	¥ 33,743	¥ 1,922	¥ 238,431
Cumulative effects of the change in accounting policy							(5,145)
Balance at the beginning of the period after the retroactive application	19,103	14	13,903	721	33,743	1,922	233,285
Changes of items during the period							
Cash dividends							(4,697)
Net income attributable to owners of parent							19,964
Purchase of treasury stock							(10,154)
Disposal of treasury stock							8
Changes in treasury stock accompanying changes to holdings in unconsolidated subsidiaries and affiliates accounted for using the equity method							(1)
Changes in equity related to transactions with non-controlling shareholders							(25)
Net changes of items other than shareholders' equity	(375)	(29)	(8,700)	(3,668)	(12,773)	69	(12,704)
Total changes of items during the period	(375)	(29)	(8,700)	(3,668)	(12,773)	69	(7,609)
Balance at end of the period	¥ 18,728	¥ (14)	¥ 5,203	¥ (2,947)	¥ 20,970	¥ 1,991	¥ 225,675

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

KIKKOMAN CORPORATION and Consolidated Subsidiaries

	Years ended March 31,		
	2017	2016	2017
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 3)*
Cash flows from operating activities			
Income before income taxes	¥ 27,079	¥ 30,253	$ 241,367
Depreciation and amortization	12,339	11,936	109,983
Loss on impairment of fixed assets	443	553	3,948
Increase (decrease) in accrued directors' severance benefits	(10)	(50)	(89)
Increase (decrease) in net defined benefit liability	418	215	3,725
Interest and dividend income	(1,517)	(880)	(13,521)
Interest expenses	762	1,067	6,792
Equity in earnings of unconsolidated subsidiaries and affiliates	(4)	(984)	(35)
Gain on sales of property, plant and equipment	(51)	(52)	(454)
Gain on sales of investment securities *(Note 5)*	210	(1)	1,871
Loss on disposal of property, plant and equipment	303	511	2,700
Loss on revaluation of investment securities	–	28	–
(Increase) decrease in trade notes and accounts receivable	(2,845)	(3,183)	(25,358)
(Increase) decrease in inventories	(886)	(933)	(7,897)
Increase (decrease) in trade notes and accounts payable	741	590	6,604
Other	3,297	6,386	29,387
Subtotal	40,279	45,455	359,024
Interest and dividends received	1,332	1,376	11,872
Interest paid	(965)	(1,022)	(8,601)
Income taxes paid	(14,511)	(8,147)	(129,343)
Net cash provided by operating activities	26,136	37,661	232,961
Cash flows from investing activities			
Acquisition of property, plant and equipment	(10,972)	(13,011)	(97,798)
Proceeds from sales of property, plant and equipment	93	89	828
Acquisition of intangible assets	(721)	(605)	(6,426)
Acquisition of investment securities	(1,291)	(744)	(11,507)
Proceeds from sales of investment securities	24,560	2	218,914
Payments for transfer of business	–	(1,876)	–
Purchase of investments in subsidiary accompanied by change in scope of consolidation	–	(71)	–
Addition to loans receivable	(426)	(582)	(3,797)
Collection of loans receivable	516	429	4,599
Other	1,475	516	13,147
Net cash provided by (used in) investing activities	13,235	(15,855)	117,969
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	(2,036)	(558)	(18,147)
Proceeds from long-term debt	13,000	–	115,874
Repayment of long-term debt	(11,000)	(2,000)	(98,047)
Redemption of bonds	(20,432)	–	(182,119)
Acquisition of treasury stock	(101)	(10,262)	(900)
Cash dividends paid	(9,273)	(4,697)	(82,654)
Cash dividends paid to non-controlling shareholders	(103)	(119)	(918)
Payments for changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	(25)	–
Other	(411)	(138)	(3,663)
Net cash used in financing activities	(30,359)	(17,801)	(270,603)
Effect of exchange rate changes on cash and cash equivalents	(12)	(1,080)	(106)
Net increase (decrease) in cash and cash equivalents	8,999	2,923	80,212
Cash and cash equivalents at beginning of the year	35,150	32,398	313,307
Increase in cash and cash equivalents from newly consolidated subsidiary	56	–	499
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	–	(172)	–
Cash and cash equivalents at end of the year *(Note 4)*	¥ 44,205	¥ 35,150	$ 394,019

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KIKKOMAN CORPORATION and Consolidated Subsidiaries

1. Basis of Preparation

KIKKOMAN CORPORATION (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan and have been prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS"). On March 26 2015, the Accounting Standards Board of Japan ("ASBJ") issued Practical Issues Task Force No.18, "Revised Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" ("PITF No.18"). PITF No.18 requires that accounting policies and procedures applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for preparing the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either IFRS or U.S. generally accepted accounting principles. In this case, adjustments for the following four items are required in the consolidation process so that their impacts on net income attributable to owners of parent are accounted for in accordance with Japanese GAAP.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The consolidated financial statements for the previous year 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 all significant companies controlled directly or indirectly by the Company. In addition, companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

All significant inter-company balances and transactions have been eliminated in consolidation.

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

Differences between the acquisition costs and the underlying net equities in investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over their estimated useful lives or a period of five years. Any immaterial amounts are charged or credited to income in the year of acquisition.

(b) Foreign currency translation

Income and expenses in foreign currencies are translated at the rates prevailing at the time of the transaction. Except as noted in (n) Derivatives below, all monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates. Resulting exchange gains or losses are charged or credited to income for the year.

Revenue and expense accounts of foreign consolidated subsidiaries are translated at the average exchange rates in effect during the year. Except for shareholders' equity, the balance sheet accounts of foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Differences arising on translation are presented as foreign currency translation adjustments or non-controlling interests as a separate component of net assets.

(c) Cash equivalents

For the purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(d) Securities

Marketable securities classified as other securities are carried at fair value with any unrealized gains and losses reported as a separate component of accumulated other comprehensive income, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is mainly determined by the moving average method.

(e) Inventories
Inventories are mainly stated at cost determined by the periodic average method.
In cases where the profitability has declined, the book value is reduced accordingly.

(f) Depreciation and amortization
Property, plant and equipment (excluding leased assets) are depreciated mainly by the straight-line method over their estimated useful lives.
Intangible assets (excluding leased assets) are amortized by the straight-line method over their estimated useful lives. Software for internal use is amortized over its estimated useful life. The range of useful lives is five to ten years.
The straight-line method is adopted for depreciation of leased assets, with the lease period set as the useful life and the residual value as zero.

(g) Allowance for doubtful receivables
The allowance for doubtful receivables is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the balance sheet date.

(h) Accrued employees' and directors' bonuses
Accrued employees' and directors' bonuses are provided based on the estimated amounts to be paid.

(i) Employee retirement benefits
(1) Attribution of expected retirement benefits to periods of service
In calculation of retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods of service.
(2) Amortization of actuarial gains/losses and prior service costs
Prior service cost is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the active participants in the plans.
The adjustment made during the year arising from revisions to actuarial assumptions (the "actuarial gain or loss") is amortized by the straight-line method beginning the following year over a period of 10 years, which is shorter than the average remaining years of service of the active participants in the plans.

(j) Accrued directors' severance benefits
Certain directors, corporate auditors and corporate officers of the Company and certain domestic consolidated subsidiaries are entitled to lump-sum payments under their respective unfunded retirement allowance plans. Provision for retirement allowances for these officers has been made at the estimated amount which would be paid if all directors, corporate auditors and corporate officers resigned as of the balance sheet date.

(k) Provision for environmental remediation
In preparation for payments relating to disposal of polychlorinated biphenyl (PCB) and other wastes under the "Law Concerning Special Measures Against PCB Waste," a provision for environmental remediation has been made for the estimated costs to be incurred.

(l) Income taxes
Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which are expected to be in effect when the differences are expected to reverse.
The Company and certain domestic consolidated subsidiaries apply the Japanese consolidated taxation system.

(m) Research and development costs
Research and development costs are charged to income as incurred.

(n) Derivatives
The Company and its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to adverse fluctuations in foreign currency exchange rates but not for speculative purposes. Derivatives are stated at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a separate component of accumulated other comprehensive income, net of taxes. Payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates.

(o) Appropriation of retained earnings
Under the Companies Act of Japan, 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 financial statements for that period do not, therefore, reflect such appropriations.

(p) Changes in presentation
Changes in the consolidated statements of income
The following changes in presentation have been made due to changes in materiality of the accounts:

1) "Sales discounts" included in "Other, net" in "Other income (expenses)" for the year ended March 31, 2016 is presented as a separate account for the year ended March 31, 2017 due to an increase in materiality;
2) "Unrealized loss on derivatives" in "Other income (expenses)" was presented as a separate account for the year ended March 31, 2016, but is included in "Other, net" in "Other income (expenses)" for the year ended March 31, 2017 due to a decrease in materiality; and
3) "IT system transition expenses" in "Other income (expenses)" was presented as a separate account for the year ended March 31, 2016, but is included in "Other, net" in "Other income (expenses)" for the year ended March 31, 2017 due to a decrease in materiality.

The consolidated financial statements for the year ended March 31, 2016 have been reclassified to conform to the presentation used for the year ended March 31, 2017.
As a result, "Unrealized loss on derivatives" of ¥2,787 million and "IT system transition expenses" of ¥920 million for the year ended March 31, 2016 were reclassified to "Other, net" in " Other income (expenses)" and "Sales discounts" of ¥765 million presented in "Other, net" for the year ended March 31, 2016, was presented as a separate account in "Other income (expenses)" for the year ended March 31, 2017.

(q) Additional information
The Company and its domestic subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016) from the year ended March 31, 2017.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation, at the rate of ¥112.19 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2017. The translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2017 and 2016 were as follows:

	March 31,		
	2017	**2016**	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	¥45,297	¥36,260	$403,752
Short-term investment securities	1,184	269	10,553
Time deposits with maturities of more than three months	(1,287)	(1,379)	(11,471)
Short-term investments with period from the acquisition date to the redemption date of more than three months	(988)	–	(8,806)
Cash and cash equivalents	¥44,205	¥35,150	$394,019

5. Fair Value of Securities

As of March 31, 2017 and 2016, the Company and its consolidated subsidiaries did not possess any securities classified as trading securities and held-to-maturity securities. Securities classified as other securities are included in "Short-term investment securities" and "Investment securities" in the accompanying consolidated balance sheets.
The components of unrealized gain or loss on marketable securities classified as other securities as of March 31, 2017 and 2016 are summarized as follows:

	March 31, 2017					
	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
		(Millions of yen)			*(Thousands of U.S. dollars)*	
Unrealized gain:						
Stocks	¥19,808	¥ 49,586	¥ 29,777	$176,557	$441,982	$265,415
Unrealized loss:						
Stocks	2,532	2,183	(349)	22,568	19,458	(3,110)
Other	1,184	1,184	–	10,553	10,553	–
	3,716	3,367	(349)	33,122	30,011	(3,110)
Total	¥23,525	¥ 52,953	¥ 29,428	$209,688	$471,993	$262,305

	March 31, 2016		
	Acquisition costs	Carrying value	Unrealized gain (loss)
		(Millions of yen)	
Unrealized gain:			
Stocks	¥14,372	¥ 41,044	¥ 26,671
Unrealized loss:			
Stocks	4,435	3,705	(729)
Other	269	269	–
	4,705	3,975	(729)
Total	¥ 19,078	¥ 45,020	¥ 25,941

Proceeds from sales of securities classified as other securities amounted to ¥189 million ($1,684 thousand) with an aggregate gain on sales of ¥166 million ($1,479 thousand) for the year ended March 31, 2017.
Proceeds from sales of securities classified as other securities amounted to ¥2 million with an aggregate gain on sales of ¥1 million for the year ended March 31, 2016.

6. Long-Term Debt and Credit Facilities

Long-term debt and lease obligations as of March 31, 2017 and 2016 consisted of the following:

	March 31,		
	2017	2016	2017
	(Millions of yen)		*(Thousands of U.S. dollars)*
1.88% unsecured bonds, payable in yen, due 2017	¥ –	¥ 20,000	$ –
1.312% unsecured bonds, payable in yen, due 2021	30,000	30,000	267,403
Loans from banks	13,300	11,300	118,548
Lease obligations	98	110	873
	43,398	61,410	386,825
Less: Current portion	44	2,051	392
	¥ 43,354	¥ 59,358	$ 386,433

The annual maturities of long-term debt and lease obligations subsequent to March 31, 2017 are summarized as follows:

Years ending March 31,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2018	¥ 44	$ 392
2019	328	2,923
2020	17	151
2021	5	44
2022 and thereafter	43,002	383,296
	¥ 43,398	$ 386,825

The Company and its consolidated subsidiaries have lines of credit from banks that provided for up to ¥65,256 million ($581,656 thousand) and ¥67,131 million in borrowings as of March 31, 2017 and 2016, respectively. There were ¥2,212 million ($19,716 thousand) and ¥4,112 million of short-term bank loans outstanding under these credit facilities as of March

31, 2017 and 2016, respectively.

7. Pledged Assets

The assets pledged as collateral for short-term bank loans as of March 31, 2017 and 2016 were as follows:

	March 31,		
	2017	2016	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Trade notes and accounts receivable	¥560	¥563	$4,991

8. Employee Retirement Benefits

The Company and certain consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans for benefit payments to their employees.
With defined benefit corporate pension plans (all funded plans), a lump-sum payment or pension will be provided on a points' basis by the Company and main domestic subsidiaries, and according to basic rates of pay and length of service by other subsidiaries.
In retirement lump-sum plans (which include unfunded plans and funded plans as a result of setting up employee pension trusts), lump-sum payments are provided as retirement benefits on a points' basis by the Company and main domestic subsidiaries, and according to basic rates of pay and service length by other subsidiaries.
For defined benefit corporate pension plans and retirement lump-sum plans offered by certain consolidated subsidiaries, net defined benefit liability and retirement benefit costs are calculated according to a simplified method.
The disclosures for defined benefit plans included in the tables below include plans to which a simplified method has been applied.

(a) Defined benefit plans

(1) Reconciliation of the balance of retirement benefit obligations at beginning and end of the period

	March 31,		
	2017	2016	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Balance of retirement benefit obligations at beginning of the period	¥38,290	¥37,214	$341,296
Service cost	1,392	1,307	12,407
Interest cost	355	529	3,164
Actuarial (gain) loss	(548)	2,344	(4,884)
Retirement benefits paid	(2,612)	(2,795)	(23,281)
Other	81	(310)	721
Balance of retirement benefit obligations at end of the period	¥36,958	¥38,290	$329,423

(2) Reconciliation of the balance of plan assets at beginning and end of the period

	March 31,		
	2017	2016	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Balance of plan assets at beginning of the period	¥37,682	¥41,547	$335,876
Expected return on plan assets	919	971	8,191
Actuarial gain (loss)	1,913	(2,911)	17,051
Employer contributions	1,044	986	9,305
Retirement benefits paid	(2,491)	(2,608)	(22,203)
Other	(106)	(303)	(944)
Balances of plan assets at end of the period	¥38,960	¥37,682	$347,268

(3) Reconciliation of the balances of retirement benefit obligations and plan assets to net amount recorded on the consolidated balance sheets

	March 31, 2017	March 31, 2016	March 31, 2017
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligations of funded pension plans	¥ 35,378	¥ 36,792	$ 315,340
Plan assets	(38,960)	(37,682)	(347,268)
	(3,582)	(889)	(31,927)
Retirement benefit obligations of unfunded pension plans	1,579	1,497	14,074
Net amount recorded on the consolidated balance sheet	(2,002)	607	(17,844)
Amounts recorded on the consolidated balance sheet:			
Net defined benefit liability	4,521	5,236	40,297
Net defined benefit asset	(6,523)	(4,629)	(58,142)
Net amount recorded on the consolidated balance sheet	¥ (2,002)	¥ 607	$ (17,844)

(4) Retirement benefit cost

	March 31, 2017	March 31, 2016	March 31, 2017
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	¥ 1,392	¥ 1,307	$ 12,407
Interest cost	355	529	3,164
Expected return on plan assets	(919)	(971)	(8,191)
Amortization of net actuarial loss	1,080	471	9,626
Amortization of prior service cost	(13)	(13)	(115)
Other	215	166	1,916
Retirement benefit costs relating to defined benefit plans	¥ 2,110	¥ 1,490	$ 18,807

(5) Remeasurements of defined benefit plans

The breakdown of remeasurements of defined benefit plans (before deducting tax effect) is as follows:

	March 31, 2017	March 31, 2016	March 31, 2017
	(Millions of yen)		*(Thousands of U.S. dollars)*
Prior service cost	¥ (13)	¥ (13)	$ (115)
Actuarial gain (loss)	3,569	(4,636)	31,812
Total	¥ 3,555	¥ (4,649)	$ 31,687

(6) Accumulated remeasurements of defined benefit plans

The breakdown of accumulated remeasurements of defined benefit plans (before deducting tax effect) is as follows:

	March 31, 2017	March 31, 2016	March 31, 2017
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognized prior service cost	¥ 131	¥ 144	$ 1,167
Unrecognized actuarial gain (loss)	(1,113)	(4,682)	(9,920)
Total	¥ (982)	¥ (4,538)	$ (8,753)

(7) Plan assets

Breakdown of major plan assets

The ratio of each main category to the total plan assets is as follows:

	March 31,	
	2017	**2016**
Stock	35%	42%
Debt securities	27%	22%
General life insurance accounts	18%	19%
Other	20%	17%
Total	100%	100%

Note: 27% and 26% as of March 31, 2017 and 2016, respectively, of the total plan assets are assets contributed to a retirement benefit trust for retirement lump-sum plans.

Method for determining expected long-term rate of return

In determining the expected long-term rate of return on plan assets, the Company considers the current and projected plan asset allocations, as well as the current and expected long-term rates of return on various assets constituting plan assets.

(8) Actuarial assumptions

The main actuarial assumptions as of the end of the year (presented as a weighted average) are as follows:

	March 31,	
	2017	**2016**
Discount rate	Mainly 0.4%	Mainly 0.3%
Long-term expected return on assets	Mainly 2.0 – 2.5%	Mainly 2.0 – 2.5%

(b) Defined contribution plans

The Company and certain consolidated subsidiaries’ contributions for defined contribution plans were ¥735 million ($6,551 thousand) and ¥993 million for the years ended March 31, 2017 and 2016, respectively.

9. Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitant tax and enterprise tax which, in the aggregate, resulted in a statutory tax rates of approximately 30.7% and 32.1% for the years ended March 31, 2017 and 2016, respectively.

Income taxes of foreign consolidated subsidiaries are generally based on the tax rates applicable in their countries of incorporation.

(a) Significant components of deferred tax assets and liabilities as of March 31, 2017 and 2016

	March 31,		
	2017	2016	2017
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Inventories	¥ 265	¥ 256	$ 2,362
Other accounts payable	2,002	1,853	17,844
Allowance for doubtful receivables	285	286	2,540
Accrued employees' bonus	723	707	6,444
Accrued pension and severance costs	2,558	3,782	22,800
Unrealized profit	477	565	4,251
Loss on impairment of fixed assets	4,838	5,179	43,123
Tax loss carried forward	5,474	1,566	48,792
Other	1,503	1,608	13,396
Valuation allowance	(2,328)	(3,399)	(20,750)
Total deferred tax assets	15,800	12,407	140,832
Deferred tax liabilities:			
Depreciation	(5,243)	(5,163)	(46,733)
Deferred capital gain	(1,420)	(1,455)	(12,657)
Gain on establishment of pension trust fund	(943)	(1,560)	(8,405)
Unrealized holding gains on securities	(8,958)	(7,990)	(79,846)
Other	(1,372)	(1,526)	(12,229)
Total deferred tax liabilities	(17,938)	(17,697)	(159,889)
Deferred tax assets (liabilities), net	¥ (2,138)	¥ (5,289)	$ (19,056)

(b) Reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2017 and 2016

	Years ended March 31,	
	2017	2016
Statutory tax rate	30.7%	-
(Adjustments)		
Entertainment and other permanently non-deductible expenses	1.0	-
Dividends and other permanently non-taxable income	(28.3)	-
Proportional allocation of inhabitants tax	0.3	-
Special deductions for corporate taxes paid	(1.3)	-
Tax rate differences for consolidated subsidiaries	2.0	-
Amortization of goodwill	5.6	-
Net change in valuation allowance	(1.8)	-
Consolidation adjustment for gain (loss) on sales of shares of subsidiaries and affiliates	1.4	-
Other	2.3	-
Effective tax rate	11.9%	-

Reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2016 is not disclosed because the difference between the two tax rates were less than 5% of the statutory tax rate.

(c) Adjustment to deferred tax assets and liabilities due to change in corporate tax rates
Since amendments to the Japanese tax regulations were enacted into law on November 18, 2016, the statutory tax rate utilized for the measurement of deferred tax assets and liabilities at March 31, 2017 changed from that which was applied at March 31, 2016.
The effect of these amendments on the consolidated financial statements as of and for the year ended March 31, 2017 was immaterial.

10. Capital Surplus and Retained Earnings

The Companies Act of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of common stock. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distribution.

11. Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2017 and 2016 were ¥3,943 million ($35,145 thousand) and ¥3,662 million, respectively.

12. Leases

(a) Finance leases
Finance leases, except for leases under which the ownership of the leased assets is considered to be transferred to the lessee, whose inception dates were on or before March 31, 2008, are accounted for in the same manner as operating leases. The details are omitted due to immateriality.

(b) Operating leases
Future minimum lease payments as lessee subsequent to March 31, 2017 and 2016 for non-cancelable operating leases are summarized as follows:

	March 31,		
	2017	**2016**	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Within 1 year	¥ 3,155	¥ 2,499	$ 28,121
Over 1 year	14,201	10,661	126,579
	¥ 17,357	¥ 13,160	$ 154,710

13. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities as of March 31, 2017 and 2016:

	March 31,		
	2017	**2016**	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
As guarantor of indebtedness of:			
Unconsolidated subsidiaries	¥ 205	¥ 261	$ 1,827
Others	115	116	1,025
	¥ 321	¥ 377	$ 2,861
Contingent liabilities related to the redemption of corporate bonds by debt assumption	¥ 20,000	¥ –	$ 178,269

14. Amounts Per Share

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. Diluted net income per share has been omitted for the years ended March 31, 2017 and 2016 because no potentially dilutive instruments were outstanding during the years.
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.

	As of and for the years ended March 31,		
	2017	**2016**	**2017**
	(Yen)		*(U.S. dollars)*
Net income:			
Basic	¥ 123.28	¥ 102.67	$ 1.09
Net assets	1,242.71	1,160.05	11.07
Cash dividends applicable to the year	34.00	32.00	0.30

15. Financial Instruments

(a) Policy for financial instruments

In light of plans for capital investment, the Company and its subsidiaries mainly raise the funds required through bank loans and bond issuance. The Company and its subsidiaries manage temporary fund surpluses through financial assets that have a high level of liquidity. Further, the Company and its subsidiaries raise short-term working capital through bank loans. Derivative transactions are used in order to mitigate risk as described below, such that speculative transactions are not undertaken based on the Company's policy.

Trade receivables (trade notes and accounts receivable) are exposed to credit risk in relation to customers. Each operating department and the accounting department of the Company and its subsidiaries performs periodic monitoring of the financial condition of major customers, manages due dates and balances, and obtains a prompt understanding and attempts to mitigate the risk of uncollectable receivables in the event of deterioration in customers' financial condition.

Investment securities are exposed to variable risks associated with market prices. The Company and its subsidiaries perform periodic monitoring of the financial condition of the issuers for marketable investment securities. A continuing review of the holding of securities, other than held-to-maturity securities, is performed by taking into consideration the market as well as the relationship with the trading counterparties.

Accounts payable have payment due dates mostly within two months. Loans payable and bonds primarily are raised for capital investment and have payment due dates within seven years at the longest.

Derivative transactions consist of foreign exchange forward contracts entered into in order to hedge currency-associated variable risks that arise from foreign currency-denominated operating receivables and payables. Enforcement and management of derivative transactions is performed by obtaining the appropriate personnel approval under the administrative procedures for trading authority and budget limits. Derivative transactions are not subject to significant credit risk since the trading counterparties are limited to financial institutions with high credit ratings. In addition, the subsidiaries regularly report on the actual results of the derivative transactions to the finance department of the Company.

(b) Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value and differences between carrying value and fair value for financial instruments as of March 31, 2017 and 2016 are set out below. The following tables do not include financial instruments for which fair values are difficult to determine.

As of March 31, 2017	Carrying amount	Fair value	Difference
		(Millions of yen)	
(1) Cash and deposits	¥ 45,297	¥ 45,297	¥ –
(2) Trade notes and accounts receivable	54,930	54,930	–
(3) Investment securities	52,953	52,953	–
Total assets	153,182	153,182	–
(1) Trade notes and accounts payable	21,196	21,196	–
(2) Other accounts payable	16,771	16,771	–
(3) Short-term bank loans	2,820	2,820	–
(4) Bonds	30,000	31,772	1,772
(5) Long-term bank loans	13,300	13,265	(34)
Total liabilities	84,088	85,827	1,738
Derivatives (*1)	¥ (1,817)	¥ (1,817)	¥ –

As of March 31, 2017		Carrying amount		Fair value		Difference
				(Thousands of U.S. dollars)		
(1) Cash and deposits	$	403,752	$	403,752	$	–
(2) Trade notes and accounts receivable		489,615		489,615		–
(3) Investment securities		471,993		471,993		–
Total assets		1,365,380		1,365,380		–
(1) Trade notes and accounts payable		188,929		188,929		–
(2) Other accounts payable		149,487		149,487		–
(3) Short-term bank loans		25,135		25,135		–
(4) Bonds		267,403		283,198		15,794
(5) Long-term bank loans		118,548		118,236		(303)
Total liabilities		749,514		765,014		15,491
Derivatives (*1)	$	(16,195)	$	(16,195)	$	–

As of March 31, 2016		Carrying amount		Fair value		Difference
				(Millions of yen)		
(1) Cash and deposits	¥	36,260	¥	36,260	¥	–
(2) Trade notes and accounts receivable		52,010		52,010		–
(3) Investment securities		45,020		45,020		–
Total assets		133,291		133,291		–
(1) Trade notes and accounts payable		20,279		20,279		–
(2) Other accounts payable		18,048		18,048		–
(3) Short-term bank loans (*2)		4,871		4,871		–
(4) Bonds		50,000		53,031		3,031
(5) Long-term bank loans (*2)		11,300		11,700		400
Total liabilities		104,499		107,930		3,431
Derivatives (*1)	¥	(766)	¥	(766)	¥	–

(*1) The carrying amount and fair value of derivative transactions are stated on a net basis. Figures in parentheses represent net liabilities.
(*2) Long-term bank loans include the current portion of long-term debt.

Methods for calculating fair values of financial instruments
• Assets
(1) Cash and deposits, (2) Trade notes and accounts receivable
Since these assets are short-term in nature, their carrying value approximates fair value.
(3) Investment securities
Since securities such as free financial funds are short-term in nature, their carrying value approximates fair value.
The fair value of investment securities is based on the quoted market prices for listed shares.
Unlisted stocks and others with a carrying amount of ¥5,696 million ($50,771 thousand) and ¥5,777 million as of March 31, 2017 and 2016, respectively, are excluded from investment securities in the above table, since they have no market values and their fair values are difficult to determine.
Information on investment securities categorized by holding purpose is set out in Note 5. Fair Value of Securities.

• Liabilities
(1) Trade notes and accounts payable, (2) Other accounts payable, (3) Short-term bank loans
Since these liabilities are short-term in nature, their carrying value approximates fair value.
(4) Bonds
Fair value of corporate bonds is determined based on present values calculated by discounting the total principal and interest using interest rates corresponding to the credit risk and remaining period of the bond.
(5) Long-term debt
Fair value of long-term debt is calculated by discounting the total principal and interest using the incremental borrowing rate.

• Derivatives
Information on derivatives is set out in Note 16. Derivatives.

16. Derivatives

Summarized below are the notional amounts and the estimated fair value of the open derivative positions as of March 31, 2017 and 2016:

(a) Hedge accounting not applied
Currency related transactions

March 31, 2017

Classification	Type of transaction	Notional amount	Over 1 year	Fair value	Unrealized gain (loss)
			(Millions of yen)		
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	¥ 5,523	¥ –	¥ 0	¥ 0
	EUR	924	–	(11)	(11)
	SEK	73	–	(0)	(0)
	SGD	294	–	0	0
	HKD	6	–	(0)	(0)
	Buy:				
	USD	45,026	31,247	(1,356)	(1,356)
	EUR	2,642	1,167	(213)	(213)
	GBP	1	–	0	0
	SGD	4,122	2,583	(234)	(234)
	JPY	683	–	1	1
Total		¥ 59,298	¥ 34,998	¥ (1,813)	¥ (1,813)

March 31, 2017

Classification	Type of transaction	Notional amount	Over 1 year	Fair value	Unrealized gain (loss)
			(Thousands of U.S. dollars)		
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	$ 49,228	$ –	$ 0	$ 0
	EUR	8,236	–	(98)	(98)
	SEK	650	–	(0)	(0)
	SGD	2,620	–	0	0
	HKD	53	–	(0)	(0)
	Buy:				
	USD	401,337	278,518	(12,086)	(12,086)
	EUR	23,549	10,401	(1,898)	(1,898)
	GBP	8	–	0	0
	SGD	36,741	23,023	(2,085)	(2,085)
	JPY	6,087	–	8	8
Total		$ 528,549	$ 311,952	$ (16,160)	$ (16,160)

March 31, 2016

Classification	Type of transaction	Notional amount	Over 1 year	Fair value	Unrealized gain (loss)
			(Millions of yen)		
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	¥ 3,287	¥ –	¥ 24	¥ 24
	SEK	78	78	(3)	(3)
	HKD	15	–	0	0
	Buy:				
	USD	44,752	31,247	(315)	(315)
	EUR	2,890	1,167	(297)	(297)
	GBP	5	–	(0)	(0)
	SGD	4,295	2,583	(143)	(143)
	JPY	911	–	(28)	(28)
Total		¥ 56,236	¥ 35,076	¥ (764)	¥ (764)

Notes
1. Fair value is calculated based on the prices provided by financial institutions.
2. The amounts in the table above include the profit or loss due to eliminating inter-company balances in consolidation.

(b) Hedge accounting applied
Currency related transactions

March 31, 2017

Hedge accounting method	Type of Transaction	Hedged item	Notional amount	Over 1 year	Fair value
				(Millions of yen)	
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:				
	USD	Accounts receivable	¥ 257	¥ –	(Note 2)
	Buy:				
	USD	Accounts payable	362	–	(Note 2)
	EUR	Accounts payable	74	–	(Note 2)
	SEK	Accounts payable	0	–	(Note 2)
	JPY	Accounts payable	3	–	(Note 2)
Deferral hedge accounting	Sell:				
	USD	Accounts receivable	25	–	(0)
	HKD	Accounts receivable	5	–	(0)
	Buy:				
	USD	Accounts payable	246	–	(3)
	EUR	Accounts payable	¥ 0	¥ –	¥ (0)

March 31, 2017

Hedge accounting method	Type of Transaction	Hedged item	Notional amount	Over 1 year	Fair value
			(Thousands of U.S. dollars)		
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:	Accounts			
	USD	receivable	$ 2,290	$ –	(Note 2)
	Buy:				
	USD		3,226	–	(Note 2)
	EUR	Accounts	659	–	(Note 2)
	SEK	payable	0	–	(Note 2)
	JPY		26	–	(Note 2)
Deferral hedge accounting	Sell:				
	USD	Accounts receivable	222	–	(0)
	HKD		44	–	(0)
	Buy:				
	USD	Accounts payable	2,192	–	(26)
	EUR		$ 0	$ –	$ (0)

March 31, 2016

Hedge accounting method	Type of Transaction	Hedged item	Notional amount	Over 1 year	Fair value
				(Millions of yen)	
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:	Accounts			
	USD	receivable	¥ 224	¥ –	(Note 2)
	Buy:				
	USD		513	–	(Note 2)
	EUR	Accounts payable	23	–	(Note 2)
	JPY		2	–	(Note 2)
Deferral hedge accounting	Sell:	Accounts receivable			
	USD		20	–	(0)
	HKD		4	–	(0)
	Buy:				
	USD	Accounts payable	1,160	–	(1)
	EUR		¥ 2	¥ –	¥ 0

Notes
1. Fair value is calculated based on the prices provided by financial institutions.
2. For certain accounts receivable and accounts payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, the fair value of derivative financial instruments is included in the fair value of the hedged accounts receivable and accounts payable.

Interest related transactions

March 31, 2017
No applicable items.

March 31, 2016

Hedge accounting method	Type of transaction	Hedged item	Notional amount	Over 1 year	Fair value
				(Millions of yen)	
Special treatment for interest swaps	Interest rate swap: Floating Receipt Fixed Payment	Long-term debt	¥11,000	¥9,000	(Note)

Note
For certain long-term debt for which the special treatment for interest swaps was used to hedge the variable risk of interest rates, the fair value of derivative financial instruments was included in the fair value of the long-term debt.

17. Rental Properties

The Company and certain consolidated subsidiaries own a number of commercial facilities including land for rent in Chiba Prefecture and other locations. Net rental income from such rental properties for the years ended March 31, 2017 and 2016 was ¥752 million ($6,702 thousand) and ¥699 million, respectively. The Company recorded ¥46 million ($410 thousand) and ¥8 million of gain on sales of rental properties as other income for the years ended March 31, 2017 and 2016, respectively. The Company recorded ¥2 million ($17 thousand) of impairment loss on rental properties as other expenses for the year ended March 31, 2017. There was no impairment loss on rental properties for the year ended March 31, 2016.

The carrying amount and the fair value of such rental properties as of March 31, 2017 and 2016 were as follows:

March 31, 2017

Carrying amount *(Millions of yen)*			Fair value as of March 31, 2017 *(Millions of yen)*
Beginning of year	Net change during year	End of year	
¥ 10,267	¥ (167)	¥ 10,099	¥ 21,523

March 31, 2017

Carrying amount *(Thousands of U.S. dollars)*			Fair value as of March 31, 2017 *(Thousands of U.S. dollars)*
Beginning of year	Net change during year	End of year	
$ 91,514	$ (1,488)	$ 90,016	$ 191,844

March 31, 2016

Carrying amount *(Millions of yen)*			Fair value as of March 31, 2016 *(Millions of yen)*
Beginning of year	Net change during year	End of year	
¥ 10,166	¥ 100	¥ 10,267	¥ 21,467

Note
The fair value of significant properties is calculated based on the appraisal standard used by real estate appraisers, and the fair value of immaterial properties is calculated based on the value for property tax assessment.

18. Segment Information

(a) Segment information
(1) Overview of reportable segments
Reportable segments are a component or aggregated component for which segment specific financial information is available. The Company's Board of Directors uses this financial information periodically to make decisions on the allocation of management resources and to evaluate business performance.
The Company, as a holding company, mainly plans group strategy, and manages and controls its subsidiaries. The Company divides its domestic business into manufacturing and sales of foods, and other business. The Company divides its overseas business into manufacturing and sales of foods, and the sales of oriental food products. As a result, the Company identified four reportable segments, which are "Domestic Foods – Manufacturing and Sales," "Domestic Others," "Overseas Foods – Manufacturing and Sales" and "Overseas Foods – Wholesale."
"Domestic Foods – Manufacturing and Sales" includes manufacturing and sales of foods in the domestic market, which include soy sauce, beverages and alcoholic beverages.
"Domestic Others" includes manufacturing and sales of pharmaceuticals and chemical products, real estate rental, logistics and back-office operations in the domestic market.
"Overseas Foods – Manufacturing and Sales" includes manufacturing and sales of soy sauce, Del Monte products and health foods in overseas markets, and sales of domestically manufactured products to overseas markets.
"Overseas Foods – Wholesale" includes the purchase of overseas oriental products for sale in domestic and overseas markets and sales of oriental products in domestic and overseas markets.

(2) Methods of calculating amounts for net sales, income or loss, assets, liabilities and other items by reportable segment
Segment income in the following tables is operating income. Intra group sales and transfers were made based on market prices.

(3) Information on sales, income or loss, assets and other items by reportable segment

	As of and for the year ended March 31, 2017						
	Domestic Foods – Manufacturing and Sales	**Domestic Others**	**Overseas Foods – Manufacturing and Sales**	**Overseas Foods – Wholesale**	**Total**	**Adjustments**	**Consolidated**
				(Millions of yen)			
Sales and operating income:							
Net sales to third parties	¥ 165,964	¥ 7,754	¥ 71,926	¥ 156,529	¥ 402,174	¥ –	¥ 402,174
Intra group sales and transfers	1,373	13,281	9,857	338	24,851	(24,851)	–
Total net sales	167,337	21,035	81,783	156,868	427,025	(24,851)	402,174
Segment income	8,306	1,443	16,251	7,648	33,649	(806)	32,842
Segment assets	114,779	22,326	136,940	64,109	338,155	23,092	361,248
Other items:							
Depreciation and amortization	6,078	1,166	3,027	959	11,232	960	12,192
Amortization of goodwill	4,826	–	135	–	4,961	–	4,961
Increase in property, plant and equipment and intangible assets	¥ 5,853	¥ 977	¥ 3,464	¥ 1,165	¥ 11,461	¥ 704	¥ 12,165

	As of and for the year ended March 31, 2017						
	Domestic Foods – Manufacturing and Sales	**Domestic Others**	**Overseas Foods – Manufacturing and Sales**	**Overseas Foods – Wholesale**	**Total**	**Adjustments**	**Consolidated**
				(Thousands of U.S. dollars)			
Sales and operating income:							
Net sales to third parties	$ 1,479,311	$ 69,114	$ 641,108	$1,395,213	$ 3,584,757	$ –	$3,584,757
Intra group sales and transfers	12,238	118,379	87,859	3,012	221,508	(221,508)	–
Total net sales	1,491,550	187,494	728,968	1,398,235	3,806,266	(221,508)	3,584,757
Segment income	74,035	12,862	144,852	68,170	299,928	(7,184)	292,735
Segment assets	1,023,076	199,001	1,220,607	571,432	3,014,127	205,829	3,219,966
Other items:							
Depreciation and amortization	54,175	10,393	26,981	8,547	100,115	8,556	108,672
Amortization of goodwill	43,016	–	1,203	–	44,219	–	44,219
Increase in property, plant and equipment and intangible assets	$ 52,170	$ 8,708	$ 30,876	$ 10,384	$ 102,157	$ 6,275	$ 108,432

Notes

Adjustments are as follows:

(1) Adjustments of ¥(806) million ($(7,184) thousand) in segment income mainly represent expenses relating to the corporate division of the Company, which totaled ¥(751) million ($(6,694) thousand).

(2) Adjustments of ¥23,092 million ($205,829 thousand) in segment assets represent the elimination of intersegment assets and assets relating to the corporate division of the Company, which totaled ¥143,223 million ($1,276,611 thousand). Assets relating to the corporate division of the Company consist mainly of cash and deposits and investment securities.

(3) Adjustments of ¥960 million ($8,556 thousand) in depreciation and amortization consist of depreciation of assets relating to the corporate division of the Company.

(4) Adjustments of ¥704 million ($6,275 thousand) in increase in property, plant and equipment and intangible assets consist of asset acquisitions of the corporate division of the Company.

	As of and for the year ended March 31, 2016						
	Domestic Foods – Manufacturing and Sales	Domestic Others	Overseas Foods – Manufacturing and Sales	Overseas Foods – Wholesale	Total	Adjustments	Consolidated
				(Millions of yen)			
Sales and operating income:							
Net sales to third parties	¥ 166,399	¥ 7,708	¥ 74,852	¥ 159,411	¥ 408,372	¥ –	¥ 408,372
Intra group sales and transfers	1,300	12,942	10,009	342	24,594	(24,594)	–
Total net sales	167,699	20,650	84,861	159,754	432,966	(24,594)	408,372
Segment income	6,536	1,515	16,443	7,675	32,170	427	32,598
Segment assets	113,403	22,222	124,464	59,967	320,058	45,612	365,671
Other items:							
Depreciation and amortization	5,837	1,034	3,136	890	10,899	926	11,826
Amortization of goodwill	1,013	–	181	–	1,194	–	1,194
Increase in property, plant and equipment and intangible assets	¥ 6,194	¥ 618	¥ 4,005	¥ 3,631	¥ 14,450	¥ 345	¥ 14,795

Notes

Adjustments are as follows:

(1) Adjustments of ¥427 million in segment income mainly represent expenses relating to the corporate division of the Company, which totaled ¥495 million.

(2) Adjustments of ¥45,612 million in segment assets represent the elimination of intersegment assets and assets relating to the corporate division of the Company, which totaled ¥151,831 million. Assets relating to the corporate division of the Company consist mainly of cash and deposits and investment securities.

(3) Adjustments of ¥926 million in depreciation and amortization consist of depreciation of assets relating to the corporate division of the Company.

(4) Adjustments of ¥345 million in increase in property, plant and equipment and intangible assets consist of asset acquisitions of the corporate division of the Company.

(b) Related information

Information by geographical area

Sales For the year ended March 31, 2017 *(Millions of yen)*	Japan	North America	Other	Total
Amount	¥ 176,672	¥ 167,677	¥ 57,824	¥ 402,174

Sales For the year ended March 31, 2017 *(Thousands of U.S. dollars)*	Japan	North America	Other	Total
Amount	$ 1,574,757	$ 1,494,580	$ 515,411	$ 3,584,757

Sales For the year ended March 31, 2016 *(Millions of yen)*	Japan	North America	Other	Total
Amount	¥ 176,851	¥ 174,412	¥ 57,109	¥ 408,372

Note: Sales are based on the location of customers, and are classified by country or region.

Property, plant and equipment As of March 31, 2017 *(Millions of yen)*	Japan	North America	Other	Total
Net book value	¥ 69,746	¥ 24,638	¥ 11,958	¥ 106,344

Property, plant and equipment As of March 31, 2017 *(Thousands of U.S. dollars)*	Japan	North America	Other	Total
Net book value	$ 621,677	$ 219,609	$ 106,587	$ 947,891

Property, plant and equipment
As of March 31, 2016

(Millions of yen)	Japan	North America	Other	Total
Net book value	¥ 70,469	¥ 24,471	¥ 10,010	¥ 104,951

Information regarding loss on impairment of fixed assets by reportable segment

	For the year ended March 31, 2017						
	Domestic Foods – Manufacturing and Sales	**Domestic Others**	**Overseas Foods – Manufacturing and Sales**	**Overseas Foods – Wholesale**	**Total**	**Adjustments**	**Consolidated**
				(Millions of yen)			
Impairment loss	¥ —	¥ —	¥ 443	¥ —	¥ 443	¥ —	¥ 443

	For the year ended March 31, 2017						
	Domestic Foods – Manufacturing and Sales	**Domestic Others**	**Overseas Foods – Manufacturing and Sales**	**Overseas Foods – Wholesale**	**Total**	**Adjustments**	**Consolidated**
				(Thousands of U.S. dollars)			
Impairment loss	$ —	$ —	$ 3,948	$ —	$ 3,948	$ —	$ 3,948

	For the year ended March 31, 2016						
	Domestic Foods – Manufacturing and Sales	**Domestic Others**	**Overseas Foods – Manufacturing and Sales**	**Overseas Foods – Wholesale**	**Total**	**Adjustments**	**Consolidated**
				(Millions of yen)			
Impairment loss	¥ —	¥ —	¥ 553	¥ —	¥ 553	¥ —	¥ 553

Information regarding the balance of goodwill by reportable segment

	As of March 31, 2017						
	Domestic Foods – Manufacturing and Sales	**Domestic Others**	**Overseas Foods – Manufacturing and Sales**	**Overseas Foods – Wholesale**	**Total**	**Adjustments**	**Consolidated**
				(Millions of yen)			
Goodwill ending balance	¥ 4,406	¥ —	¥ 1,420	¥ —	¥ 5,826	¥ —	¥ 5,826

	As of March 31, 2017						
	Domestic Foods – Manufacturing and Sales	**Domestic Others**	**Overseas Foods – Manufacturing and Sales**	**Overseas Foods – Wholesale**	**Total**	**Adjustments**	**Consolidated**
				(Thousands of U.S. dollars)			
Goodwill ending balance	$ 39,272	$ —	$ 12,657	$ —	$ 51,929	$ —	$ 51,929

	As of March 31, 2016						
	Domestic Foods – Manufacturing and Sales	**Domestic Others**	**Overseas Foods – Manufacturing and Sales**	**Overseas Foods – Wholesale**	**Total**	**Adjustments**	**Consolidated**
				(Millions of yen)			
Goodwill ending balance	¥ 9,232	¥ —	¥ 2,043	¥ —	¥ 11,275	¥ —	¥ 11,275

Information regarding amortization of goodwill is omitted, since this information was disclosed in (a) (3) Information on sales, income or loss, assets and other items by reportable segment.

19. Subsequent Events

(a) Change in certain specific subsidiaries

The Company made a technical assistance contract with KUNSHAN PRESIDENT KIKKOMAN BIOTECHNOLOGY CO., LTD.(“KPKI”) on June 16, 2017. Based on this contract, the Company obtained effective control of KPKI as it obtained substantive rights to solely control its significant business policies. Accordingly, KPKI, which previously had been an affiliate accounted for by the equity method, became a certain specific subsidiary of the Company.

Further information regarding this change in certain specific subsidiaries is as follows:

Information regarding the certain specific subsidiary

Name of company	KUNSHAN PRESIDENT KIKKOMAN BIOTECHNOLOGY CO., LTD.
Address	301 South of Qingyang Road, Economy and Technical Development Zone, Kunshan City, Jiangsu Province, 215300 China
Name of President	Kenichi Saito
Capital stock	91,056,600 RMB
Business description	Manufacturing and sales of soy souce and related products in China

Number and ratio of voting stock of KPKI held by the Company before and after the change in certain specific subsidiaries

Number of voting stock	45,528,300 RMB
Ratio of voting stock	50%

Notes:

(1) There were no changes in the number and the ratio of voting stock of KPKI held by the Company before and after the change in certain specific subsidiaries.

(2) The number of voting stock is expressed based on the Company’s investment amount.

Date of the change in certain specific subsidiaries

June 16, 2017

(b) Cash dividends

The following appropriations of retained earnings of the Company, which have not been reflected in the consolidated financial statements for the year ended March 31, 2017, were approved at the general meeting of shareholders held on June 27, 2017.

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥18.00 = $0.16 per share)	¥3,477	$30,992

Independent Auditor’s Report

The Board of Directors
KIKKOMAN CORPORATION

We have audited the accompanying consolidated financial statements of KIKKOMAN CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management’s Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity’s internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity’s preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KIKKOMAN CORPORATION and its consolidated subsidiaries at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

June 27, 2017
Tokyo, Japan

Ernst & Young ShinNihon LLC

Corporate Data

As of March 31, 2017

Name
Kikkoman Corporation

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

Date of Establishment
December 7, 1917

Paid-in Capital
¥11,599 million

Number of Shares
Authorized: 600,000,000
Issued and outstanding: 210,383,202

Number of Employees
(Consolidated)
6,771

Stock Exchange Listings
Tokyo

Shareholder Registry Administrator
Mitsubishi UFJ Trust and Banking Corporation
1-4-5 Marunouchi, Chiyoda-ku,
Tokyo 100-8212, Japan

Corporate History

The city of Noda is ideally situated close to soybean-growing regions as well as the Edo River, which provided a convenient transportation route to and from Edo (present-day Tokyo). Noda has been well-known for its soy sauce production since the Edo period (1603–1867). In December 1917, eight family-run companies with capital of ¥7 million merged to form Noda Shoyu Co., Ltd., the predecessor of Kikkoman Corporation.

1917 Noda Shoyu Co., Ltd. (forerunner to Kikkoman) founded in Noda, Japan through the merger of eight family-run companies.

1931 The Kansai Plant (now the Takasago Factory) begins shipments of soy sauce in Japan.

1957 Kikkoman International Inc. (now Kikkoman Sales USA, Inc.) established in the United States to sell and market soy sauce.

1961 Kikko Food Industries Co., Ltd. (now Nippon Del Monte Corporation) established in Japan.

1962 Katsunuma Yoshu Co., Ltd. (now Manns Wine Co., Ltd.) established in Japan.

1969 Kikkoman invests in food trading company Japan Food Corporation (now JFC International Inc.) in the United States.

1973 Kikkoman Foods, Inc. holds the grand opening of its first soy sauce plant in the United States, in Walworth, Wisconsin.

1979 Kikkoman Trading Europe GmbH established in Germany to sell and market soy sauce.

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

1984 Kikkoman (S) Pte. Ltd. holds the grand opening of its soy sauce plant in Singapore.

1987 Kikkoman's Chitose Plant (now Hokkaido Kikkoman Company) in Hokkaido, Japan begins shipments of soy sauce.

1990 Kikkoman buys perpetual marketing rights to the Del Monte brand in the Asia-Pacific region, excluding the Philippines.

1990 President Kikkoman Inc. begins shipments of soy sauce from its plant in Taiwan.

1997 Kikkoman Foods Europe B.V. holds the grand opening of its soy sauce plant in the Netherlands.

1998 Kikkoman Foods, Inc. holds the grand opening of its second soy sauce plant in the United States, in Folsom, California.

2002 Kunshan President Kikkoman Biotechnology Co., Ltd. holds the grand opening of its soy sauce plant in Kunshan, China.

2004 Kikkoman invests in soy milk company Kibun Food Chemifa Co., Ltd. (now Kikkoman Soyfoods Company) in Japan.

2005 Health foods company Country Life, LLC established in the United States.

2009 President Kikkoman Zhenji Foods Co., Ltd. holds the grand opening of its soy sauce plant in Shijiazhuang, China.

2009 Kikkoman shifts to a holding company structure.

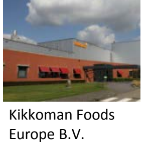
2014 Kikkoman Shanghai Trading Co., Ltd. established in Shanghai, China.


Company boardroom at the time Kikkoman was founded


Kikkoman Foods, Inc. (Wisconsin)


Kikkoman (S) Pte. Ltd.


President Kikkoman Inc.


Kikkoman Foods Europe B.V.


Kikkoman Foods, Inc. (California)


Kunshan President Kikkoman Biotechnology Co., Ltd.


President Kikkoman Zhenji Foods Co., Ltd.

Kikkoman Corporation

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

Tokyo Head Office
2-1-1 Nishi-Shinbashi, Minato-ku, Tokyo 105-8428, Japan

https://www.kikkoman.com/en/