kikkoman
seasoning your life

Annual Report 2014

Year Ended March 31, 2014

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 350 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

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.

Notes:

1. In 2001, Kikkoman changed its fiscal year-end from December to March. Unless otherwise stated, fiscal years in this report are January to December prior to 2001 and April to March from 2001.
   Example: 2000 = January – December 2000;
   2014 = April 2013 – March 2014
2. Certain domestic consolidated subsidiaries have changed their revenue recognition standards, effective from the fiscal year ended March 31, 2014. This change in accounting policy has been retroactively applied to results for the fiscal year ended March 31, 2013. The cumulative effect of the change in accounting policy on results up to the fiscal year ended March 31, 2012 is reflected in net assets at the beginning of the fiscal year ended March 31, 2013.

On the Front Cover

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

As part of an effort to share the meaning of its corporate slogan of "seasoning your life" with customers everywhere, Kikkoman launched a photography contest on its website in fiscal 2009, based on the theme of "delicious things you use to season your life."

During fiscal 2014, customers responded by submitting many wonderful photographs, all of which can be viewed on Kikkoman's website.

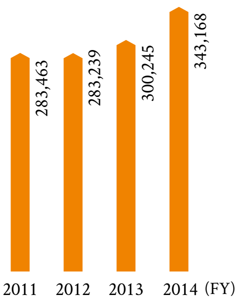
Some of the prize-winning submissions to this photography contest are featured on the cover of this Annual Report.

Financial Highlights

Kikkoman Corporation and Consolidated Subsidiaries

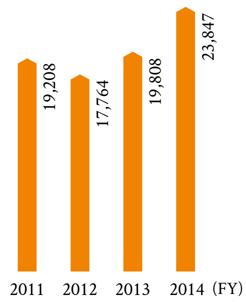
Net Sales

(Millions of yen)



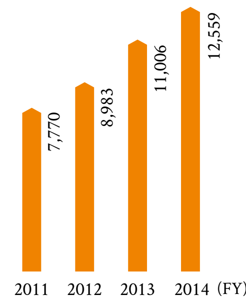
Operating Income

(Millions of yen)



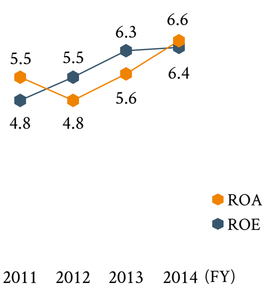
Net Income

(Millions of yen)



ROA/ROE

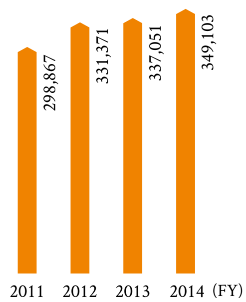
(%)



ROA=Ordinary income/Average total assets

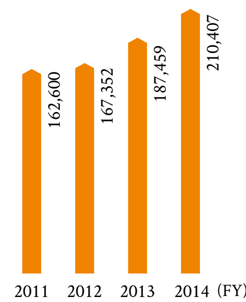
Total Assets

(Millions of yen)



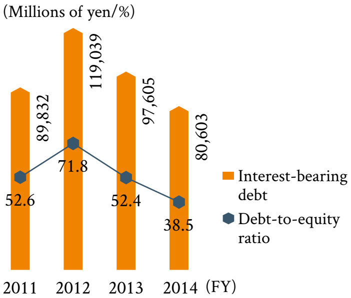
Net Assets

(Millions of yen)



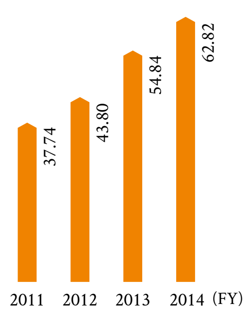
Interest-Bearing Debt/ Debt-to-Equity Ratio

(Millions of yen/%)



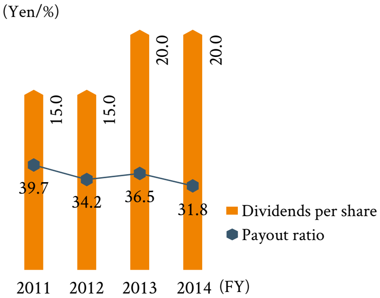
Net Income per Share

(Yen)



Dividends per Share/ Payout Ratio

(Yen/%)



KEY POINT ANALYSIS

Net Sales

Net sales increased 14.3% year on year to ¥343,168 million, supported by higher sales of soy sauce, food products, beverages, and *sake* and wine in Japan, steady growth in sales of soy sauce in North America, Europe, and Asia/Oceania, and a strong performance by the Overseas Foods–Wholesale business.

Operating Income

Despite an increase in costs due to higher raw material prices in Japan and overseas and the startup of a new soy milk plant in Japan, operating income rose 20.4% year on year to ¥23,847 million, mainly on the back of sales growth.

Total Assets

Although Kikkoman redeemed corporate bonds during fiscal 2014, total assets rose ¥12,052 million year on year to ¥349,103 million, mainly reflecting the impact of foreign exchange rates and an increase in investment securities due to share price gains.

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 2014, ended March 31, 2014, the global economy recovered at a moderate pace, supported by a gradual upturn in the U.S. and emerging signs of a pickup in Europe.

The Japanese economy also saw a moderate recovery, with consumer spending rising amid a gradual improvement in the employment market, and corporate earnings gaining momentum.

Under these conditions, the Kikkoman Group's domestic sales of soy sauce, food products, beverages, and *sake* and wine, all increased year on year. In overseas operations, sales of soy sauce grew steadily in North America, Europe, and Asia/Oceania. Sales were also strong in the Overseas Foods-Wholesale business. This supported an increase in overseas sales compared with the previous fiscal period.

As a result, consolidated net sales increased 14.3% to ¥343,168 million, operating income rose 20.4% to ¥23,847 million, and net income increased 14.1% to ¥12,559 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 future performance and prosperity of the Group will be a reflection of customer satisfaction. Based on this conviction, the Kikkoman Group is sincerely interested in the opinions of consumers and closely observes the market in order to offer products and services that will be of value to them.

Moreover, as a manufacturer of food products, our fundamental mission is to offer consumers a stable supply of safe, high-quality products at reasonable prices. Moving forward, we will continue our efforts in this area.

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 2013 to fiscal 2015.

Consolidated targets for fiscal 2015 under the medium-term management plan are:
- Net sales of ¥320 billion (average annual growth rate of 4.6%)
- Operating income of ¥23 billion (for a 7.2% operating income margin)
- Return on assets (ROA) of 7.0%

In fiscal 2014, we achieved our fiscal 2015 targets for net sales and operating income, partly helped by a favorable forex impact.

In fiscal 2015, we aim to grow net sales and operating income further and achieve our operating income margin and ROA targets.

Key issues identified in the medium-term management plan are as follows:

Overseas, we plan to maintain growth in North America, Europe, and Asia/Oceania. The overseas business is developing favorably, and we will look to open up new markets while continuing the measures implemented to date.

Domestically, we will continue to increase profitability through sales growth and restructuring. We will accelerate the shift to highly profitable businesses and products and continue to increase the overall profit margin via cost reductions, efficiency improvements, and other measures.

The Kikkoman Group has announced its "Global Vision 2020," which expresses our vision for the future. This vision statement sets forth our goals for 2020 and the basic strategy for reaching these targets. The medium-term management plan was formulated in accordance with this basic strategy.

Vision for the Future:

1. Make Kikkoman Soy Sauce a truly global seasoning
2. Become a company that supports healthy lifestyles through food
3. Become a company whose existence is meaningful to global society

Basic Strategies:

1. Global soy sauce strategy
2. Global strategy for oriental food wholesale
3. Del Monte business strategy
4. Health-related business strategy
5. Soy milk business strategy

Financial Strategy to Support the Medium-Term Management Plan

We will allocate a stable flow of cash (generated from Japan and overseas) to invest in growth areas, while at the same time providing shareholder returns.

In addition, we will strive to increase ROA by boosting profitability. We will also continue efforts to increase asset efficiency by decreasing inventory and other assets.

Basic Policy on Distributing Profits

Kikkoman considers its shareholder dividend policy to be a key management issue. Our basic policy is to reward shareholders with a distribution of profits, backed by strong financial performance on a consolidated basis, while using funds to strengthen the company's corporate foundation and future business.

We will use internal reserves to support various strategies that boost the Kikkoman Group's corporate value over the long term. Specifically, we will invest in domestic and overseas markets, carry out capital investment to support growth fields and business rationalization, invest in research and development to launch new businesses, and invest in markets to cultivate new demand for our products.

In fiscal 2013, ended March 31, 2013, Kikkoman paid a dividend of ¥20 per share, comprising an ordinary dividend of ¥18 per share and a commemorative dividend of ¥2 per share to mark the 40th anniversary of Kikkoman Foods, Inc. in the U.S. In the fiscal year under review, we paid an ordinary dividend of ¥20 per share and we plan to pay the same dividend for the fiscal year ending March 31, 2015.

Outlook for the Current Fiscal Year

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

In North America, we aim to generate stable growth by raising the frequency of soy sauce use among existing users and by cultivating demand among new users.

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

In Asia, we will implement sales strategies tailored to each country and region, and work to establish a Kikkoman business model in Asia capable of generating strong profits.

In terms of future market development, we plan to blend local food culture with Kikkoman Soy Sauce products in markets such as Latin America, in order to steadily expand our presence in that region.

Amid the growing popularity of Japanese food overseas, we plan to build on our strengths in the oriental food wholesale business. As a result, we will leverage our global network and high-quality products and services to create a unique and solid position in the market.

In Japan, we will enhance our earnings capabilities by shifting to highly profitable businesses and products and by stepping up efforts to create a more profitable operating structure.

In terms of our shift to highly profitable businesses and products, in the soy sauce business, we will continue to work on expanding sales of the *Itsudemo Shinsen* (always fresh) series and add more value to our entire range of soy sauce products. In *tsuyu* (soy sauce soup base) and *tare* (dipping and marinade sauce), we will also develop high value-added products and launch new versions of existing products to satisfy consumer needs.

In the market for handy Japanese-style seasoning mixes, other companies are actively launching new product ideas, which is likely to support continued growth in the market. In response, we plan to reinforce our position in the growth category of handy Japanese-style seasoning mixes.

We forecast further growth in the market for soy milk beverages. We will continue to actively develop new products and conduct sales promotion activities, supporting sustained growth in the Beverages Division.

Also, we are currently reducing costs such as variable costs, distribution expenses and fixed costs. We intend to step up these efforts to build a more profitable operating structure.

The Kikkoman Group is determined to make every effort in carrying out all these tasks. We will work hard to increase Kikkoman's corporate value and presence.

August 2014

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

Noriaki Horikiri
President and Chief Executive Officer

Special Feature: Kikkoman's Overseas Strategy

Promoting Stronger Global Connections Through Food Culture

A Far-sighted Move into Overseas Markets

Kikkoman's overseas business expansion has been a story of bold moves.

Every step of the way, our aim has been to make Kikkoman Soy Sauce a truly global seasoning. The strong belief we have in our products has supported our push overseas. Today, Kikkoman has seven overseas production bases, supplying soy sauce to loyal customers in over 100 countries worldwide.

Japan entered a new era of economic growth in the 1950s. Although soy sauce production recovered to pre-war levels, it was clear that domestic demand for soy sauce would plateau sooner or later, as consumption was only likely to rise in line with population growth. Given this outlook, we decided to start producing and selling other products as part of a diversification strategy and we began implementing a globalization strategy to sell soy sauce in overseas markets.

The first market we looked at was the U.S. We realized that soy sauce might prove popular overseas when we noticed that many Americans who visited Japan after the war enjoyed the flavor of soy sauce. We believed that we could tap into this potential demand by implementing skillful marketing.

Based on this thinking, we established a soy sauce sales company in San Francisco in 1957 and started actively marketing our soy sauce in the U.S. We decided the best way to boost uptake was to focus on how soy sauce perfectly complements meat dishes. First, we promoted soy sauce by holding cooking demonstrations, mainly in supermarkets, where shoppers could try grilled meat seasoned with our soy sauce. We also created American food recipes that included soy sauce for meat and other dishes and promoted them through newspapers, magazines and other media.

We have now had a presence in the U.S. market for over half a century. Soy sauce is widely used today, and for many households, Kikkoman is the first name they turn to for soy sauce.

After our success in North America, we decided to move into Europe and Asia/Oceania. Kikkoman's soy sauce sales have been particularly strong in Europe, where sales volume has registered annualized growth of over 10% for the last decade. We expect this strong growth to continue.

In 1969, we moved into the wholesale market for Japanese and other oriental food products when we invested in U.S. company Japan Food Corporation (now JFC International Inc.). We now have oriental food wholesale operations in Europe and Asia/Oceania, in addition to North America.

In this year's feature section, we take a closer look at the fast-growing European market for soy sauce and provide an overview of the oriental food wholesale business. We also examine the prospects for these overseas businesses.

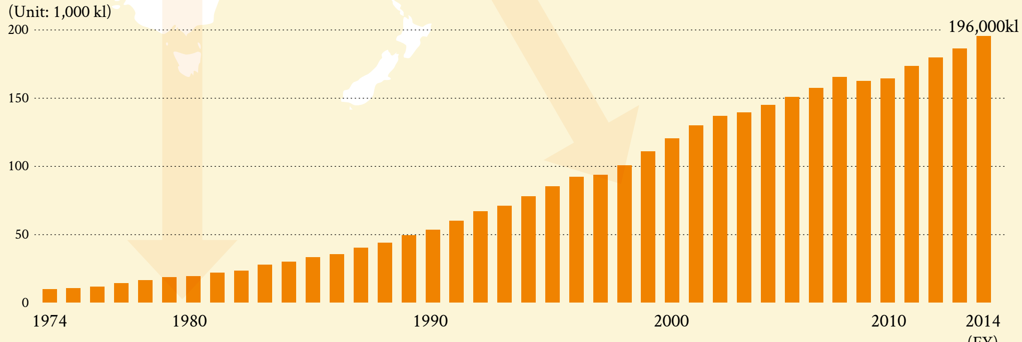
A History of Globalization

Blue: Soy sauce business
Green: Oriental food wholesale business

1950s – 1970s

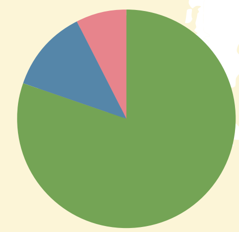
- 1957 Soy sauce sales company established in the U.S.
- 1969 Moved into the oriental food wholesale business in North America through an investment in a U.S. food wholesale company
- 1973 Soy sauce plant in the U.S. starts shipments
- 1979 Soy sauce sales company established in Europe
- 1979 Oriental food wholesale operation starts in Europe

Overseas Soy Sauce Sales Volume



* Sales volume shown from fiscal 1974, the year after shipments began at our soy sauce plant in the U.S.
* In fiscal 2001, Kikkoman changed its fiscal year from January – December to April – March.

Overseas Soy Sauce Sales Volume by Region (Fiscal 2014)



1980s – 1990s

1980 Soy sauce sales company established in Oceania

1984 Soy sauce plant in Singapore starts shipments

1984 Oriental food wholesale operation starts in Asia

1986 Oriental food wholesale operation starts in Oceania

1990 Soy sauce sales company established in Asia

1990 Joint-venture soy sauce plant in Taiwan starts shipments

1997 Soy sauce plant in Europe starts shipments

1998 Second soy sauce plant in the U.S. starts shipments

2000s –

2002 Joint-venture soy sauce plant in China starts shipments

2009 Second joint-venture soy sauce plant in China starts shipments

The European Market

Driving Growth in the Overseas Soy Sauce Business

Continued Strong Growth in the European Business

Growth in the European soy sauce market is second only to North America. Our European soy sauce business has registered strong and sustained growth, with sales expanding at around 11% on an annualized basis over the last decade. Europe is now driving growth in our overseas operations.

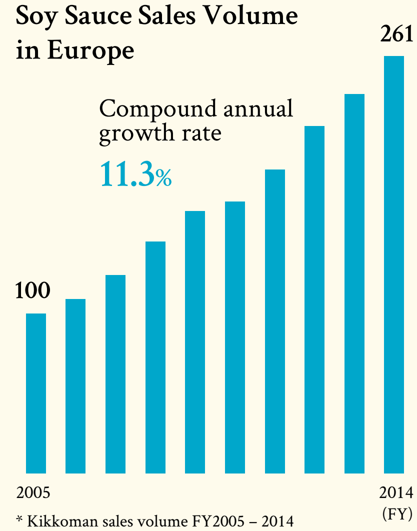
We moved into the European market in 1973 when we opened a *teppanyaki* restaurant in Germany. Our aim was to appeal to local consumers through all their senses, showing them how soy sauce was the ideal complement for meat and local ingredients by preparing dishes and using soy sauce in *teppanyaki* restaurants, where food is prepared right in front of customers.

In 1979, we set up a sales subsidiary in Dusseldorf, Germany, as our base to develop the market, and started selling our products.

Due to Europe's long history and unique national food cultures, we knew it would probably take a long time to spur wider use of soy sauce.

We therefore decided to focus first on marketing to consumers in Germany and Scandinavian countries, which tend to be more open to accepting new products. Marketing approaches included using restaurants as places to promote products through cooking demonstrations, and signing contracts with cooking schools to develop and provide soy sauce-based recipes suited to each country's tastes. We have continued to follow this approach over the years, resulting in numerous creative recipes in countries across Europe.

Soy Sauce Sales Volume in Europe



* Kikkoman sales volume FY2005 – 2014
* FY2005 sales volume = 100

English

German

French

Russian

Greek

Products for the European market

Kikkoman Soy Sauce labels for each country

Sharp Growth in Sales Volume After Our New European Plant Opened

Soy sauce sales volume started to take off in the 1990s, mainly in Western Europe. This prompted us to build our first European soy sauce plant in the Netherlands in 1997, giving us the capability to supply European-made Kikkoman Soy Sauce to customers across Europe.

The construction of the plant spurred a sharp rise in sales volume. On average, sales volume has grown at a double-digit pace every year since the plant opened.

Cultivating Existing Markets and Moving into New Ones

Today, we are working to boost demand for soy sauce in Europe through sales promotion campaigns tailored to each country.

In Germany, France, the U.K. and other countries where the Kikkoman brand is already well known, we are working to raise visibility further and spur greater demand for soy sauce by holding cooking demonstrations in supermarkets, distributing soy sauce-based recipes and running advertising campaigns, including TV commercials.

In the fast-growing emerging markets of Russia and Eastern Europe, our aim is to raise awareness of soy sauce itself. We have formed tie-ups with online cooking sites and hold recipe contests and cooking classes.

Also, amid growing interest in healthy eating and the increased popularity of Japanese food in recent years, many of Europe's top chefs now regularly use soy sauce in their cuisine, helping to raise the presence of soy sauce in Europe.

We believe the European soy sauce business has the potential to keep driving growth in our overseas operations. We will continue to develop existing markets while also cultivating new markets in order to maintain double-digit growth.

Topic

Sauce Soja Sucrée, which means sweet soy sauce in French, is particulary popular in France.

This product was developed when the Kikkoman employee responsible for the French market noticed customers in Japanese restaurants were seasoning white rice with a sweet sauce made from soy sauce.

Since its launch in France in 2007, *Sauce Soja Sucrée* has increasingly been used with salads and desserts, as well as a seasoning for white rice. The product has spread from France and is now sold across Europe.

Oriental Food Wholesale Business

Tapping Growth in the Japanese Food Market to Expand Our Global Network

Ongoing Growth in the Oriental Food Wholesale Business

Amid growing interest in healthy eating, Japanese food has become increasingly popular worldwide in recent years due to its flavors and health benefits. In 2013, UNESCO added *Washoku* – the traditional dietary cultures of the Japanese – to its list of intangible cultural heritage.

The popularity of Japanese food has played a key role in another one of our overseas operations – the oriental food wholesale business.

In 1969, we moved into the wholesale market for Japanese and other oriental food products when we began participating in the management of U.S. company Japan Food Corporation (now JFC International Inc.). Since then, we have handled a wide variety of foods and extended our network across the U.S., and JFC International Inc. has grown to become one of the leading wholesalers of Japanese food in the U.S. today.

We subsequently expanded our wholesale operations into Europe and Asia/Oceania. Over the last decade, sales in our oriental food wholesale business have expanded at an annualized rate of roughly 10%, supported by growth in the Japanese food market worldwide.

Using the power of the JFC brand in the U.S., we consolidated all our group companies involved in oriental food wholesale operations worldwide under the JFC name in fiscal 2014. Our aim is to leverage the JFC brand to reinforce product procurement and sales capabilities.

Net Sales of Oriental Food Wholesale Business

* Kikkoman sales volume FY2005 – 2014
* FY2005 sales volume = 100
* Local currency basis

A Global Network

The JFC Group uses its global procurement network, developed over many years, to source Japanese and other oriental food from suppliers worldwide. It then sells these products to customers in the U.S., Europe and Asia/Oceania.

Our sales channels serve Japanese, Chinese and other Asian supermarkets and restaurants, but we also supply mainstream supermarkets and restaurants.

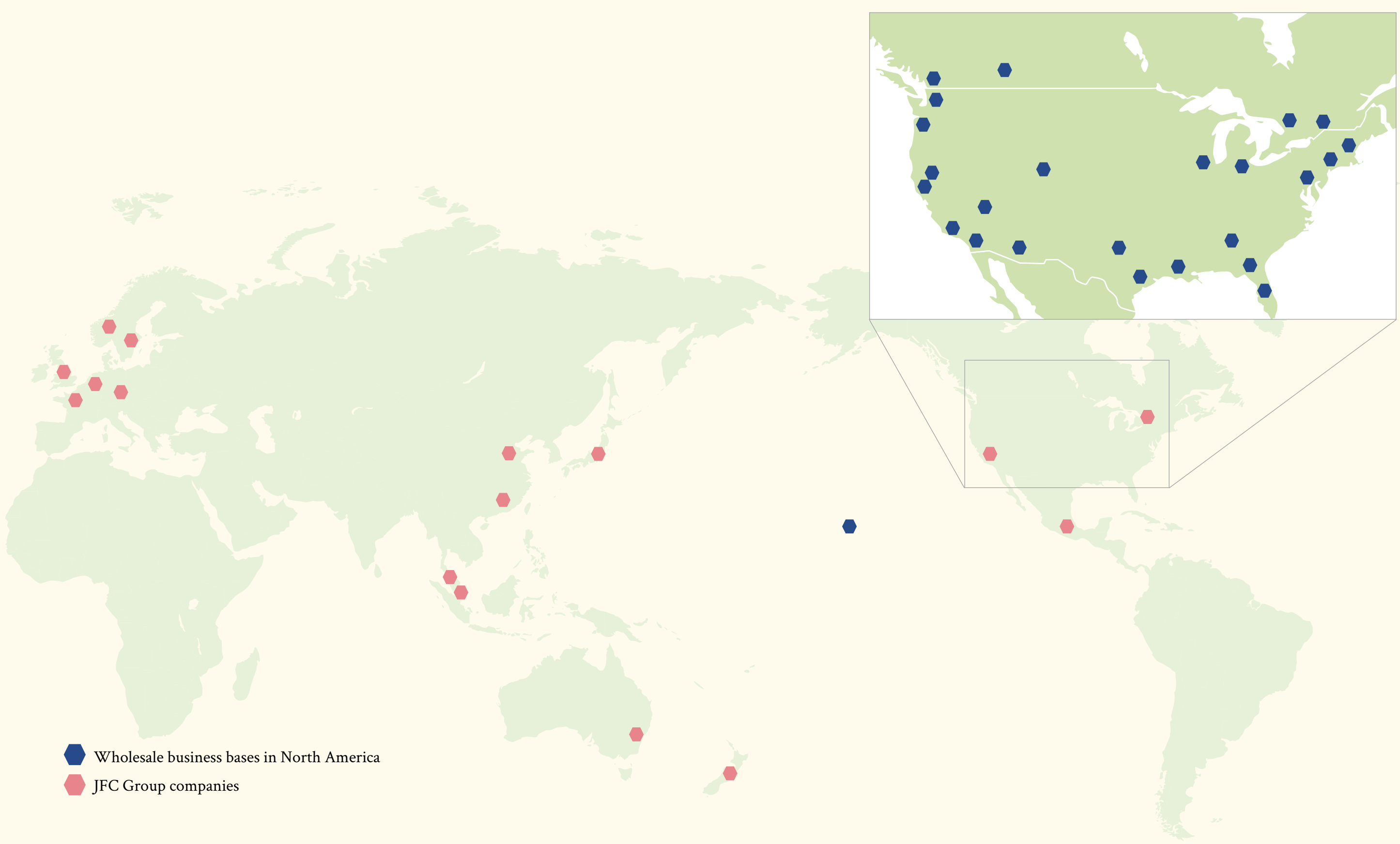
A Dominant Presence in the U.S.

JFC International Inc. has sites across the U.S. and handles over 10,000 items, including seasonings, seafood products, rice, confectionary and alcoholic beverages, as well as equipment and fixtures for stores.

In 2008, in order to expand the U.S. business further, JFC International moved its head office from San Francisco, the original starting point of our business in the U.S., to Los Angeles, the center of the Japanese food market in the U.S. today. We also built an advanced logistics facility to upgrade the company's distribution capabilities. The facility has four temperature-controlled zones – ambient, chilled, frozen and deep frozen (minus 50 to minus 60°C). The deep freeze warehouse is one of the largest in the U.S. This system ensures food products are stored and managed under optimum conditions.

Outlook for the Oriental Food Wholesale Business

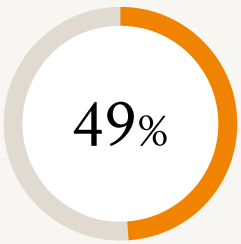
We expect the Japanese food market to continue expanding worldwide. Tapping into this trend, we plan to strengthen our business networks and distribution systems in North America, Europe and Asia/Oceania and use our wealth of expertise to reinforce our position as one of the leading companies in the oriental food market, expanding the business further.



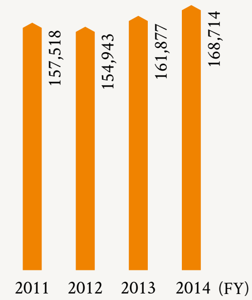
Kikkoman at a Glance

DOMESTIC

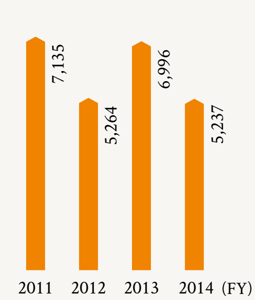
Net Sales Composition
(Fiscal 2014)



Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



FOODS–MANUFACTURING AND SALES

Soy Sauce

Major Products:
Soy sauce

> P18

Food Products

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

> P18

Beverages

Major Products:
Soy milk beverages
Del Monte beverages

> P18

Sake and Wine

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

> P19

OTHERS

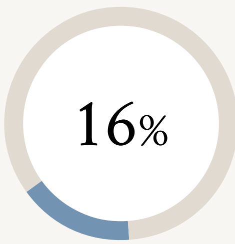
This business segment covers the production and sale of clinical diagnostic reagents, hygiene inspection agents, processing enzymes and chemical products such as hyaluronic acid, as well as real estate rental, logistics and back-office support for the Kikkoman Group, and other businesses.

> P19

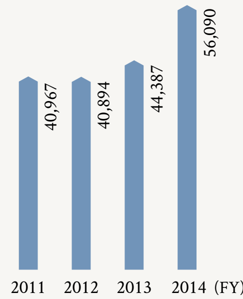
* Graphs showing net sales exclude inter-segment transactions.

OVERSEAS FOODS–MANUFACTURING AND SALES

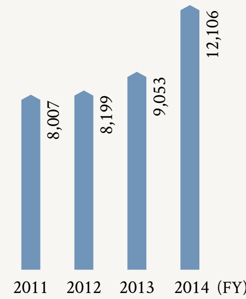
Net Sales Composition
(Fiscal 2014)



Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Soy Sauce

Major Products:
Soy sauce

> P19

Del Monte

Major Products:
Canned fruits
Canned corn
Tomato ketchup

> P19

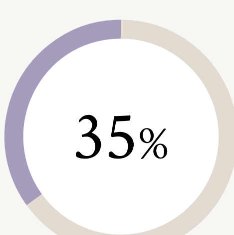
Other Foods

Major Products:
Health foods

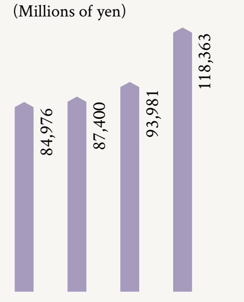
> P19

OVERSEAS FOODS–WHOLESALE

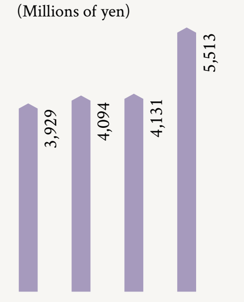
Net Sales Composition
(Fiscal 2014)



Net Sales
(Millions of yen)



Operating Income
(Millions of yen)



Major Products:
Oriental food products

> P19

Corporate Governance Framework and Corporate Citizenship

Corporate Governance

We believe that responding effectively to the changing business environment and maximizing corporate value through the enhancement of the Kikkoman Group management form the true basis for running a company with the mandate granted by shareholders. We also consider one of our most important management priorities to be executing corporate governance in order to fulfill our corporate responsibilities to all stakeholders.

The Kikkoman Corporation has adopted an audit & supervisory board system. We strive to improve and enhance our corporate governance framework with the aim of achieving greater management transparency, clearly defined management responsibility, speedy decision-making, and stronger management oversight.

In March 2001, the Company introduced a corporate officer system, transferring the authority for business execution to the corporate officers. This move was aimed at clarifying management responsibilities and speeding up decision-making and business execution.

In October 2009, Kikkoman adopted a holding company management structure for the Group. In accordance with Group management strategy formulated by the holding company, each operating company works to maximize the corporate value of the whole Kikkoman Group by reinforcing its ability to create new value within its own area of authority and responsibility.

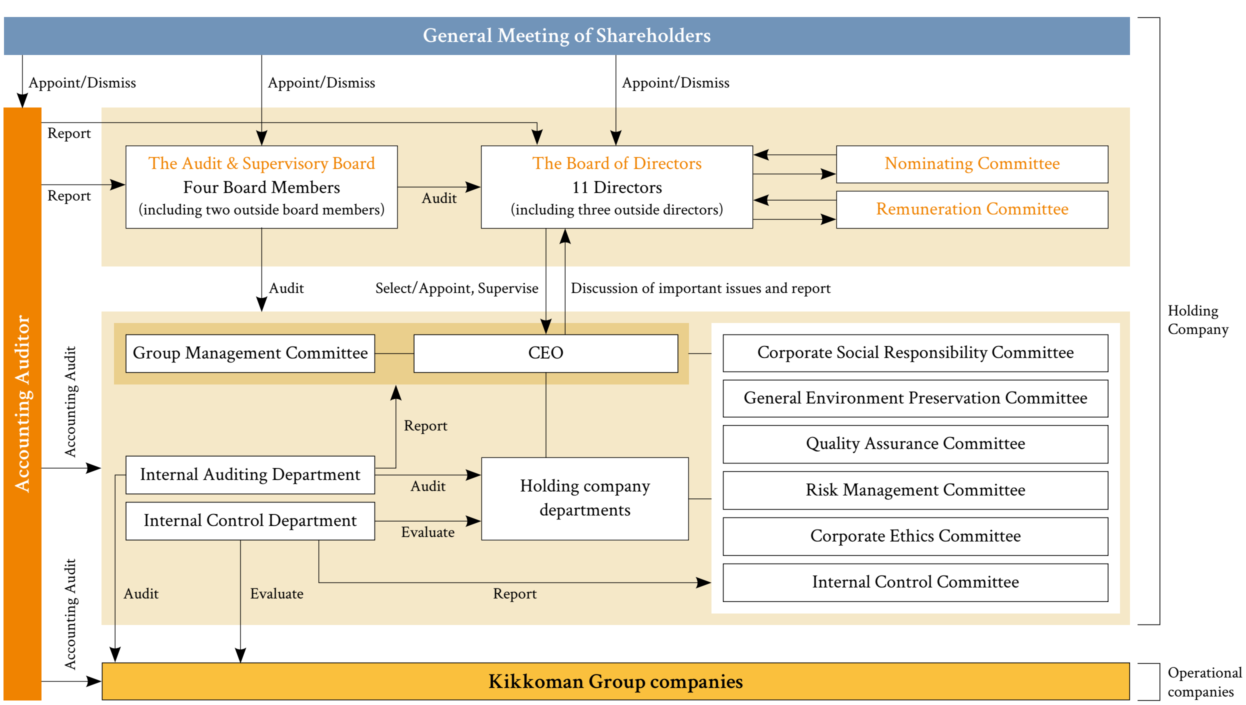
Appointment of Outside Directors and Outside Audit & Supervisory Board Members

In June 2002, the Kikkoman Corporation appointed outside directors and established the Nominating Committee and Remuneration Committee to achieve greater management transparency and strengthen management oversight. In fiscal 2014, three of eleven directors were outside directors, and two of four audit & supervisory board members were outside board members.

The role of the outside directors and outside audit & supervisory board members is to strengthen management oversight from an objective perspective on the basis of their wide-ranging experience and deep insight. In addition, the outside directors strive to increase management transparency by participating in the Nominating Committee and Remuneration Committee.

The Corporate Governance System

(As of June 2014)



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, by instituting the Administrative Rules and Regulations for Affiliated Companies, a system has been put in place for omission-free reporting of the financial and operating details of principal Group companies to the holding company.

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. 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.

Corporate Citizenship

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.

FINANCIAL SECTION

Contents

Management's Discussion and Analysis

Operating Results

During the fiscal year under review, the Kikkoman Group's domestic sales of soy sauce, food products, beverages, and *sake* and wine, all increased year on year. However, despite the positive impact of higher sales and efforts to reduce costs, domestic profits declined year on year due to an increase in fixed costs related to the startup of a new soy milk plant and high raw material costs caused by the weak yen.

In overseas operations, sales of soy sauce grew steadily in North America, Europe, and Asia/Oceania, and sales were also strong in the Overseas Foods–Wholesale business. This supported an increase in overseas sales and profits compared with the previous fiscal period.

Consequently, on a consolidated basis, net sales increased 14.3% year on year to ¥343,168 million, operating income rose 20.4% to ¥23,847 million, and net income increased 14.1% to ¥12,559 million.

NET SALES

Millions of yen

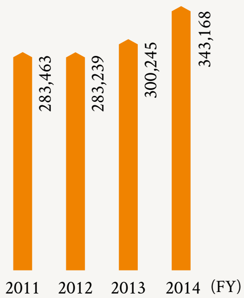
	2014	2013	Change	
Domestic Foods–Manufacturing and Sales	**¥ 161,794**	¥ 154,859	¥ 6,934	4.5%
Domestic Others	**20,268**	20,147	120	0.6%
Overseas Foods–Manufacturing and Sales	**63,797**	50,586	13,210	26.1%
Overseas Foods–Wholesale	**118,671**	94,202	24,469	26.0%
Adjustments	**(21,362)**	(19,550)	(1,812)	–
Consolidated	**¥ 343,168**	¥ 300,245	¥ 42,922	14.3%

OPERATING INCOME

Millions of yen

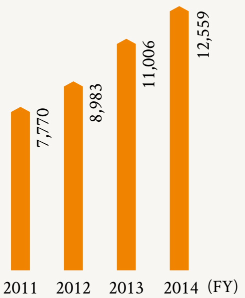
	2014	2013	Change	
Domestic Foods–Manufacturing and Sales	**¥ 4,320**	¥ 5,537	¥ (1,216)	(22.0)%
Domestic Others	**916**	1,459	(542)	(37.2)%
Overseas Foods–Manufacturing and Sales	**12,106**	9,053	3,052	33.7%
Overseas Foods–Wholesale	**5,513**	4,131	1,381	33.4%
Adjustments	**990**	(373)	1,363	–
Consolidated	**¥ 23,847**	¥ 19,808	¥ 4,039	20.4%

Net Sales
(Millions of yen)



Operating Income
(Millions of yen)

Net Income
(Millions of yen)



Segment Information

DOMESTIC

Domestic Foods – Manufacturing and Sales

Sales in this segment increased 4.5% year on year to ¥161,794 million, but operating income declined 22.0% to ¥4,320 million, partly due to higher raw material prices and other costs.

[SOY SAUCE DIVISION]

Sales of soy sauce in the home-use sector grew strongly year on year, reflecting the popularity of the division's value-added products in the *Itsudemo Shinsen* (always fresh) series, which are easy to use and maintain the flavor and freshness of raw soy sauce. Sales also grew in the industrial- and food service-use sectors.

As a result, sales in the Soy Sauce Division increased compared with the previous fiscal year.

[FOOD PRODUCTS DIVISION]

Sales of *tsuyu* (soy sauce soup base) in the home-use sector rose year on year, supported by strong sales of flagship products *Hon Tsuyu* and *Straight Tsuyu*. Sales of *tsuyu* also increased in the industrial- and food service-use sectors, with overall *tsuyu* sales rising compared with the previous fiscal year.

Sales of *tare* (dipping and marinade sauces) in the home-use sector increased year on year, supported by firm growth in *Wagaya wa Yakinikuyasan* (our mainstay grilled meat sauce range). However, sales fell year on year in the industrial- and food service-use sectors, with overall sales of *tare* declining slightly compared with the previous fiscal year.

Sales of *Uchi no Gohan* (handy Japanese-style seasoning mixes) rose strongly year on year, reflecting market growth driven by aggressive product development, TV advertising and storefront promotion activities.

In Del Monte seasonings, sales in the home-use sector expanded overall due to contributions from new products such as *Lycopene-rich* Tomato Ketchup. Sales also grew in the industrial- and food service-use sectors.

As a result, sales in the Food Products Division increased compared with the previous fiscal year.

[BEVERAGES DIVISION]

Sales of soy milk beverages increased year on year, reflecting firm growth in the market on the back of sales promotion activities aimed at market expansion. These activities were tied in with advertising campaigns on TV, in magazines and other media, and included the use of recipe books to promote the products as food ingredients, as well as beverages. Also, demand was strong for new products such as *Tonyu Inryo Mango* and *Tonyu Inryo Melon* (mango and melon flavored soy milk beverages), with sales of foods for specified health uses (FOSHU products) increasing amid growing interest in healthy lifestyles.

In Del Monte beverages, the division ran sales promotion activities, such as an advertising campaign marking the 50th anniversary of the Del Monte brand. Sales of gift packs and new products such as *Asa Tomato* and *Asa Salada* (easy-to-drink tomato and vegetable beverages) also expanded. However, sales of Del Monte

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
Sake and Wine Division	• *Mirin* (sweet *sake* for cooking) • Wines

Domestic 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	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

Overseas Foods–Wholesale

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

beverages declined year on year, partly reflecting a pullback in sales of tomato juice, which rose strongly in the previous year.

As a result, sales overall in the Beverages Division increased compared with the previous fiscal year.

[*SAKE* AND WINE DIVISION]

Sales of *Hon Mirin* rose year on year, reflecting growth in sales of 1-liter bottles in the home-use sector and sales of *Komekoji Kodawari-jikomi Hon Mirin* (a new premium *Hon Mirin* product).

Sales of domestic wines increased in the industrial- and food service-use sector, while sales of imported wines also rose year on year due to efforts to develop the market in Japan.

As a result, sales in the *Sake* and Wine Division increased compared with the previous fiscal year.

Domestic Others

Sales in this segment rose year on year, supported by higher sales of processing enzymes for diabetes testing in clinical diagnostic reagents and sales growth in the logistics business.

As a result, sales in the Domestic Others segment rose 0.6% year on year to ¥20,268 million, while operating income fell 37.2% to ¥916 million.

OVERSEAS

Overseas Foods – Manufacturing and Sales

Sales in this segment rose 26.1% year on year to ¥63,797 million and operating income increased 33.7% to ¥12,106 million.

[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 enhancing 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. As a result, sales in North America increased year on year.

In Europe, sales continued to grow at a double-digit pace, supported by solid sales growth in Russia and in the key markets of Germany and the U.K.

In Asia/Oceania, sales fell in the Philippines and Indonesia, but sales grew overall in the region on the back of solid demand in Thailand and other markets.

As a result, sales in the Soy Sauce Division rose strongly year on year, partly helped by forex factors.

[DEL MONTE DIVISION]

Sales in the division increased year on year due to firm demand in China and Hong Kong.

[OTHER FOODS DIVISION]

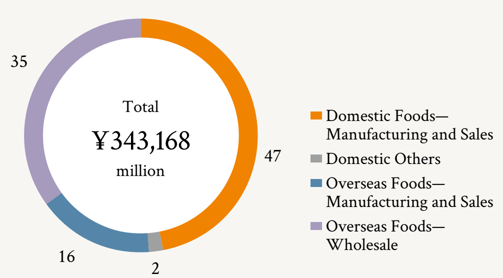
Sales in the division increased year on year, reflecting continued strong sales of health foods through the medical professional channel.

Overseas Foods – Wholesale

Sales in North America expanded, 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 expand in Europe and Oceania, contributing to steady sales in each region. As a result, sales increased compared with the previous fiscal year.

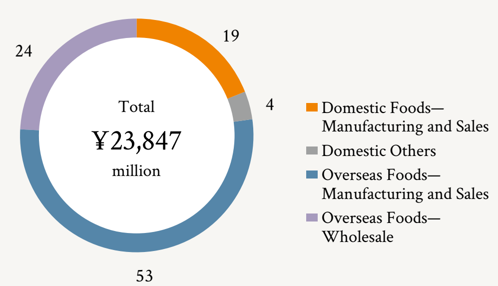
Sales in the Overseas Foods–Wholesale segment rose 26.0% year on year to ¥118,671 million and operating income increased 33.4% to ¥5,513 million.

Net Sales Composition (Fiscal 2014)
(%)



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

Operating Income Composition (Fiscal 2014)
(%)



Financial Position

ASSETS

Current assets as of March 31, 2014 totaled ¥133,222 million, an increase of ¥7,211 million from the end of the previous fiscal year. This mainly reflected increases in trade notes and accounts receivable and in merchandise and finished goods. Property, plant and equipment, at cost and investments and other assets totaled ¥215,881 million, an increase of ¥4,840 million from the end of the previous fiscal year, mainly reflecting an increase in investment securities.

As a result, total assets were ¥349,103 million, an increase of ¥12,052 million from the end of the previous fiscal year.

LIABILITIES

Current liabilities as of March 31, 2014 totaled ¥55,618 million, an increase of ¥9,456 million from the end of the previous fiscal year. This mainly reflected increases in short-term bank loans and in trade notes and accounts payable. Long-term liabilities totaled ¥83,078 million, a decrease of ¥20,351 million from the end of the previous fiscal year, mainly due to a decline in corporate bonds.

As a result, total liabilities were ¥138,696 million, a decline of ¥10,895 million from the end of the previous fiscal year.

NET ASSETS

Net assets as of March 31, 2014 totaled ¥210,407 million, an increase of ¥22,947 million from the end of the previous fiscal year. This mainly reflected increases in retained earnings, foreign currency translation adjustments and unrealized holding gain on securities, net of taxes.

This resulted in an equity ratio of 59.9%, compared with 55.2% at the end of the previous fiscal year.

Net assets per share increased ¥113.92 to ¥1,045.62.

CASH FLOWS

Cash and cash equivalents were ¥25,420 million as of March 31, 2014, a decline of ¥2,334 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 ¥25,667 million, an increase of ¥928 million from the previous fiscal year. This mainly reflected cash used for income taxes paid and for an increase in inventories, which was outweighted by cash provided from income before income taxes and minority interests and from non-cash items such as depreciation and amortization.

Cash Flows from Investing Activities

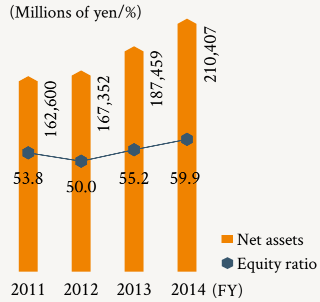
Net cash used in investing activities was ¥8,529 million, mainly reflecting cash used for the acquisition of property, plant and equipment.

Cash Flows from Financing Activities

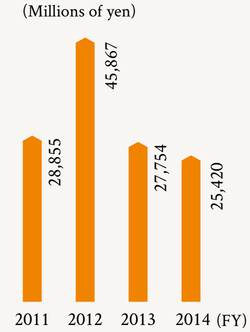
Net cash used in financing activities was ¥21,631 million, mainly reflecting cash used for the redemption of bonds and cash dividends paid.

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

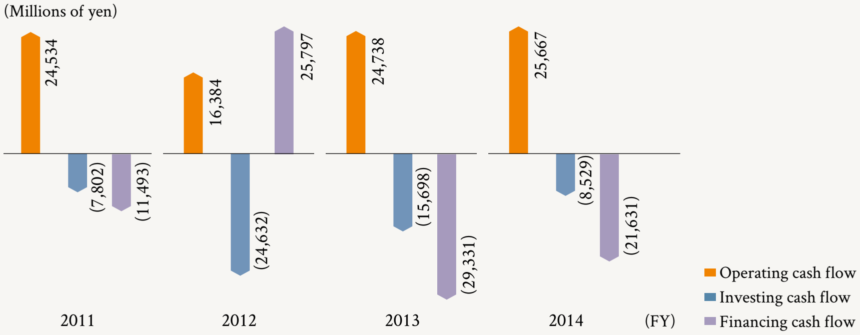
Kikkoman converts the financial statements of its overseas subsidiaries and other foreign domiciled entities into Japanese yen for preparing its consolidated financial statements. The line items in the financial statements of these subsidiaries and other entities are thus subject to foreign currency 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.

Cash Flows

(Millions of yen)



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 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
As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
Assets	**2014**	2013	**2014**
Current assets:			
Cash and deposits (Notes 5 and 16)	**¥ 28,564**	¥ 30,598	**$ 277,535**
Trade notes and accounts receivable (Notes 8 and 16)	**47,370**	44,053	**460,260**
Allowance for doubtful receivables	**(422)**	(205)	**(4,100)**
	46,948	43,848	**456,160**
Short-term investment securities (Notes 5 and 6)	**131**	131	**1,272**
Merchandise and finished goods	**26,983**	23,984	**262,174**
Work in process	**11,193**	10,405	**108,754**
Raw materials and supplies	**4,256**	3,861	**41,352**
Deferred tax assets (Note 10)	**4,430**	5,610	**43,043**
Other	**10,713**	7,570	**104,090**
Total current assets	**133,222**	126,010	**1,294,422**
Property, plant and equipment, at cost (Note 18):			
Land	**20,706**	20,039	**201,185**
Buildings and structures	**96,036**	91,376	**933,113**
Machinery, equipment and vehicles	**173,732**	163,690	**1,688,029**
Leased assets	**369**	442	**3,585**
Other	**17,926**	16,340	**174,174**
Construction in progress	**2,919**	5,351	**28,361**
	311,690	297,241	**3,028,468**
Accumulated depreciation	**(206,673)**	(193,547)	**(2,008,093)**
Property, plant and equipment, net	**105,017**	103,693	**1,020,375**
Investments and other assets:			
Investment securities (Notes 6 and 16)	**41,305**	38,303	**401,331**
Investments in and advances to unconsolidated subsidiaries and affiliates	**37,086**	35,031	**360,338**
Goodwill	**18,392**	21,792	**178,701**
Other intangible assets	**4,805**	3,675	**46,686**
Deferred tax assets (Note 10)	**1,130**	1,112	**10,979**
Net defined benefit asset (Note 9)	**5,245**	–	**50,961**
Other	**2,899**	7,431	**28,167**
Total investments and other assets	**110,864**	107,347	**1,077,186**
Total assets	**¥ 349,103**	¥ 337,051	**$ 3,391,984**

Liabilities	2014	2013	2014
	Millions of yen		Thousands of U.S. dollars (Note 4)
Current liabilities:			
Short-term bank loans (Notes 8 and 16)	¥ 10,361	¥ 5,338	$ 100,670
Current portion of long-term debt (Notes 7 and 16)	2,600	2,000	25,262
Lease obligations (Notes 7 and 13)	66	57	641
Trade notes and accounts payable (Note 16)	18,193	16,005	176,768
Other accounts payable (Note 16)	14,528	13,412	141,158
Accrued income taxes	3,396	2,095	32,996
Accrued employees' bonuses	2,205	2,172	21,424
Accrued directors' bonuses	90	84	874
Other	4,174	4,995	40,555
Total current liabilities	55,618	46,162	540,400
Long-term liabilities:			
Long-term debt (Notes 7 and 16)	63,000	85,600	612,125
Lease obligations (Notes 7 and 13)	111	94	1,078
Accrued employees' pension and severance costs (Note 9)	–	4,271	–
Net defined benefit liability (Note 9)	3,737	–	36,309
Accrued directors' severance benefits	898	967	8,725
Provision for environmental remediation	504	321	4,897
Deposits received	5,366	5,409	52,137
Deferred tax liabilities (Note 10)	8,075	5,699	78,458
Other	1,385	1,066	13,457
Total long-term liabilities	83,078	103,429	807,209
Total liabilities	138,696	149,591	1,347,609
Contingent Liabilities (Note 14)			
Net assets			
Shareholders' equity:			
Common stock, without par value:			
Authorized: 600,000,000 shares at March 31, 2014 and 2013			
Issued: 210,383,202 shares at March 31, 2014 and 2013	11,599	11,599	112,699
Capital surplus (Note 11)	21,377	21,227	207,705
Retained earnings (Notes 11 and 20)	178,260	169,702	1,732,024
Treasury stock, at cost (Note 20):			
10,351,947 shares at March 31, 2014 and			
10,651,103 shares at March 31, 2013	(10,121)	(10,352)	(98,338)
Deposit for subscriptions to treasury stock	10	78	97
Total shareholders' equity	201,126	192,254	1,954,197
Accumulated other comprehensive income (loss):			
Unrealized holding gain (loss) on securities, net of taxes	9,623	5,867	93,499
Deferred hedge gain (loss), net of taxes	3	19	29
Foreign currency translation adjustments	(285)	(10,918)	(2,769)
Unfunded retirement benefit obligation of overseas subsidiaries	–	(1,054)	–
Remeasurements of defined benefit plans (Note 9)	(1,300)	–	(12,631)
Total accumulated other comprehensive income (loss)	8,040	(6,085)	78,118
Stock acquisition rights	36	115	349
Minority interests	1,203	1,174	11,688
Total net assets	210,407	187,459	2,044,374
Total liabilities and net assets	¥349,103	¥337,051	$3,391,984

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

KIKKOMAN CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	2014
Net sales	¥343,168	¥300,245	$3,334,317
Cost of sales (Notes 9 and 12)	204,917	177,030	1,991,031
Gross profit	138,251	123,215	1,343,286
Selling, general and administrative expenses (Notes 9 and 12)	114,404	103,407	1,111,581
Operating income	23,847	19,808	231,704
Other income (expenses):			
Interest and dividend income	1,024	930	9,949
Equity in earnings of unconsolidated subsidiaries and affiliates	1,082	695	10,513
Unrealized gain on derivatives	2,172	2,663	21,103
Interest expenses	(1,511)	(1,570)	(14,681)
Foreign exchange losses, net	(2,234)	(2,888)	(21,706)
Gain on sales of investment securities (Note 6)	6,281	92	61,027
Gain on sales of property, plant and equipment	1,150	308	11,173
Gain on revision of retirement benefit plans (Note 9)	1,541	–	14,972
Subsidy income	–	854	–
Compensation income	–	635	–
Loss on disposal of property, plant and equipment	(966)	(553)	(9,385)
Loss on reduction of property, plant and equipment	–	(854)	–
Loss on revaluation of investment securities	–	(951)	–
Loss on impairment of fixed assets	(6,139)	(458)	(59,648)
Loss on sales of investment securities (Note 6)	(47)	–	(456)
Loss on valuation of subsidiary securities	(807)	–	(7,841)
Loss on revaluation of golf club memberships	(9)	(1)	(87)
Loss on bond retirement	(736)	–	(7,151)
Compensation for termination of business relationship	(671)	–	(6,519)
Other, net	(1,698)	(1,007)	(16,498)
Income before income taxes and minority interests	22,278	17,701	216,459
Income taxes (Note 10):			
Current	9,153	6,195	88,933
Deferred	558	397	5,421
	9,712	6,592	94,364
Income before minority interests	12,565	11,109	122,085
Minority interests	(5)	(102)	(48)
Net income (Note 15)	¥12,559	¥11,006	$ 122,026

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

KIKKOMAN CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	2014
Income before minority interests	**¥12,565**	¥11,109	**$122,085**
Other comprehensive income:			
Unrealized holding gain (loss) on securities, net of taxes	**3,478**	5,341	**33,793**
Deferred hedge gain (loss), net of taxes	**(11)**	7	**(106)**
Foreign currency translation adjustments	**9,761**	11,072	**94,840**
Unfunded retirement benefit obligation of overseas subsidiaries	**222**	(130)	**2,157**
Share of other comprehensive income of affiliates accounted for using the equity method	**1,148**	1,457	**11,154**
Total other comprehensive income (loss)	**¥14,599**	¥17,750	**$141,848**
Comprehensive income	**¥27,165**	¥28,859	**$263,942**
Total comprehensive income attributable to:			
Owners of the Company	**¥27,154**	¥28,735	**$263,835**
Minority interests	**10**	123	**97**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

KIKKOMAN CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

Year ended March 31, 2014

Millions of yen

	Shareholders' equity					
	Common stock (210,383,202 shares)	Capital surplus (Note 11)	Retained earnings (Notes 11 and 20)	Treasury stock (Note 20)	Deposit for subscriptions to treasury stock	Total shareholders' equity
Balance at beginning of the period	**¥11,599**	**¥21,227**	**¥169,702**	**¥(10,352)**	**¥ 78**	**¥192,254**
Changes of items during the period						
Cash dividends			(4,002)			(4,002)
Net income			12,559			12,559
Purchase of treasury stock				(130)		(130)
Disposal of treasury stock		150		361	(78)	433
Advance received for subscriptions to treasury stock					10	10
Net changes of items other than shareholders' equity						
Total changes of items during the period	–	150	8,557	231	(67)	8,871
Balance at end of the period	**¥11,599**	**¥21,377**	**¥178,260**	**¥(10,121)**	**¥ 10**	**¥201,126**

Millions of yen

	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	Unfunded retirement benefit obligation of overseas subsidiaries	Remeasurements of defined benefit plans (Note 9)	Total accumulated other comprehensive income (loss)	Stock acquisition rights	Minority interests	Total net assets
Balance at beginning of the period	¥5,867	¥ 19	¥(10,918)	¥(1,054)	¥ –	¥ (6,085)	¥115	¥1,174	¥187,459
Changes of items during the period									
Cash dividends									(4,002)
Net income									12,559
Purchase of treasury stock									(130)
Disposal of treasury stock									433
Advance received for subscriptions to treasury stock									10
Net changes of items other than shareholders' equity	3,755	(16)	10,632	1,054	(1,300)	14,126	(79)	28	14,075
Total changes of items during the period	3,755	(16)	10,632	1,054	(1,300)	14,126	(79)	28	22,947
Balance at end of the period	¥9,623	¥ 3	¥ (285)	¥ –	¥(1,300)	¥ 8,040	¥ 36	¥1,203	¥210,407

Thousands of U.S. dollars (Note 4)

	Shareholders' equity					
	Common stock (210,383,202 shares)	Capital surplus (Note 11)	Retained earnings (Notes 11 and 20)	Treasury stock (Note 20)	Deposit for subscriptions to treasury stock	Total shareholders' equity
Balance at beginning of the period	$112,699	$206,247	$1,648,872	$(100,582)	$757	$1,867,994
Changes of items during the period						
Cash dividends			(38,884)			(38,884)
Net income			122,026			122,026
Purchase of treasury stock				(1,263)		(1,263)
Disposal of treasury stock		1,457		3,507	(757)	4,207
Advance received for subscriptions to treasury stock					97	97
Net changes of items other than shareholders' equity						
Total changes of items during the period	–	1,457	83,142	2,244	(650)	86,193
Balance at end of the period	$112,699	$207,705	$1,732,024	$ (98,338)	$ 97	$1,954,197

Thousands of U.S. dollars (Note 4)

	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	Unfunded retirement benefit obligation of overseas subsidiaries	Remeasurements of defined benefit plans (Note 9)	Total accumulated other comprehensive income (loss)	Stock acquisition rights	Minority interests	Total net assets
Balance at beginning of the period	$57,005	$ 184	$(106,082)	$(10,240)	$ –	$ (59,123)	$1,117	$11,406	$1,821,404
Changes of items during the period									
Cash dividends									(38,884)
Net income									122,026
Purchase of treasury stock									(1,263)
Disposal of treasury stock									4,207
Advance received for subscriptions to treasury stock									97
Net changes of items other than shareholders' equity	36,484	(155)	103,303	10,240	(12,631)	137,252	(767)	272	136,756
Total changes of items during the period	36,484	(155)	103,303	10,240	(12,631)	137,252	(767)	272	222,959
Balance at end of the period	$93,499	$ 29	$ (2,769)	$ –	$(12,631)	$ 78,118	$ 349	$11,688	$2,044,374

Consolidated Statements of Changes in Net Assets

Year ended March 31, 2013

Millions of yen

	Shareholders' equity					
	Common stock (210,383,202 shares)	Capital surplus (Note 11)	Retained earnings (Notes 11 and 20)	Treasury stock (Note 20)	Deposit for subscriptions to treasury stock	Total shareholders' equity
Balance at beginning of the period	¥11,599	¥21,209	¥162,149	¥ (5,275)	¥ –	¥189,682
Cumulative effects of the change in accounting policy (Note 2(o))			(390)			(390)
Balance at the beginning of the period after retroactive application	11,599	21,209	161,759	(5,275)	–	189,292
Changes of items during the period						
Cash dividends			(3,081)			(3,081)
Net income			11,006			11,006
Increase due to change in accounting period of consolidated subsidiaries			17			17
Increase due to change in accounting period of affiliates accounted for using the equity method			0			0
Purchase of treasury stock				(5,113)		(5,113)
Disposal of treasury stock		18		43		62
Advance received for subscriptions to treasury stock					78	78
Increase due to change in investment in affiliates accounted for using the equity method				(7)		(7)
Net changes of items other than shareholders' equity						
Total changes of items during the period	–	18	7,943	(5,077)	78	2,962
Balance at end of the period	¥11,599	¥21,227	¥169,702	¥(10,352)	¥78	¥192,254

Millions of yen

	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	Unfunded retirement benefit obligation of overseas subsidiaries	Remeasurements of defined benefit plans (Note 9)	Total accumulated other comprehensive income (loss)	Stock acquisition rights	Minority interests	Total net assets
Balance at beginning of the period	¥ (392)	¥15	¥(22,618)	¥ (924)	¥–	¥(23,920)	¥179	¥1,410	¥167,352
Cumulative effects of the change in accounting policy (Note 2(o))									(390)
Balance at the beginning of the period after retroactive application	(392)	15	(22,618)	(924)	–	(23,920)	179	1,410	166,962
Changes of items during the period									
Cash dividends									(3,081)
Net income									11,006
Increase due to change in accounting period of consolidated subsidiaries									17
Increase due to change in accounting period of affiliates accounted for using the equity method									0
Purchase of treasury stock									(5,113)
Disposal of treasury stock									62
Advance received for subscriptions to treasury stock									78
Increase due to change in investment in affiliates accounted for using the equity method									(7)
Net changes of items other than shareholders' equity	6,260	4	11,699	(130)	–	17,834	(63)	(235)	17,534
Total changes of items during the period	6,260	4	11,699	(130)	–	17,834	(63)	(235)	20,497
Balance at end of the period	¥5,867	¥19	¥(10,918)	¥(1,054)	¥–	¥ (6,085)	¥115	¥1,174	¥187,459

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

KIKKOMAN CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 4)
	2014	2013	2014
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 22,278	¥ 17,701	$ 216,459
Depreciation and amortization	13,002	12,160	126,331
Loss on impairment of fixed assets	6,139	458	59,648
Increase (decrease) in accrued employees' pension and severance costs	–	564	–
Increase (decrease) in net defined benefit liability	(2,361)	–	(22,940)
Increase (decrease) in accrued directors' severance benefits	(69)	(148)	(670)
Increase (decrease) in provision for loss on disaster	–	(50)	–
Interest and dividend income	(1,024)	(930)	(9,949)
Interest expenses	1,511	1,570	14,681
Equity in earnings of unconsolidated subsidiaries and affiliates	(1,082)	(695)	(10,513)
Gain on sales of property, plant and equipment	(1,159)	(320)	(11,261)
Gain on sales of securities	(6,233)	(92)	(60,561)
Compensation income	–	(635)	–
Loss on disposal of property, plant and equipment	1,219	767	11,844
Loss on revaluation of investment securities	4	951	38
(Increase) decrease in trade notes and accounts receivable	(1,496)	(1,179)	(14,535)
(Increase) decrease in inventories	(2,050)	(771)	(19,918)
Increase (decrease) in trade notes and accounts payable	961	(811)	9,337
Other	4,265	(45)	41,439
Subtotal	33,905	28,493	329,430
Interest and dividends received	1,447	1,322	14,059
Interest paid	(1,773)	(1,682)	(17,226)
Proceeds from compensation	–	635	–
Income taxes paid	(7,912)	(4,029)	(76,875)
Net cash provided by operating activities	25,667	24,738	249,387
Cash flows from investing activities			
Acquisition of property, plant and equipment	(15,551)	(11,942)	(151,097)
Proceeds from sales of property, plant and equipment	1,453	251	14,117
Acquisition of intangible assets	(1,825)	(810)	(17,732)
Acquisition of investment securities	(1,686)	(2,121)	(16,381)
Proceeds from sales of investment securities	9,731	293	94,549
Purchase of investments in subsidiary accompanied by change in scope of consolidation	(364)	(343)	(3,536)
Addition to loans receivable	(478)	(601)	(4,644)
Collection of loans receivable	126	176	1,224
Other	63	(599)	612
Net cash used in investing activities	(8,529)	(15,698)	(82,870)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	4,979	1,016	48,377
Repayment of long-term debt	(2,000)	(2,150)	(19,432)
Redemption of bonds	(20,736)	(20,000)	(201,476)
Proceeds from exercise of stock options	376	131	3,653
Acquisition of treasury stock	(130)	(5,113)	(1,263)
Cash dividends paid	(4,002)	(3,081)	(38,884)
Cash dividends paid to minority shareholders	(6)	(7)	(58)
Other	(111)	(127)	(1,078)
Net cash used in financing activities	(21,631)	(29,331)	(210,172)
Effect of exchange rate changes on cash and cash equivalents	2,159	2,109	20,977
Net increase (decrease) in cash and cash equivalents	(2,334)	(18,182)	(22,677)
Cash and cash equivalents at beginning of the year	27,754	45,867	269,665
Increase in cash and cash equivalents resulting from change in accounting period of consolidated subsidiaries	–	69	–
Cash and cash equivalents at end of the year (Note 5)	¥ 25,420	¥ 27,754	$ 246,987

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KIKKOMAN CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

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, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

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 fiscal 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 (m) 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 minority 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)

Buildings	In general, the straight-line method is adopted.
Assets other than buildings	In general, the declining-balance method is adopted by the Company and its domestic consolidated subsidiaries. However, the straight-line method is adopted for certain rental assets of the Company and by foreign consolidated subsidiaries.

The ranges of useful lives are as follows:

Buildings and structures	from 7 to 50 years
Machinery, equipment and vehicles	from 3 to 20 years

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

Software for internal use is amortized over an estimated useful life of 5 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) Accrued employees' and directors' bonuses

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

(h) Employee retirement benefits

(1) Attribution of expected retirement benefits to periods of service

In calculation of retirement benefit obligations, the straight-line method 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 fiscal year arising from revisions to actuarial assumptions (the "actuarial gain or loss") is amortized by the straight-line method beginning the following fiscal year over a period of 10 years, which is shorter than the average remaining years of service of the active participants in the plans.

Additional information

The Company and certain domestic consolidated subsidiaries transferred part of their defined benefit corporate pension plan to a defined contribution pension plan on January 1, 2014, and also revised the defined benefit corporate pension plan and retirement lump-sum plan to a points basis for calculation of benefits. Accordingly, based on application of Accounting for Transfer between Retirement Benefit Plans (ASBJ Guidance No. 1), the Company recorded the amount arising from the transfer of ¥1,541 million ($14,972 thousand) in "Other income (expenses)."

Prior service costs of ¥335 million ($3,254 thousand) (an increase in liabilities) incurred as a result of the revision are being amortized using the straight-line method over a fixed period (10 years) within the average remaining years of service of employees.

In addition, certain domestic consolidated subsidiaries have reduced the benefit ratio in the defined benefit corporate pension plan from February 2014. Prior service costs of ¥359 million (a decrease in liabilities) resulting from this change are being amortized using the straight-line method over a fixed period (10 years) within the average remaining years of service of employees.

(i) 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 amounts which would be paid if all directors and corporate officers resigned as of the balance sheet dates.

(j) 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.

(k) 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.

(l) Research and development costs

Research and development costs are charged to income as incurred.

(m) 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.

(n) Appropriation of retained earnings

Under the Corporation Law 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.

(o) Changes in accounting policies

Adoption of new accounting standard for retirement benefits

The Company adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and its accompanying implementation guidelines, “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012) at March 31, 2014 (excluding those requirements specified by paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits). Based on the new accounting standard, the Company now recognizes the excess of retirement benefit obligations over pension assets as Net defined benefit liability in the balance sheet and recorded previously unrecognized actuarial losses and unrecognized prior service cost as part of Net defined benefit liability. If pension assets exceed retirement benefit obligations, the difference is recorded as a Net defined benefit asset in the balance sheet.

The Accounting Standard for Retirement Benefits is applied in a transitional manner as stipulated in paragraph 37 of the standard. Consequently, the impact of this change is recorded as an accumulated adjustment for retirement benefits in accumulated other comprehensive income as at the end of the fiscal year.

As a result, the Company recorded ¥5,245 million ($50,961 thousand) as net defined benefit asset and ¥3,737 million ($36,309 thousand) as net defined benefit liability at the end of the fiscal year. In addition, other comprehensive income decreased ¥468 million ($4,547 thousand) as a result of application of the new standard.

Unfunded retirement benefit obligations of overseas subsidiaries are restated into remeasurements of defined benefit plans as at March 31, 2014.

The effect of this change on per share information is explained in Note 15. Amounts Per Share.

Change in revenue recognition accounting policy

The Company’s domestic consolidated subsidiaries recognized revenue primarily at the time of shipment. From this fiscal year, certain domestic consolidated subsidiaries are recognizing revenue at the time of delivery considering the terms and conditions of contracts. Those consolidated subsidiaries have changed the revenue recognition to more adequately reflect actual transfer of ownership. The consolidated subsidiaries have agreed with their customers to record the billing amounts on the delivery dates and have completed a system update to deal with the change.

The change in accounting policy is applied retrospectively to the consolidated financial statements for the previous fiscal year.

As a result of the retrospective application, net sales for the previous fiscal year increased by ¥44 million and operating income, ordinary income, and income before income taxes and minority interests each decreased by ¥9 million. The net assets at the beginning of the previous fiscal year were adjusted to reflect the cumulative effect of the change in accounting policy, and as a result retained earnings at the beginning of the previous fiscal year decreased by ¥390 million.

The effect of this change on per share information is explained in Note 15. Amounts Per Share.

3. Accounting Standards Issued but not yet Applied

Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, issued on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on May 17, 2012)

As described in Note 2.(o), the Company adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and its accompanying implementation guidelines, "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) at March 31, 2014 except for those requirements specified by paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits.

The requirements specified by paragraph 35 of the Accounting Standard for Retirement Benefits and paragraph 67 of the Guidance on Accounting Standard for Retirement Benefits include revisions to the calculation methods of retirement benefits obligations and service costs. The Company will apply the revised calculation method for retirement benefit obligations and service costs from the beginning of the fiscal year ending March 31, 2015. In accordance with the transitional treatment set forth in the standard, the revision will not be applied retroactively to the consolidated financial statements of prior periods.

The effect of adoption of the revised calculation method for retirement benefit obligations and service costs on the consolidated financial statements is currently under the evaluation.

4. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation, at the rate of ¥102.92 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2014. 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.

5. Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2014**	2013	**2014**
Cash and deposits	**¥28,564**	¥30,598	**$277,535**
Short-term investment securities	**131**	131	**1,272**
Time deposits with maturities of more than three months	**(3,275)**	(2,975)	**(31,820)**
Cash and cash equivalents	**¥25,420**	¥27,754	**$246,987**

6. Fair Value of Securities

As of March 31, 2014 and 2013, 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 "Investments 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, 2014 and 2013 are summarized as follows:

	Millions of yen			Thousands of U.S. dollars		
March 31, 2014	Acquisition costs	Carrying value	Unrealized gain (loss)	Acquisition costs	Carrying value	Unrealized gain (loss)
Unrealized gain:						
Stocks	**¥15,219**	**¥31,321**	**¥16,101**	**$147,872**	**$304,323**	**$156,441**
Unrealized loss:						
Stocks	**6,656**	**5,385**	**(1,271)**	**64,671**	**52,322**	**(12,349)**
Other	**131**	**131**	**–**	**1,272**	**1,272**	**–**
	6,788	**5,517**	**(1,271)**	**65,954**	**53,604**	**(12,349)**
Total	**¥22,007**	**¥36,838**	**¥14,830**	**$213,826**	**$357,928**	**$144,092**

March 31, 2013	Acquisition costs	Carrying value	Unrealized gain (loss)
			Millions of yen
Unrealized gain:			
Stocks	¥13,523	¥25,246	¥11,723
Unrealized loss:			
Stocks	10,943	8,680	(2,263)
Other	131	131	–
	11,075	8,811	(2,263)
Total	¥24,598	¥34,058	¥9,459

Proceeds from sales of securities classified as other securities amounted to ¥10,362 million ($100,680 thousand) with an aggregate gain on sales of ¥6,281 million ($61,027 thousand) and an aggregate loss on sales of ¥47 million ($456 thousand) for the year ended March 31, 2014.

Proceeds from sales of securities classified as other securities amounted to ¥319 million with an aggregate gain on sales of ¥92 million for the year ended March 31, 2013.

7. Long-Term Debt and Credit Facilities

Long-term debt and lease obligations as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2014**	2013	**2014**
1.89% unsecured bonds, payable in yen, due 2016	¥ –	¥20,000	$ –
1.88% unsecured bonds, payable in yen, due 2017	**20,000**	20,000	**194,325**
1.312% unsecured bonds, payable in yen, due 2021	**30,000**	30,000	**291,488**
Loans from banks	**15,600**	17,600	**151,574**
Lease obligations	**177**	151	**1,719**
	65,777	87,751	**639,108**
Less: Current portion	**2,666**	2,057	**25,903**
	¥63,111	¥85,694	**$613,204**

The annual maturities of long-term debt and lease obligations subsequent to March 31, 2014 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	**¥ 2,666**	**$ 25,903**
2016	**2,057**	**19,986**
2017	**2,032**	**19,743**
2018	**22,016**	**213,913**
2019 and thereafter	**37,003**	**359,531**
	¥65,777	**$639,108**

The Company and its consolidated subsidiaries have lines of credit from banks that provided for up to ¥58,103 million ($564,545 thousand) and ¥37,362 million in borrowings as of March 31, 2014 and 2013, respectively. There were ¥9,797 million ($95,190 thousand) and ¥4,789 million of short-term bank loans outstanding under these credit facilities as of March 31, 2014 and 2013, respectively.

8. Pledged Assets

The assets pledged as collateral for short-term bank loans as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	**2014**	2013	**2014**
Trade notes and accounts receivable	**¥514**	¥470	**$4,994**

9. 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 according to basic rates of pay and length of service or on a points basis.

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 according to basic rates of pay and service length or on a points basis.

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.

As explained in Note 2.(o), the Company adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and its accompanying implementation guidelines, "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012) at March 31, 2014. As a result, the disclosures for the years ended March 31, 2014 and 2013 below are in a different format.

Additional information

The Company and certain domestic consolidated subsidiaries transferred part of their defined benefit corporate pension plan to a defined contribution pension plan on January 1, 2014, and also revised the defined benefit corporate pension plan and retirement lump-sum plan to a points basis for calculation of benefits.

In addition, certain domestic consolidated subsidiaries have reduced the benefit ratio in the defined benefit corporate pension plan in February 2014.

As of and for the year ended March 31, 2014

(a) Defined benefit plans

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

	Millions of yen	Thousands of U.S. dollars
Balances of retirement benefit obligations at beginning of the period	¥41,787	$406,014
Service cost	1,376	13,369
Interest cost	849	8,249
Actuarial gain	(1,354)	(13,155)
Retirement benefits paid	(3,006)	(29,207)
Prior service cost	(23)	(223)
Amount of decrease associated with the conversion to a defined contribution plan	(5,043)	(48,999)
Other	485	4,712
Balance of retirement benefit obligations at end of the period	¥35,071	$340,759

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

	Millions of yen	Thousands of U.S. dollars
Balances of plan assets at beginning of the period	¥38,559	$374,650
Expected return on plan assets	972	9,444
Actuarial gain	1,179	11,455
Employer contributions	2,073	20,141
Retirement benefits paid	(2,747)	(26,690)
Amount of decrease associated with the conversion to a defined contribution plan	(3,675)	(35,707)
Other	217	2,108
Balances of plan assets at end of the period	¥36,578	$355,402

(3) Reconciliation of the balances of retirement benefit obligations and plan assets to net amount recorded on the Consolidated Balance Sheet

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligations of funded pension plans	¥ 33,598	$ 326,447
Plan assets	(36,578)	(355,402)
	(2,980)	(28,954)
Retirement benefit obligations of unfunded pension plans	1,472	14,302
Net amount recorded on the Consolidated Balance Sheet	(1,507)	(14,642)
Amounts recorded on the Consolidated Balance Sheet:		
Net defined benefit liability	3,737	36,309
Net defined benefit asset	(5,245)	(50,961)
Net amount recorded on the Consolidated Balance Sheet	¥ (1,507)	$ (14,642)

(4) Retirement benefit cost

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 1,376	$ 13,369
Interest cost	849	8,249
Expected return on plan assets	(972)	(9,444)
Amortization of net actuarial loss	868	8,433
Amortization of prior service cost	(350)	(3,400)
Other	185	1,797
Retirement benefit costs relating to defined benefit plans	1,957	19,014
Gain associated with the conversion to a defined contribution plan	¥(1,541)	$(14,972)

Note: Gain associated with the conversion to a defined contribution plan is recognized as “Other income (expenses)” in the Consolidated Statement of Income.

(5) Remeasurements of defined benefit plans

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

	Millions of yen	Thousands of U.S. dollars
Unrecognized prior service cost	¥ 6	$ 58
Unrecognized actuarial gain or loss	(2,344)	(22,774)
Total	¥(2,338)	$(22,716)

(6) Plan assets

Breakdown of major plan assets

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

Stock	47%
Debt securities	18%
General life insurance accounts	20%
Other	15%
Total	100%

Note: 27% 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.

(7) Actuarial assumptions

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

Discount rate	Mainly 2.0%
Long-term expected return on assets	Mainly 2.0 – 2.5%

(b) Defined contribution plans

The Company and certain consolidated subsidiaries’ contributions for defined contribution plans were ¥68 million ($660 thousand).

As of and for the year ended March 31, 2013

The retirement benefit obligation and funded status of the defined benefit plans as of March 31, 2013 were as follows:

	Millions of yen
Retirement benefit obligation	¥(41,787)
Plan assets at fair value	38,559
Unfunded benefit obligation	(3,227)
Unrecognized actuarial gain or loss	3,832
Unrecognized prior service cost (Reduction of obligation)	(344)
Prepaid pension and severance costs	4,532
Accrued employees' pension and severance costs	¥ (4,271)

The components of net periodic pension and severance costs for the year ended March 31, 2013 is summarized as follows:

	Millions of yen
Service cost	¥1,512
Interest cost on retirement benefit obligation	896
Expected return on plan assets	(829)
Amortization of prior service cost	(363)
Amortization of net actuarial loss	1,623
Other	324
Total	¥3,163

The principal assumptions used in accounting for the above plans were as follows:

Discount rate	Mainly 2.0 %
Expected rate of return on plan assets	Mainly 2.0 – 2.5 %
Method of attributing retirement benefits to periods of service	Periodic allocation method for retirement benefit obligations
Amortization period of unrecognized prior service cost	10 years
Amortization period of unrecognized actuarial gain or loss	10 years

10. 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 rate of approximately 37.8% for the years ended March 31, 2014 and 2013.

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, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
March 31,	**2014**	2013	**2014**
Deferred tax assets:			
Inventories	**¥ 178**	¥ 260	**$ 1,729**
Loss on impairment of property, plant and equipment	**4,733**	2,328	**45,987**
Other accounts payable	**1,837**	1,578	**17,848**
Allowance for doubtful receivables	**416**	410	**4,041**
Accrued employees' bonus	**778**	829	**7,559**
Accrued pension and severance costs	**3,893**	4,581	**37,825**
Unrealized profit	**515**	441	**5,003**
Other	**4,172**	4,079	**40,536**
Valuation allowance	**(3,992)**	(2,319)	**(38,787)**
Total deferred tax assets	**12,532**	12,190	**121,764**
Deferred tax liabilities:			
Depreciation	**(4,253)**	(2,578)	**(41,323)**
Deferred capital gain	**(1,768)**	(2,860)	**(17,178)**
Gain on establishment of pension trust fund	**(2,731)**	(2,786)	**(26,535)**
Unrealized holding gains on securities	**(5,296)**	(3,353)	**(51,457)**
Adjustment for change in measurement of inventories	**(254)**	(398)	**(2,467)**
Other	**(793)**	(394)	**(7,705)**
Total deferred tax liabilities	**(15,097)**	(12,373)	**(146,686)**
Deferred tax assets (liabilities), net	**¥ (2,564)**	¥ (182)	**$ (24,912)**

(b) Reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2014

Years ended March 31,	2014	2013
Statutory tax rate	37.8%	–
(Adjustments)		
Entertainment and other permanently non-deductible expenses	1.1	–
Dividend and other permanently non-taxable income	(0.4)	–
Proportional allocation of inhabitants tax	0.4	–
Special deductions for corporate taxes paid	(2.3)	–
Tax rate differences for consolidated subsidiaries	(1.9)	–
Equity in earnings of unconsolidated subsidiaries and affiliates	(1.8)	–
Amortization of goodwill	2.8	–
Net change in valuation allowance	5.6	–
Goodwill impairment loss	1.7	–
Other	0.6	–
Effective tax rate	43.6%	–

Reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2013 is not disclosed because the difference between the two tax rates was less than 5% of the statutory tax rate.

(c) Adjustment to deferred tax assets and liabilities due to change in the corporate tax rate

Following the promulgation on March 31, 2014 of the "Partial Revision of Income Tax Act, etc" (Act No. 10 of 2014), the special reconstruction corporation tax will not be imposed from fiscal years beginning on or after April 1, 2014. As a result of this change, the statutory tax rate used for the calculation of deferred tax assets and liabilities was changed from 37.8% to 35.5% for temporary differences expected to reverse during the fiscal year beginning on April 1, 2014. The effect of this change on net income for the fiscal year ended March 31, 2014 is immaterial.

11. Capital Surplus and Retained Earnings

The Corporation Law 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.

12. Research and Development Expenses

Research and development expenses included in cost of sales and, selling, general and administrative expenses for the years ended March 31, 2014 and 2013 were ¥3,564 million ($34,628 thousand) and ¥3,727 million, respectively.

13. 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

As lessee:

Future minimum lease payments subsequent to March 31, 2014 and 2013 for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2014	2013	2014
Within 1 year	¥ 1,947	¥1,944	$ 18,917
Over 1 year	8,576	4,377	83,326
	¥10,524	¥6,321	$102,254

14. Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities as of March 31, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
March 31,	2014	2013	2014
As guarantor of indebtedness of:			
Unconsolidated subsidiaries	¥ 653	¥793	$ 6,344
Others	96	83	932
	¥749	¥876	$ 7,277
Contingent liabilities related to the reduction of corporate bonds by debt assumption	¥20,000	¥ –	$194,325

15. 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 because no potentially dilutive instruments were outstanding during the years ended March 31, 2014 and 2013.

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 fiscal years.

As described in Note 2.(o), the change in revenue recognition accounting policy in the fiscal year was applied retroactively to the consolidated financial statements for the previous fiscal year. As a result, compared with the figures prior to the retroactive application of the new accounting policy, net assets per share and net income per share for the previous fiscal year declined by ¥1.98 and ¥0.03, respectively.

As described in Note 2.(o), the new Accounting Standard for Retirement Benefits is applied in a transitional manner as stipulated in paragraph 37 of the standard. Consequently, the impact of this change is recorded as an accumulated adjustment for retirement benefits in accumulated other comprehensive income as at the end of the fiscal year. As a result, net assets per share declined by ¥2.34 ($0.02).

	Yen		U.S. dollars
Years ended March 31,	2014	2013	2014
Net income:			
Basic	¥ 62.82	¥ 54.84	$ 0.61
Diluted	62.79	–	0.61
Net assets	1,045.62	931.70	10.15
Cash dividends applicable to the year	20.00	20.00	0.19

16. 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 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 a customer's financial condition.

Investment securities are exposed to variable risks associated with market prices. The Company performs 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 and nine months 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, and interest rate swap transactions to hedge variable risk of interest related to loans payable. 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.

(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, 2014 and 2013 are set out below. The following table does not include financial instruments for which fair values are difficult to determine.

			Millions of yen			Thousands of U.S. dollars
As of March 31, 2014	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 28,564	¥ 28,564	¥ –	$ 277,535	$ 277,535	$ –
(2) Trade notes and accounts receivable	47,370	47,370	–	460,260	460,260	–
(3) Investment securities	36,838	36,838	–	357,928	357,928	–
Total assets	112,773	112,773	–	1,095,734	1,095,734	–
(1) Trade notes and accounts payable	18,193	18,193	–	176,768	176,768	–
(2) Other accounts payable	14,528	14,528	–	141,158	141,158	–
(3) Short-term bank loans (*2)	10,361	10,361	–	100,670	100,670	–
(4) Bonds	50,000	52,724	2,724	485,814	512,281	26,467
(5) Long-term bank loans (*2)	15,600	16,192	592	151,574	157,326	5,752
Total liabilities	108,684	112,001	3,317	1,056,004	1,088,233	32,228
Derivatives (*1)	¥ 4,236	¥ 4,236	¥ –	$ 41,158	$ 41,158	$ –

			Millions of yen
As of March 31, 2013	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 30,598	¥ 30,598	¥ –
(2) Trade notes and accounts receivable (*3)	44,053	44,053	–
(3) Investment securities	34,058	34,058	–
Total assets	108,710	108,709	–
(1) Trade notes and accounts payable (*3)	16,005	16,005	–
(2) Other accounts payable (*3)	13,412	13,412	–
(3) Short-term bank loans (*2)	5,338	5,338	–
(4) Bonds	70,000	74,242	4,242
(5) Long-term bank loans (*2)	17,600	18,407	807
Total liabilities	122,356	127,405	5,049
Derivatives (*1)	¥ 3,068	¥ 3,068	¥ –

(*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.
(*3) As described in Note 2.(o), certain domestic consolidated subsidiaries have changed their revenue recognition accounting policy from this fiscal year. The change in accounting policy was applied retroactively to trade notes and accounts receivable, trade notes and accounts payable and other accounts payable at the previous fiscal year-end.

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 ¥4,595 million ($44,646 thousand) and ¥4,373 million as of March 31, 2014 and 2013, 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 6. 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. Fair value of long-term debt with variable interest rates for which the special treatment for interest rate swaps is adopted is calculated by discounting the total principal and interest using the interest rate of similar borrowings.

• Derivatives

Information on derivatives is set out in Note 17. Derivatives.

17. Derivatives

Summarized below are the notional amounts and the estimated fair value of the open derivative positions as of March 31, 2014 and 2013:

(a) Hedge accounting not applied

Currency related transactions

					Millions of yen
March 31, 2014 Classification	Type of transaction	Notional amount	Over 1 year	Fair value	Unrealized gain (loss)
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	¥ 1,948	¥ –	¥ (20)	¥ (20)
	EUR	11	–	(0)	(0)
	SEK	108	108	0	0
	HKD	3	–	(0)	(0)
	Buy:				
	USD	26,428	20,715	4,279	4,279
	EUR	1,730	1,680	(9)	(9)
	SEK	15	–	(0)	(0)
	GBP	3	–	(0)	(0)
	SGD	1,603	1,586	1	1
	JPY	564	–	(11)	(11)
Total		¥32,417	¥24,090	¥4,239	¥4,239

March 31, 2014 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	$ 18,927	$ –	$ (194)	$ (194)
	EUR	106	–	(0)	(0)
	SEK	1,049	1,049	0	0
	HKD	29	–	(0)	(0)
	Buy:				
	USD	256,781	201,272	41,575	41,575
	EUR	16,809	16,323	(87)	(87)
	SEK	145	–	(0)	(0)
	GBP	29	–	(0)	(0)
	SGD	15,575	15,410	9	9
	JPY	5,479	–	(106)	(106)
Total		$314,972	$234,065	$41,187	$41,187

March 31, 2013 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	¥ 1,581	¥ –	¥ (7)	¥ (7)
	SEK	92	92	(4)	(4)
	Buy:				
	USD	17,241	13,292	3,084	3,084
	EUR	13	–	(0)	(0)
	SEK	70	–	(0)	(0)
	GBP	13	–	0	0
	SGD	12	–	(0)	(0)
	JPY	450	–	(1)	(1)
	Currency / interest rate swaps:				
	Fixed Receipt (USD) / Fixed Payment (EUR)	58	–	(3)	(3)
	Fixed Receipt (EUR) /Fixed Payment (THB)	77	–	(15)	(15)
Total		¥19,611	¥13,384	¥3,052	¥3,052

(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

					Millions of yen
March 31, 2014 Hedge accounting method	Type of transaction	Hedged item	Contract amounts	Over 1 year	Fair value
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:	Accounts receivable			
	USD		¥215	¥–	(Note 2)
	Buy:	Accounts payable			
	USD		745	–	(Note 2)
	EUR		–	–	(Note 2)
	GBP		2	–	(Note 2)
	JPY		0	–	(Note 2)
Deferral hedge accounting	Sell:	Accounts receivable			
	USD		0	–	(0)
	Buy:	Accounts payable			
	USD		413	–	(2)
	EUR		¥ 6	¥–	¥ 0

					Thousands of U.S. dollars
March 31, 2014 Hedge accounting method	Type of transaction	Hedged item	Contract amounts	Over 1 year	Fair value
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:	Accounts receivable			
	USD		$2,089	$–	(Note 2)
	Buy:	Accounts payable			
	USD		7,238	–	(Note 2)
	EUR		–	–	(Note 2)
	GBP		19	–	(Note 2)
	JPY		0	–	(Note 2)
Deferral hedge accounting	Sell:	Accounts receivable			
	USD		0	–	(0)
	Buy:	Accounts payable			
	USD		4,012	–	(19)
	EUR		$ 58	$–	$ 0

					Millions of yen
March 31, 2013 Hedge accounting method	Type of transaction	Hedged item	Contract amounts	Over 1 year	Fair value
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:				
	USD	Accounts receivable	¥145	¥–	(Note 2)
	Buy:	Accounts payable			
	USD		254	–	(Note 2)
	EUR		5	–	(Note 2)
	JPY		2	–	(Note 2)
Deferral hedge accounting	Sell:				
	USD	Accounts receivable	5	–	0
	Buy:	Accounts payable			
	USD		737	–	15
	EUR		¥ 1	¥–	¥ 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, 2014 Hedge accounting method	Type of transaction	Hedged item	Contract amounts	Over 1 year	Fair value
					Millions of yen
Special treatment for interest swaps	Interest rate swap: Floating Receipt Fixed Payment	Long-term debt	**¥15,000**	**¥13,000**	(Note)

March 31, 2014 Hedge accounting method	Type of transaction	Hedged item	Contract amounts	Over 1 year	Fair value
					Thousands of U.S. dollars
Special treatment for interest swaps	Interest rate swap: Floating Receipt Fixed Payment	Long-term debt	**$145,744**	**$126,311**	(Note)

March 31, 2013 Hedge accounting method	Type of transaction	Hedged item	Contract amounts	Over 1 year	Fair value
					Millions of yen
Special treatment for interest swaps	Interest rate swap: Floating Receipt Fixed Payment	Long-term debt	¥17,000	¥15,000	(Note)

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

18. 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, 2014 and 2013 was ¥ 935 million ($9,084 thousand) and ¥773 million, respectively. The Company recorded ¥1,116 million ($10,843 thousand) and ¥274 million of gain on sales of rental properties as other income for the years ended March 31, 2014 and 2013, respectively.

The carrying amount and the fair value of such rental properties as of March 31, 2014 and 2013 were as follows:

March 31, 2014							
Carrying amount (Millions of yen)			Fair value as of March 31, 2014 (Millions of yen)	Carrying amount (Thousands of U.S. dollars)			Fair value as of March 31, 2014 (Thousands of U.S. dollars)
Beginning of fiscal year	Net change during fiscal year	End of fiscal year		Beginning of fiscal year	Net change during fiscal year	End of fiscal year	
¥8,939	**¥1,137**	**¥10,077**	**¥20,830**	**$86,853**	**$11,047**	**$97,910**	**$202,390**

March 31, 2013			
Carrying amount (Millions of yen)			Fair value as of March 31, 2013 (Millions of yen)
Beginning of fiscal year	Net change during fiscal year	End of fiscal year	
¥10,681	¥(1,741)	¥8,939	¥21,231

(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.

19. Segment Information

(a) Segment information

i. Overview of reporting segments

Reporting 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 reporting 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.

ii. Methods of calculating amounts for net sales, income or loss, assets, liabilities and other items by reporting segment

Segment income in the following tables is operating income. Intra group sales and transfers were made based on market prices.

iii. Information on sales, income or loss, assets and other items by reporting segment

Millions of yen

As of and for the year ended March 31, 2014	Domestic Foods – Manufacturing and Sales	Domestic Others	Overseas Foods – Manufacturing and Sales	Overseas Foods – Wholesale	Total	Adjustments	Consolidated
Sales and operating income:							
Net sales to third parties	¥160,676	¥ 8,038	¥56,090	¥118,363	¥343,168	¥ –	¥343,168
Intra group sales and transfers	1,118	12,229	7,706	308	21,362	(21,362)	–
Total net sales	161,794	20,268	63,797	118,671	364,531	(21,362)	343,168
Segment income	4,320	916	12,106	5,513	22,857	990	23,847
Segment assets	116,698	21,477	98,691	50,945	287,813	61,289	349,103
Other items:							
Depreciation and amortization	7,586	1,237	2,509	772	12,105	826	12,931
Amortization of goodwill	1,401	83	180	–	1,664	–	1,664
Increase in tangible and intangible fixed assets	¥ 8,670	¥ 3,171	¥ 3,357	¥ 1,756	¥ 16,955	¥ 309	¥ 17,265

							Thousands of U.S. dollars
As of and for the year ended March 31, 2014	Domestic Foods – Manufacturing and Sales	Domestic Others	Overseas Foods – Manufacturing and Sales	Overseas Foods – Wholesale	Total	Adjustments	Consolidated
Sales and operating income:							
Net sales to third parties	$1,561,173	$ 78,099	$544,986	$1,150,048	$3,334,317	$ –	$3,334,317
Intra group sales and transfers	10,862	118,820	74,873	2,992	207,559	(207,559)	–
Total net sales	1,572,036	196,929	619,869	1,153,041	3,541,886	(207,559)	3,334,317
Segment income	41,974	8,900	117,625	53,565	222,085	9,619	231,704
Segment assets	1,133,870	208,676	958,909	494,996	2,796,472	595,501	3,391,984
Other items:							
Depreciation and amortization	73,707	12,019	24,378	7,500	117,615	8,025	125,641
Amortization of goodwill	13,612	806	1,748	–	16,167	–	16,167
Increase in tangible and intangible fixed assets	$ 84,240	$ 30,810	$ 32,617	$ 17,061	$ 164,739	$ 3,002	$ 167,751

(Notes)

Adjustments are as follows:

(1) Adjustments of ¥990 million ($9,619 thousand) in segment income mainly represent expenses relating to the corporate division of the Company, which totaled ¥996 million ($9,677 thousand).

(2) Adjustments of ¥61,289 million ($595,501 thousand) in segment assets represent the elimination of intersegment assets and assets relating to the corporate division of the Company, which totaled ¥129,057 million ($1,253,954 thousand). Assets relating to the corporate division of the Company consist mainly of cash and deposits and investment securities.

(3) Adjustments of ¥826 million ($8,025 thousand) in depreciation and amortization consist of depreciation of assets related to the corporate division of the Company.

(4)Adjustments of ¥309 million ($3,002 thousand) in increase in tangible and intangible fixed assets consist of asset acquisitions of the corporate division of the Company.

							Millions of yen
As of and for the year ended March 31, 2013	Domestic Foods – Manufacturing and Sales	Domestic Others	Overseas Foods – Manufacturing and Sales	Overseas Foods – Wholesale	Total	Adjustments	Consolidated
Sales and operating income:							
Net sales to third parties	¥153,751	¥ 8,125	¥44,387	¥93,981	¥300,245	¥ –	¥300,245
Intra group sales and transfers	1,108	12,022	6,199	220	19,550	(19,550)	–
Total net sales	154,859	20,147	50,586	94,202	319,796	(19,550)	300,245
Segment income	5,537	1,459	9,053	4,131	20,181	(373)	19,808
Segment assets	117,087	21,312	82,759	43,649	264,808	72,243	337,051
Other items:							
Depreciation and amortization	7,359	1,155	2,106	691	11,313	798	12,112
Amortization of goodwill	1,401	83	199	–	1,683	–	1,683
Increase in tangible and intangible fixed assets	¥ 8,789	¥ 1,378	¥ 2,542	¥ 490	¥ 13,200	¥ 998	¥ 14,199

(Notes)

Adjustments are as follows:

(1) Adjustments of ¥373 million in segment income mainly represent expenses relating to the corporate division of the Company, which totaled ¥349 million.

(2) Adjustments of ¥72,243 million in segment assets represent the elimination of intersegment assets and assets relating to the corporate division of the Company, which totaled ¥126,455 million. Assets relating to the corporate division of the Company consist mainly of cash and deposits and investment securities.

(3) Adjustments of ¥798 million in depreciation and amortization consist of depreciation of assets related to the corporate division of the Company.

(4) Adjustments of ¥998 million in increase in tangible and intangible fixed assets consist of asset acquisitions of the corporate division of the Company, which are mainly acquisitions for Kikkoman General Hospital.

Change in revenue recognition accounting policy

As described in Note 2.(o), certain domestic consolidated subsidiaries have changed their revenue recognition accounting policy from this fiscal year.

The new revenue recognition accounting policy is applied retrospectively to segment information for the previous fiscal year. Consequently, net sales for the year ended March 31, 2014 in the Domestic Foods–Manufacturing and Sales segment increased by ¥44 million, while segment income declined ¥9 million.

(b) Related information

Information by geographical area

Sales				Millions of yen
For the year ended March 31, 2014	Japan	North America	Other	Total
Amount	¥169,610	¥129,037	¥44,520	¥343,168

Sales				Thousands of U.S. dollars
For the year ended March 31, 2014	Japan	North America	Other	Total
Amount	$1,647,979	$1,253,760	$432,568	$3,334,317

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

Tangible fixed assets				Millions of yen
As of March 31, 2014	Japan	North America	Other	Total
Net book value	¥74,848	¥20,967	¥9,201	¥105,017

Tangible fixed assets				Thousands of U.S. dollars
As of March 31, 2014	Japan	North America	Other	Total
Net book value	$727,244	$203,721	$89,399	$1,020,375

Information regarding impairment loss on tangible fixed assets by reporting segment

							Millions of yen
For the year ended March 31, 2014	Domestic Foods – Manufacturing and Sales	Domestic Others	Overseas Foods – Manufacturing and Sales	Overseas Foods – Wholesale	Total	Adjustments	Consolidated
Impairment loss	¥2,606	¥2,400	¥1,133	¥–	¥6,139	¥–	¥6,139

							Thousands of U.S. dollars
For the year ended March 31, 2014	Domestic Foods – Manufacturing and Sales	Domestic Others	Overseas Foods – Manufacturing and Sales	Overseas Foods – Wholesale	Total	Adjustments	Consolidated
Impairment loss	$25,320	$23,319	$11,008	$–	$59,648	$–	$59,648

Information regarding the balance of goodwill by reporting segment

As of March 31, 2014	Domestic Foods – Manufacturing and Sales	Domestic Others	Overseas Foods – Manufacturing and Sales	Overseas Foods – Wholesale	Total	Adjustments	Consolidated
							Millions of yen
Goodwill ending balance	¥16,792	¥–	¥1,600	¥–	¥18,392	¥–	¥18,392

As of March 31, 2014	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	$163,155	$–	$15,546	$–	$178,701	$–	$178,701

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

20. Subsequent Events

(a) 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, 2014, were approved at the general meeting of shareholders held on June 24, 2014.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥20.00 = $0.19 per share)	¥4,008	$38,942

(b) Acquisition of treasury stock in accordance with the provisions stipulated in the Articles of Incorporation pursuant to paragraph 2 of Article 165 of the Corporation Law of Japan

The Company resolved the matters related to the acquisition of treasury stock at the meeting of its Board of Directors held on April 25, 2014 in accordance with the provisions stipulated in Article 156 of the Corporation Law of Japan as applied by substituting certain terms pursuant to paragraph 3 of Article 165 of the Corporation Law of Japan.

1. Reason for the acquisition of treasury stock

Through the acquisition of treasury stock, the Company aims to promote an expeditious financial strategy reflecting changes in the business environment.

2. Details of the acquisition

(1) Class of shares to be acquired: The Company's common shares

(2) Total number of shares to be acquired: 6,000,000 shares (maximum), which represents 2.99% of shares outstanding (excluding treasury stock)

(3) Total acquisition price: ¥10,000 million ($97,162 thousand) (maximum)

(4) Acquisition period: From April 28, 2014 to August 29, 2014

(5) Method of acquisition: Market transactions on the Tokyo Stock Exchange

Reference as of May 31, 2014:

Number of shares outstanding (excluding treasury stock):

199,049,668 shares

Number of treasury stock:

11,333,534 shares

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, 2014, 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 consolidated subsidiaries at March 31, 2014, 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 4.

June 24, 2014
Tokyo, Japan

Ernst & Young ShinNihon LLC

Directors, Audit & Supervisory Board Members and Corporate Officers

(As of June 24, 2014)

Directors and Audit & Supervisory Board Members

Honorary Chief Executive Officer and Chairman of the Board of Directors

Yuzaburo Mogi

President

Noriaki Horikiri*

Directors

Kenichi Saito*
Koji Negishi *
Katsumi Amano
Toshihiko Shigeyama
Koichi Yamazaki
Masanao Shimada
Toshihiko Fukui**
Mamoru Ozaki**
Takeo Inokuchi**

* Representative Director
** Outside Director

Audit & Supervisory Board Members

Takaharu Nakamura
Koichi Mori
Motohiko Kogo***
Toru Kajikawa***

*** Outside Audit & Supervisory Board Member

Corporate Officers

President and Chief Executive Officer

Noriaki Horikiri

Senior Executive Corporate Officers

Kenichi Saito
Koji Negishi
Katsumi Amano

Executive Corporate Officers

Koichi Yamazaki
Masanao Shimada
Masanori Fukumitsu
Shozaburo Nakano
Satoru Abe
Shintaro Karasawa
Kazuo Shimizu
Asahi Matsuyama

Corporate Officers

Takashi Hamada
Noboru Mimura
Naoyuki Kiyomatsu
Kiminae Fujimura
Takashi Ozawa
Setsuya Hannya
Takao Kamiyama
Yoshiyuki Ishigaki
Shigehiro Kataoka
Yaichi Fukushima
Kazuki Usui
Hiroshi Miyake
Osamu Mogi
Tsuyoshi Matsuzaki
Yoshiaki Asami
Yasuharu Nakajima
Yoshihisa Kitakura

Corporate Data

(As of August 2014)

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)

5,622 (As of March 31, 2014)

Stock Exchange Listings

Tokyo

Shareholder Registry Administrator

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

Stock Price Range on the Tokyo Stock Exchange

Fiscal 2014: High: ¥2,041 Low: ¥1,481
Fiscal 2013: High: ¥1,660 Low: ¥ 905
Fiscal 2012: High: ¥ 970 Low: ¥ 759

Group Business Activities

Domestic

- Kikkoman soy sauce, Higeta soy sauce, etc.
- Kikkoman *tsuyu* and *tare*, handy seasoning mixes, Del Monte seasonings, etc.
- Soy milk beverages, Del Monte beverages, etc.
- *Manjo mirin*, Manns Wine, imported alcoholic beverages, etc.
- Clinical diagnostic reagents, hygiene inspection agents, processing enzymes, chemical products, etc.
- Real estate rental, logistics, back-office functions for the Kikkoman Group, etc.

Overseas

- Kikkoman soy sauce, etc.
- Del Monte canned products, seasonings, etc.
- Health foods, etc.
- Oriental foods, etc.

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 Dec	Noda Shoyu Co., Ltd. (forerunner to Kikkoman) founded in Noda, Japan through the merger of eight family-run companies.
1931 Sep	The Kansai Plant (now the Takasago Plant) begins shipments of soy sauce in Japan.
1957 Jun	Kikkoman International Inc. (now Kikkoman Sales USA, Inc.) established in the United States to sell and market soy sauce.
1961 Jul	Kikko Food Industries Co., Ltd. (now Nippon Del Monte Corporation) established in Japan.
1962 Oct	Katsunuma Yoshu Co., Ltd. (now Manns Wine Co., Ltd.) established in Japan.
1969 Jun	Kikkoman invests in food trading company Japan Food Corporation (now JFC International Inc.) in the United States.
1973 Jun	Kikkoman Foods, Inc. holds the grand opening of its first soy sauce plant in the United States, in Walworth, Wisconsin.
1979 Mar	Kikkoman Trading Europe GmbH established in Germany to sell and market soy sauce.
1980 Oct	The Company takes on its present name, Kikkoman Corporation.
1984 Nov	Kikkoman (S) Pte Ltd holds the grand opening of its soy sauce plant in Singapore.
1987 Jan	Kikkoman's Chitose Plant (now Hokkaido Kikkoman Company) in Hokkaido, Japan begins shipments of soy sauce.
1990 Jan	Kikkoman buys perpetual marketing rights to the Del Monte brand in the Asia-Pacific region, excluding the Philippines.
1990 Dec	President Kikkoman Inc. begins shipments of soy sauce from its plant in Taiwan.
1997 Oct	Kikkoman Foods Europe B.V. holds the grand opening of its soy sauce plant in the Netherlands.
1998 Oct	Kikkoman Foods, Inc. holds the grand opening of its second soy sauce plant in the United States, in Folsom, California.
2002 May	Kunshan President Kikkoman Biotechnology Co., Ltd. holds the grand opening of its soy sauce plant in Kunshan, China.
2004 Mar	Kikkoman invests in soy milk company Kibun Food Chemifa Co., Ltd. (now Kikkoman Soyfoods Company) in Japan.
2005 Mar	Health foods company Country Life, LLC established in the United States.
2009 Jun	President Kikkoman Zhenji Foods Co., Ltd. holds the grand opening of its soy sauce plant in Shijiazhuang, China.
2009 Oct	Kikkoman shifts to a holding company structure.


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

http://www.kikkoman.com/