

**[Notes of caution]**

This document is an English translation of the Japanese original. In the event of any differences or inconsistencies between the Japanese and English versions, the Japanese language version shall take precedence.

May 13, 2016

To our shareholders and other stakeholders

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Supplementary Explanation Concerning FYE March 2016 Flash Earnings Summary

In the financial accounting for FYE March 2016, Ezaki Glico recorded a distribution provision amount of 1,366 million yen as expenses related to liquidation for our ESOP\* (hereinafter, “Plan”), an incentive plan introduced in July 2011 with the objective of enhancing employee benefits and increasing Company corporate value.

\*ESOP: Employee Stock Ownership Plan

1. Plan summary

- (1) The company establishes a trust (hereinafter, “Stock Ownership Trust”) where the beneficiaries are Group employees enrolled in the trust who fulfill specific requirements.
- (2) The Stock Ownership Trust uses capital procured through financing to acquire in advance the number of Company shares projected to be acquired by the stock ownership plan over a specified period of time. Furthermore, the Company supplements said financing received by the Stock Ownership Trust.
- (3) Following the incorporation of the Plan, the acquisition of Company stock by the stock ownership plan is conducted through the Stock Ownership Trust. When a gain on sales is accrued in the Stock Ownership Trust as a result of the acquisition of Company stock by the stock ownership plan, this is distributed as residual assets to Group employees who fulfill the requirements for beneficiaries.
- (4) On the other hand, if the Stock Ownership Trust is unable to fulfill its financing repayment obligations due to a drop in the Company’s stock price, the Company will repay the remaining debt to the financing bank. In such cases, the Group employees enrolled in the stock ownership plan do not incur any debt burden.

## 2. Reason for recording expenses

Since the incorporation of the Plan, the Stock Ownership Trust has accrued gains on sales of stock incidental to the rise of our Company's stock price. There is a high possibility that unsold shares will exist at the time of the liquidation of the Stock Ownership Trust in July 2016, and the disposal of those shares will result in further gains on sale.

As a result of this situation, there is an increasing possibility that residual assets will be distributed to Group employees fulfilling beneficiary requirements. Thus, we decided to record the ESOP distribution provision amount as expenses related to liquidation<sup>(\*)</sup> for the ESOP in the financial accounting for FYE March 2016.

(\*) Current accounting standards, etc. ("Practical Treatment of Transactions Involving Issuing Company Stock to Employees, etc. through a Trust" PITF No. 30, March 26, 2015) do not recognize expenses when distributing residual assets but we incorporated this Plan prior to the application of current accounting standards, etc., thus have recorded expenses in accordance with the previously applied method.

## 3. Basis for expense recording

The amount of expenses recorded is the estimated amount of residual assets for the Stock Ownership Trust calculated by estimating the number of shares to be sold to the stock ownership plan as of the end of June 2016 and the number of residual shares to be sold at the time of the liquidation of the Stock Ownership Trust in July 2016 and deducting miscellaneous expenses.

## 4. Other

Expenses related to liquidation are distributed from the Stock Ownership Trust and have no impact on Company cash flow. Furthermore, the amount equivalent to expense recording will be recorded on the Company balance sheet as capital surplus under Net Assets, thus this has no impact on increases or declines in Company Net Assets.