



## Kikkoman Group **Corporate Report 2021** Financial Section



01 Management's Discussion and Analysis

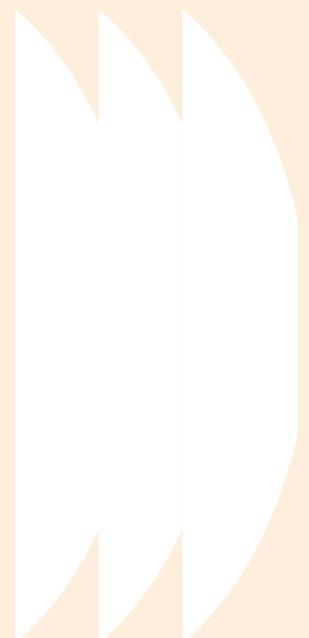
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**Note:** Fiscal years in this report are April to March.

**Example:** FY2021 = April 2020–March 2021

Starting with consolidated financial statements for the year ended March 31, 2021, Kikkoman Corp. adopted IFRS. Consolidated results for the year ended March 31, 2020 have been adjusted to reflect IFRS.

# Management's Discussion and Analysis

## OPERATING RESULTS

Domestic Group sales declined in FY2021, ended March 31, 2021, with sales of food products, beverages, and liquor and wine falling below previous-year levels. Profits were up, however, boosted by lower selling expenses and a drop in the cost of raw materials, among other things. Overseas, performance in the food manufacturing and sales business was solid, and although sales were down in the Foods—Wholesale

business, overall sales and profits were up over the previous fiscal year.

As a result, revenue was down by ¥215 million to ¥439,411 million—roughly unchanged from the previous fiscal year—while business profit was up by ¥4,609 million, or 12.1%, to ¥42,650 million and profit attributable to owners of the parent rose by ¥4,332 million, or 16.1%, to ¥31,159 million.

### Revenue

(Millions of yen)

	2021	2020	Change	
Domestic Foods—Manufacturing and Sales	¥ 148,122	¥ 151,641	¥ (3,519)	(2.3%)
Domestic Others	21,186	21,341	(155)	(0.7%)
Overseas Foods—Manufacturing and Sales	100,832	95,323	5,508	5.8%
Overseas Foods—Wholesale	198,332	200,128	(1,795)	(0.9%)
Adjustments	(29,061)	(28,808)	(253)	—
Consolidated	¥ 439,411	¥ 439,627	¥ (215)	(0.0%)

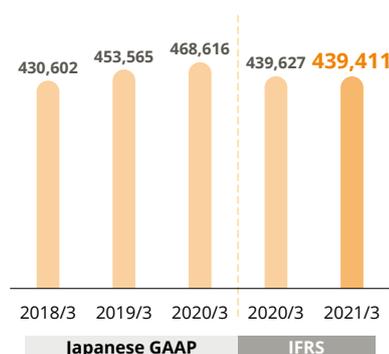
### Business Profit

(Millions of yen)

	2021	2020	Change	
Domestic Foods—Manufacturing and Sales	¥ 11,631	¥ 11,252	¥ 379	3.4%
Domestic Others	1,915	1,678	236	14.1%
Overseas Foods—Manufacturing and Sales	20,416	18,586	1,830	9.8%
Overseas Foods—Wholesale	10,556	8,320	2,236	26.9%
Adjustments	(1,869)	(1,795)	(74)	—
Consolidated	¥ 42,650	¥ 38,041	¥ 4,609	12.1%

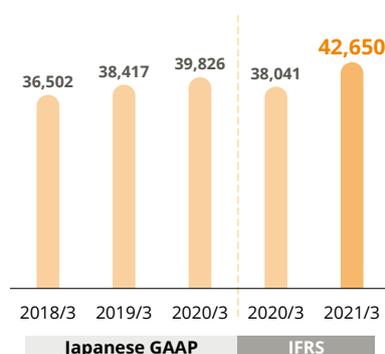
### Revenue\*

(Millions of yen)



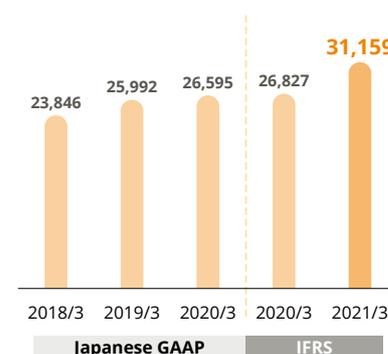
### Business Profit\*

(Millions of yen)



### Profit for the Year Attributable to Owners of the Parent\*

(Millions of yen)



\* Net sales from FY2018 to FY2020 are based on Japanese GAAP.

\* Operating profit from FY2018 to FY2020 is based on Japanese GAAP.

\* Profit attributable to owners of parent from FY2018 to FY2020 is based on Japanese GAAP.

## SEGMENT INFORMATION

### Domestic

#### Foods—Manufacturing and Sales

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

Division	Main Products
<b>Soy Sauce Division</b>	<ul style="list-style-type: none"> <li>• Soy sauce</li> </ul>
<b>Food Products Division</b>	<ul style="list-style-type: none"> <li>• <i>Tsuyu</i> (soy sauce soup base)</li> <li>• <i>Tare</i> (dipping and marinade sauces)</li> <li>• Handy seasoning mixes</li> <li>• Del Monte seasonings</li> </ul>
<b>Beverages Division</b>	<ul style="list-style-type: none"> <li>• Soy milk beverages</li> <li>• Del Monte beverages</li> </ul>
<b>Liquor and Wine Division</b>	<ul style="list-style-type: none"> <li>• <i>Mirin</i> (sweet sake for cooking)</li> <li>• Wines</li> </ul>

#### 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

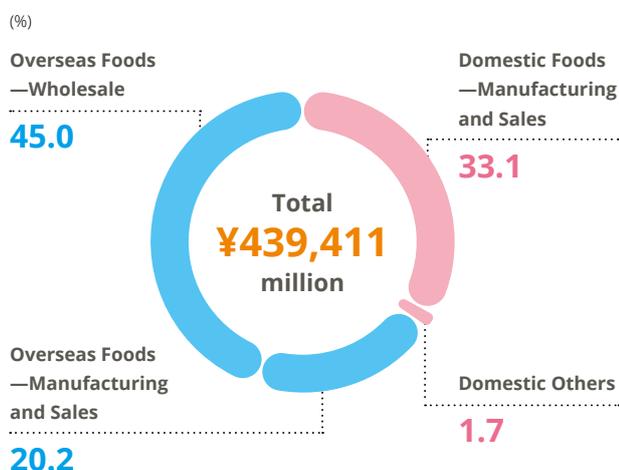
This business segment manufactures and sells the products listed below in overseas markets.

Division	Main Products	Main Region
<b>Soy Sauce Division</b>	<ul style="list-style-type: none"> <li>• Soy sauce</li> <li>• <i>Teriyaki</i> sauce</li> </ul>	North America, Europe, Asia/Oceania
<b>Del Monte Division</b>	<ul style="list-style-type: none"> <li>• Canned fruits</li> <li>• Canned corn</li> <li>• Tomato ketchup</li> </ul>	Asia/Oceania (Excluding the Philippines)
<b>Other Foods Division</b>	<ul style="list-style-type: none"> <li>• Health foods</li> </ul>	North America

#### Foods—Wholesale

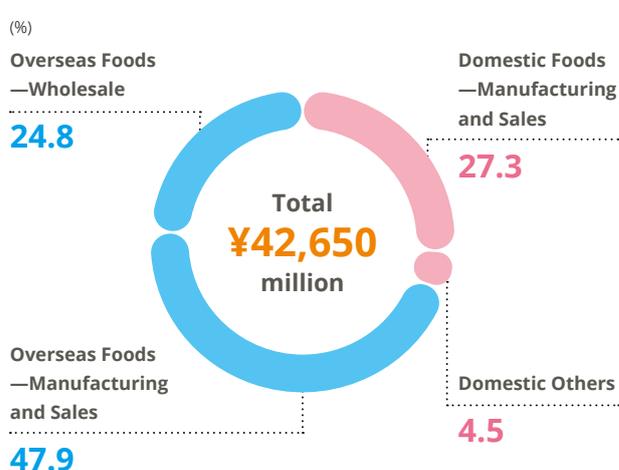
This business segment purchases and sells oriental food products in Japan and overseas.

#### Revenue Composition (FY2021)



\* Ratios for each business in breakdown of revenue are after elimination of transactions between businesses.

#### Business Profit Composition (FY2021)



\* Breakdown of business profit includes an adjustment of -4.4% (-¥1,869 million) related to transactions between businesses.

## Management's Discussion and Analysis

### DOMESTIC

#### Foods—Manufacturing and Sales

Revenue in this segment fell 2.3% to ¥148,122 million and business profit increased 3.4% to ¥11,631 million, with revenue decreasing and profits increasing year on year.

##### Soy Sauce Division

Sales of *Itsudemo Shinsen* series grew due to marketing activities centered on TV commercials reflecting growing recognition in the market of the product's added value. Sales of PET bottle products such as *Tokusen Maru Zaizu* also increased compared with the previous fiscal year. However, sales in the industrial-use and food service-use sectors declined compared with the previous fiscal year. As a result, revenue of the overall division decreased compared with the previous fiscal year.

##### Food Products Division

*Tsuyu* rose year on year as sales of condensed *tsuyu* products such as *Koidashi Hon Tsuyu* grew. In *tare*, although sales of the mainstay *Wagaya wa Yakinikuyasan* series were strong, sales in the industrial-use and food service-use sectors were weak, so sales declined compared with the previous fiscal year. Sales of the *Uchi no Gohan* series (handy Japanese-style seasoning mixes) decreased compared to the previous year. In Del Monte seasonings, although sales grew in the home-use sector, sales in the industrial-use and food service-use sectors declined compared with the previous fiscal year. As a result, revenue of the overall division decreased compared with the previous fiscal year.

##### Beverages Division

Amid rising interest in healthy lifestyles, the number of consumers using soy milk as a cooking ingredient as well as a beverage increased, driving higher sales of plain soy milk products. Due to the impact of the COVID-19 pandemic, however, sales of prepared soy milk 200ml, a mainstay product, were sluggish, remaining roughly on par with the previous fiscal year. In Del Monte beverages, sales fell year on year due to weak sales of fruit juice products. As a result, revenue of the overall division decreased compared with the previous fiscal year.

##### Liquor and Wine Division

Due to rising demands in the home-use sector, highvalue-added products such as *Komekoji Kodawari-jikomi Hon Mirin* (premium sweet sake for cooking) and *Noukou Jukusei Hon Mirin* (well-aged sake for cooking) were strong, products in large containers for food service and industrial users were weak. As a result, sales

of *Hon Mirin* declined year on year. Sales of wine declined due to weak demands of hotels and restaurants. As a result, revenue of the overall division decreased compared with the previous fiscal year.

#### Others

Revenue in this segment fell 0.7% to ¥21,186 million but business profit increased 14.1% to ¥1,915 million, with revenue decreasing and profits increasing year on year.

In the chemical products category revenue increased compared with the previous fiscal year. Although sales of clinical diagnostic enzymes declined, sales of hygiene monitoring were strong. Sales of logistics category fell. As a result, revenue of the overall division decreased compared with the previous fiscal year.

### OVERSEAS

#### Foods—Manufacturing and Sales

Revenue in this segment rose 5.8% to ¥100,832 million and business profit increased 9.8% to ¥20,416 million, with revenue and profits both increasing year on year.

##### Soy Sauce Division

In North America, we pursued business development based on the Kikkoman brand mainly in the home-use sector, and enhanced the lineup of mainstay soy sauce products as well as other products such as soy sauce-based seasonings. As a result, sales in North America increased from the previous fiscal year. In the European market, sales increased year on year, reflecting a strong performance in key markets such as U.K. and Germany. In Asia/Oceania, although sales fell in China due to the pandemic of COVID-19, sales in Southeast Asia and Australia rose. As a result, revenue in the overseas Soy Sauce Division increased compared with the previous fiscal year.

##### Del Monte Division

This division manufactures and sells items such as canned fruit, corn products, and tomato ketchup in the Asia/Oceania region. Due to big impacts from international traffic restrictions caused by COVID-19, recovery in the food service sector were delayed. As a result, overall revenue of this division decreased year on year.

##### Other Foods Division

This division manufactures and sells health food products, mainly in the North American market. Overall revenue of this division decreased year on year.

## Foods—Wholesale

Revenue in this segment fell 0.9% to ¥198,332 million while business profit increased 26.9% to ¥10,556 million, with revenue decreasing and profits increasing year on year.

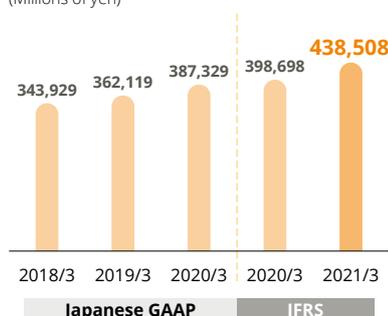
Sales in North America decreased year on year due

to a sharp decline in the restaurant industry. Sales in Europe decreased for the same reason. Sales in Asia/Oceania increased for reasons such as a consolidation of a group company in Taiwan in the second quarter. As a result, revenue in this segment was almost the same as the previous fiscal year.

## FINANCIAL POSITION

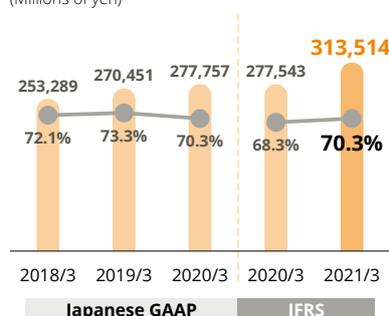
### Total Assets\*

(Millions of yen)



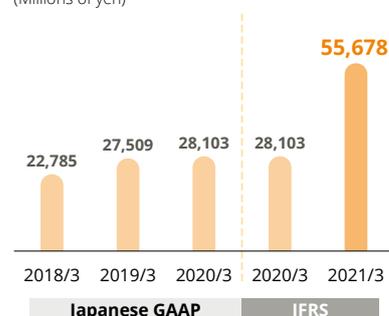
### Total Equity/Equity Attributable to Owners of the Parent to Total Assets\*

(Millions of yen)



### Cash and Cash Equivalents

(Millions of yen)



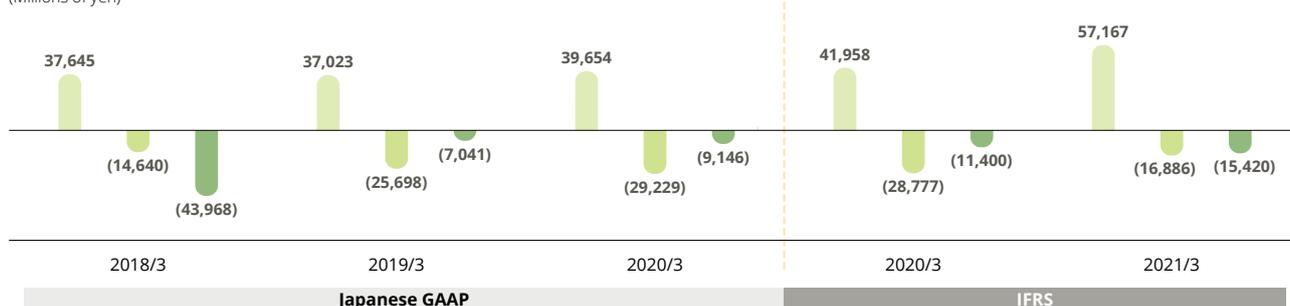
\* Total assets from FY2018 to FY2020 are based on Japanese GAAP.

● Total Equity ● Equity Attributable to Owners of the Parent to Total Assets

\* Net assets/equity ratio from FY2018 to FY2020 is based on Japanese GAAP.

## Cash Flows

(Millions of yen)



● Operating cash flow ● Investing cash flow ● Financing cash flow

## ASSETS

Current assets as of March 31, 2021 increased by ¥32,631 million from the end of the previous fiscal year, mainly reflecting an increase in cash and cash equivalents. Non-current assets increased by ¥7,178 million, due mainly to an increase in other financial assets and employee defined benefit assets. As a result, total assets were ¥438,508 million, an increase of ¥39,810 million from the end of the previous fiscal year.

## LIABILITIES

Current liabilities as of March 31, 2021 increased by ¥4,579 million from the end of the previous fiscal year. This was mainly due to an increase in trade and other payables. Non-current liabilities were down by ¥740 million, mainly as a decrease in employee defined benefit liabilities offset an increase in deferred tax liabilities. As a result, total liabilities were ¥124,993 million, an increase of ¥3,838 million from the end of the previous fiscal year.

## Management's Discussion and Analysis

### EQUITY

Equity as of March 31, 2021 increased by ¥35,971 million from the end of the previous fiscal year. This was mainly due to increases in retained earnings and the exchange differences on translation of foreign operations. As a result, total equity was ¥313,514 million, and the ratio of equity attributable to owners of the parent to total assets was up 2.0% to 70.3%.

### CASH FLOWS

Cash and cash equivalents were ¥55,678 million as of March 31, 2021, an increase of ¥27,574 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 fiscal year under review are described as follows:

#### Cash Flows from Operating Activities

Net cash provided by operating activities was ¥57,167 million, an increase of ¥15,209 million from the previous fiscal year. This mainly reflected an increase in cash provided from profit before income taxes and decreases in trade and other receivables and inventories.

#### Cash Flows from Investing Activities

Net cash used in investing activities was ¥16,886 million, mainly reflecting cash used for the acquisition of property, plant and equipment.

#### Cash Flows from Financing Activities

Net cash used in financing activities was ¥15,420 million, mainly reflecting cash used for dividends paid and for the repayment of lease obligations.

### RISK FACTORS

Listed below are the main business and accounting risks faced by the Kikkoman Group that could have a significant impact on investor decisions. Kikkoman's Group Management Committee analyzes and examines the Group's risks and screens for material risks. Forward-looking statements in this report are based on information available to the Kikkoman Group as of June 22, 2021.

#### Risks Related to the Social Environment

##### 1. Natural disasters and other events

The Group has production sites in North America, Europe and Asia, as well as in Japan, based on the principle of manufacturing products in local markets. To prepare for unforeseen events, the Group has formulated a Business Continuity Plan (BCP). The Group conducts training and reviews the plan as appropriate.

However, damage caused by natural disasters such as earthquakes, hurricanes, droughts and severe rain storms, or major accidents and other events that lead to the suspension of production activity, supply-chain disruption or other conditions that exceed the Group's forecasts, could have an impact on the Kikkoman Group's business results and financial position.

##### 2. Fluctuations in raw material prices

The Group formulates budgets that factor in the impact of fluctuations in crude oil prices and prices for international commodities such as soybeans and wheat, which are used in soy sauce, soy milk and other mainstay Kikkoman products, allowing the Group to monitor and respond to the monetary impact of price fluctuations on a monthly basis. However, a sharp increase in prices due to larger-than-expected market fluctuations, production shortages caused by abnormal weather, cold summers, warm winters and other changes in the climate, or other similar events, could have an impact on the Kikkoman Group's business results and financial position.

##### 3. Social and economic disruption

The Group operates in many regions worldwide, including North America, Europe and Asia, as well as Japan, allowing the Group to spread the risk of fluctuations in regional economies. However, global pandemics such as COVID-19 or major social or economic disruption caused by political upheaval, terrorist incidents, armed conflict, rapid changes in the market environment, or other similar events in regions where the Group operates, could have an impact on the Kikkoman Group's business results and financial position.

#### Risks Related to the Business Environment

##### 1. Changes in the competitive environment

The Group formulates medium- and long-term management plans based on projections for trends related to society, consumers, competitors and other factors. The Group also uses its research and development system to create innovative technologies. However, developments in the operating environment, such as changes in the values and preferences of consumers over the medium term, the emergence of new competitors, or dramatic improvements in the quality of products sold by competitors, or innovations in information technology, could depress demand for the Group's products and services, which could have an impact on the Kikkoman Group's business results and financial position.

##### 2. Response to global environmental issues

The Group is addressing environmental issues based on its Long-term Environmental Vision. However, amid

rising international interest in the environment, an insufficient response to these issues could lead to limits on production volume, financial penalties or other restrictions, or a loss of public trust, which could have an impact on the Kikkoman Group's business results and financial position.

## Risks Related to Compliance

### 1. Compliance

The Group is subject to various legal regulations in Japan, such as the Food Sanitation Act, Product Liability Act and Antimonopoly Act, as well as legal regulations in other countries where it operates. The Group has established the Kikkoman Group Code of Conduct, conducts training to ensure compliance, and takes other steps to raise awareness of and rigorously enforce compliance. The Group has also established and operates internal control systems in each business process. However, changes to legal regulations, a tighter regulatory framework or other developments that make it harder to maintain existing business approaches or product specifications, or business conduct that infringes laws and regulations or is inconsistent with social obligations, could have an impact on the Kikkoman Group's business results and financial position.

### 2. Infringement of intellectual property rights and copyrights

The Group secures patents, utility model rights, trademarks and other protections as needed for technologies developed within the Group. The Group regards these rights as an important management resource with many benefits for its business. As such, the Group has a specialist division that is responsible for rigorously managing its rights, including confirming that the Group does not infringe product manufacturing methods patented by other companies. However, similar products made by other companies, superior technologies developed by other companies, or legal disputes with other companies related to the infringement of intellectual property rights or other matters, could have an impact on the Kikkoman Group's business results and financial position.

## Risks Related to Information Systems and Information Security

The Group operates IT systems in product development, manufacturing, logistics, sales and other operational areas, and retains important information related to Group management, companies and individuals. The Group takes steps to protect and preserve this data and rigorously enforces the use of its information management system. However, power failures, disasters, software or equipment defects, computer viruses, unauthorized access or other events that

exceed the Group's forecasts, could lead to IT system failures, data leaks, data falsification or other damage, which could have an impact on the Kikkoman Group's business results and financial position.

## Risks Related to Food Safety

The Group believes that its fundamental mission is to ensure reliable supplies of safe, high-quality products. As such, the Group has established the Kikkoman Group Quality Policy and is working to reinforce its quality assurance system and quality management system. However, product-related accidents, including random events, which exceed the scope of measures being taken by the Group, could have an impact on the Kikkoman Group's business results and financial position.

## Risks Related to Human Resources

The Group aims to increase labor productivity through capital investment, operational efficiency improvements and other measures, while also working to attract and train human resources with advanced skills in each country and for each job type. However, difficulties securing the necessary personnel due to a decline in the working population in Japan and sharply rising labor costs in other countries worldwide could interfere with business execution or business expansion, which could have an impact on the Kikkoman Group's business results and financial position.

## Risks Related to Finances

### 1. Exchange rate fluctuations

The Group's Medium-Term Management Plans, budgets and earnings forecasts are formulated based on assumptions for exchange rate fluctuations and other risks. However, larger-than-expected fluctuations in exchange rates that lead to steep increases in the price of raw materials and products procured in foreign currencies, or that result in nominal declines in earnings at overseas subsidiaries and equity-method affiliates when converted into Japanese yen, could have an impact on the Kikkoman Group's business results and financial position.

### 2. Asset impairment accounting

In line with the Group's decision-making guidelines for investment, the Board of Directors is required to approve investments in new businesses, capital investment, M&A deals and other items where the investment amount exceeds a certain level, taking into account expected returns on investment and other factors. However, asset impairment accounting may be applied to such investments in the event that earnings and returns do not meet expectations at the time the investment is approved, which could have an impact on the Kikkoman Group's business results and financial position.



**Kikkoman Corporation**

Noda Head Office

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

Tokyo Head Office

2-1-1 Nishi-Shimbashi, Minato-ku, Tokyo 105-0003, Japan

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