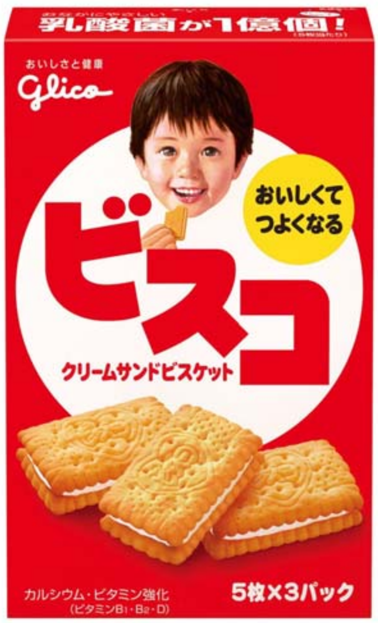
Annual Report 2017

(Fiscal year ended 31st March, 2017)



Contents

Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	2017	2016	2015	2014	2013	2017
Net sales	**353,217**	338,437	319,393	315,399	293,002	**3,148,382**
Income before income taxes	**26,492**	20,962	31,113	17,370	5,027	**236,135**
Net income attributable to owners of parent	**18,147**	13,903	21,068	11,033	3,287	**161,752**
	Yen					
Per share of common stock:						
Net income *	**276.20**	212.00	321.35	178.19	28.91	**2.46**
Cash dividends	**50.00**	40.00	35.00	15.00	15.00	**0.44**
	Millions of yen					
Balance sheet data:						
Shareholders' equity	**180,435**	163,968	153,198	132,700	109,211	**1,608,298**
Total assets	**324,118**	274,974	275,302	243,244	219,363	**2,889,009**

* Ezaki Glico Corporation implemented a share consolidation on its common stock with a ratio of two shares to one share on 1st October, 2014. Net income per share is calculated based on the assumption that consolidation of shares had been carried out at the beginning of the 1st April, 2013.

*Dilute net income per share for the years ended 31st March, 2017 and before 2016 has not been disclosed because no dilutive potential shares with dilutive effect existed for the year ended 31st march, 2017 and no dilutive potential shares existed for the year ended before 31st March, 2016.

* Fractions of one million yen and thousands of U.S. dollars are rounded off
(The change in policy has been applied retrospectively to the Consolidated Financial Statements for the past fiscal year.)

Message from the President

In the consolidated fiscal year under review, there was a concern that the great earthquakes that hit the Kumamoto area during the early part of the fiscal year would adversely impact the Japanese economy. However, the employment and income environment continued to improve, resulting in a mild recovery for the Japanese economy as a whole. By contrast, the uncertainty in overseas economies and fluctuations in the financial and capital markets made prospects for the future continuously unclear. The food industry was helped by relatively stable raw material prices, but personal spending remained anemic, which caused our corporate group to face ongoing difficult conditions.

In light of this situation, our corporate group has proactively implemented various measures. These include expanding the sales of our mainstay products and launching new products and products of affiliates. In addition, we have implemented aggressive sales promotion strategies at mass merchandisers and convenience stores. These efforts, based on Glico Group Action Guidelines, reflect our commitment to business operations that continuously earn the trust and respect of stakeholders.

Our milk and dairy products posted decreased sales from the previous fiscal year. However, sales of our confectioneries and food products remained nearly at the same levels as the previous fiscal year, while ice cream, food ingredients and other segments recorded increased sales. Consequently, consolidated net sales amounted to ¥353,217 million, an increase of 4.4% from the ¥338,437 million total of the previous fiscal year.

Regarding earnings, our overall cost-to-sales ratio decreased, with changes in our product portfolio and an improvement in the cost-to-sales ratio in the confectioneries and food ingredients segments. As for selling, general and administrative (SG&A) expenses, the decreased percentage of milk and dairy products as part of total sales resulted in a decline in the transportation and warehousing expenses-to-sales ratio. Advertising expenses also decreased. The ESOP program with distribution allowance recorded in the previous fiscal year was also cancelled.

As a result, operating income amounted to ¥24,254 million, an increase of ¥7,144 million from the previous fiscal year (¥17,110 million). Ordinary income was ¥26,367 million, an increase of ¥7,137 million from the previous fiscal year (¥19,229 million). Net income attributable to parent company shareholders was ¥18,147 million, an increase of ¥4,244 million from the previous fiscal year (¥13,903 million).

Although we expect increasing difficulties in our business environment, we will unite the efforts of all Group companies to improve performance and meet the expectations of our shareholders.

Your continuing support will be deeply appreciated.

July 2017

江崎勝久

Katsuhisa Ezaki, President and CEO

1. Operating Results and Financial Position

(1) Operating Results

Results by segment

(Unit: millions of yen, %)

Segment	Net Sales			Operating Income		
	Consolidated fiscal year under review	vs. Previous consolidated fiscal year	YoY (%)	Consolidated fiscal year under review	vs. Previous consolidated fiscal year	YoY (%)
Confectioneries	121,116	(40)	100.0	10,546	1,339	114.6
Ice Cream	92,416	11,411	114.1	8,444	2,965	154.1
Food Products	20,220	37	100.2	844	731	747.8
Milk and Dairy Products	94,871	(2,949)	97.0	4,788	272	106.0
Food Ingredients	10,434	192	101.9	952	460	193.4
Others	14,158	6,129	176.3	477	518	−
Adjusted amount	−	−	−	(1,798)	855	−
Total	353,217	14,779	104.4	24,254	7,144	141.8

Note: The adjusted amount in the above table includes the eliminated amount of intersegment transactions and company-wide expenses not allocated to any reporting segment. The company-wide expenses mainly include the selling, general and administrative (SG&A) expenses not allocated to any reporting segment.

[Confectioneries Division]

In Japan, overall confectionery sales grew from the previous fiscal year. The main contributors included ‘LIBERA’ and ‘GABA,’ both of which are foods with function claims and showed impressive performance. Sales of ‘Caplico’ and ‘Van Houten Chocolate’ also increased from the previous fiscal year. Outside Japan, sales revenue of the Chinese subsidiary decreased from the previous fiscal year, although subsidiaries in other countries enjoyed sales increases. As a result, divisional sales amounted to ¥121,116 million, about the same level as the previous fiscal year (¥121,157 million).

As for divisional profits, the cost-to-sales ratio decreased in Japan and at the Thai subsidiary. There was also a reduction in the advertising expenses-to-sales ratio overseas. As a result, operating income was ¥10,546 million, an increase of ¥1,339 million from the previous fiscal year (¥9,206 million).

[Ice Cream Division]

Sales of mainstay products, including ‘Papico,’ ‘Bokujoshibori’ and ‘Ice no Mi’ increased from the previous fiscal year. Moreover, add-on sales were contributed by Glico Frozen (Thailand) Co., Ltd. and Shojikiyanyuuhan Co., Ltd., which was newly included in the scope of consolidation. As a result, divisional sales totaled ¥92,416 million, a 14.1% increase over the previous fiscal year (¥81,004 million).

As for divisional profits, increased sales revenue combined with an improvement in the raw materials cost-to-sales ratio resulted in a lower cost-to-sales ratio. Consequently, operating income was ¥8,444 million, an increase of ¥2,965 million from the previous fiscal year (¥5,478 million).

[Food Products Division]

While ‘Juku Curry’ sales decreased from the previous fiscal year, ‘Curry Shokunin’ and ‘Claire Stew’ posted sales increases. Consequently, divisional sales totaled ¥20,220 million, representing a minor increase of 0.2% over the previous fiscal year (¥20,183 million).

As for divisional profits, there was an improvement in the raw materials cost-to-sales ratio, while efficient rebate management and reduced expenses also contributed to profits. As a result, operating income amounted to ¥844 million, an increase of ¥731 million from the previous fiscal year (¥112 million).

[Milk and Dairy Products Division]

'BifiX Yogurt' and baby formula posted sales increases over the previous fiscal year, as did 'Tropicana Essentials,' the sale of which is commissioned by Kirin Beverage Co., Ltd. 'Café au Lait' and 'Dororich' suffered decreases in sales. As a result, divisional sales totaled ¥94,871 million, a 3.0% decrease from the previous fiscal year (¥97,821 million).

As for divisional profits, increased sales of baby formula drove up profits, and there was a reduction in the transportation and warehousing expenses-to-sales ratio and a decrease in advertising expenses. As a result, operating income was ¥4,788 million, an increase of ¥272 million from the previous fiscal year (¥4,516 million).

[Food Ingredients Division]

Although starch sales decreased from the previous fiscal year, 'A-glu' and 'E-Starch' recorded sales increases. As a result, divisional sales were ¥10,434 million, an 1.9% increase over the previous fiscal year (¥10,242 million).

As for divisional profits, there was an increase in general and administrative expenses, but the cost-to-sales ratio decreased. As a result, operating income was ¥952 million, an increase of ¥460 million from the previous fiscal year (¥492 million).

[Other]

'Almond Koka' sales increased significantly over the previous fiscal year, and Office Glico and 'Calorie Control Ice' also enjoyed increases in sales revenue. As a result, sales in this segment totaled ¥14,158 million, a 76.3% increase over the previous fiscal year (¥8,029 million).

As for profits, the increased sales revenue from Office Glico and Health Division pushed up operating income to ¥477 million, an increase of ¥518 million compared with the operating loss of ¥41 million recorded in the previous fiscal year.

(2) Financial Position

Assets

As of March 31, 2017, current assets were ¥170,199 million, an increase of ¥38,864 million from the end of the previous fiscal year. The main component of this increase was a ¥45,076 million increase in cash and deposits. Non-current assets were ¥153,919 million, an increase of ¥10,280 million from the end of the previous fiscal year. The main contributor to this increase was a ¥9,110 million increase in buildings and structures. Consequently, total assets were ¥324,118 million, an increase of ¥49,144 million compared to the end of the previous fiscal year.

Liabilities

As of March 31, 2017, current liabilities were ¥75,426 million, a decrease of 1,368 million from the end of the previous fiscal year. The main component of this decrease was a ¥4,091 million decrease in short-term loans payable. Long-term liabilities were ¥50,257 million, an increase of ¥31,230 million from the end of the previous fiscal year. The main component of this increase was a ¥30,146 million increase in convertible bond-type bonds with subscription rights to shares. Consequently, total liabilities were ¥125,684 million, an increase of ¥29,861 million compared to the end of the previous fiscal year.

Net Assets

As of March 31, 2017, net assets were ¥198,434 million, an increase of ¥19,282 million compared to the end of the previous fiscal year. Main contributors to this increase included net income attributable to parent company shareholders amounting to ¥18,147 million and a dividend of surplus amounting to ¥2,631 million. Consequently, shareholders' equity ratio was 59.4%, down 3.7 percentage points from the end of the previous fiscal year.

(3) Cash flows

(Unit: millions of yen)

	Previous consolidated fiscal year	Consolidated fiscal year under review	Increase (Decrease)
Cash flows from operating activities	17,658	29,563	11,905
Cash flows from investing activities	(13,773)	(14,059)	(286)
Cash flows from financing activities	(10,061)	24,213	34,274
Balance of cash and cash equivalents at beginning of current period	59,406	52,010	(7,395)
Balance of cash and cash equivalents at end of current period .	52,010	90,238	38,228

As of March 31, 2017, cash and cash equivalents totaled ¥90,238 million, an increase of ¥38,228 million compared to the end of the previous fiscal year. The main contributors to this increase were an increase of ¥5,529 million (up 26.4% over the previous fiscal year) in income before income taxes and minority interests, and issuance of convertible bond-type bonds with subscription rights to shares. Cash flows and reasons for changes during the consolidated fiscal year under review are as follows:

Net cash provided by operating activities totaled ¥29,563 million, an increase of 67.4% over the previous fiscal year. The main components of cash inflows included income before income taxes and minority interests amounting to ¥26,492 million recorded during the fiscal year under review, and depreciation and amortization of ¥11,110 million, while cash outflows occurred mainly with payment of income taxes amounting to ¥5,496 million.

Net cash used in investing activities totaled ¥14,059 million, an increase of 2.1% over the previous fiscal year. The main component of cash outflows was ¥17,713 million spent for the acquisition of property, plant and equipment, while cash inflows occurred mainly due to the proceeds from sale of securities amounting to ¥3,206 million.

Net cash provided by financing activities totaled ¥24,213 million compared with ¥10,061 million used during the previous fiscal year. The main components of cash outflows included a repayment of short-term loans amounting to ¥3,825 million and ¥2,631 million spent for dividend payments. In contrast, cash inflows came mainly from the proceeds from the issuance of bonds amounting to ¥30,045 million.

Reference: Cash flow indicator trends

	Mar. 2015	Mar. 2016	Mar. 2017
Shareholders' equity ratio (%)	61.5	63.1	59.4
Shareholders' equity ratio on market value basis(%)	115.8	137.6	109.5
Debt-to-cash flow ratio	0.5	0.4	0.1
Interest coverage ratio (times)	90.7	101.8	255.6

Notes:
Shareholders' equity ratio: Shareholders' equity / Total assets
Shareholders' equity ratio on market value basis: Market capitalization / Total assets
Debt-to-cash flow ratio: Interest-bearing liabilities / Cash flows from operating activities
Interest coverage ratio: Cash flows from operating activities / Interest paid

* All indicator values shown above were calculated from financial results on a consolidated basis.
* Market capitalization was calculated by multiplying the closing stock price at the end of the fiscal year by the total number of shares issued and outstanding at the end of the fiscal year (after deducting treasury stock).
* Cash flows from operating activities in the consolidated cash flow statements are used for the above equation. Interest-bearing liabilities refer to all liabilities for which the Company pays interest from among those recorded in the consolidated balance sheet. The amount of interest paid recorded in the consolidated cash flow statement is also included.

(4) Outlook for the Next Fiscal Year

It is generally expected that the Japanese economy will continuously show a trend of mild recovery. However, the foreign exchange and stock markets are still showing unstable movements, which will cause the Japanese economy to remain uncertain. The policies set forth by the new U.S. administration, the UK's withdrawal from the EU, and the downturn in emerging economies such as China are also risk factors that may drag down the Japanese economy. For the food industry, changes in raw material prices and fluctuations in exchange rates are expected to have a negative impact on corporate performance, creating concern that the business environment surrounding the food industry will continuously produce challenges.

To cope with these difficulties, our corporate group will quickly respond to changes in the economic environment. We will also stay abreast of consumer trends as we strive to nurture current mainstay products and develop new higher value-added products. Furthermore, effective sales strategies will be implemented to suit individual distribution methods, along with aggressive promotion of international businesses.

By adopting these measures, we aim to achieve net sales of ¥375,000 million in the next fiscal year, a 6.2% increase over the fiscal year under review. Our profit targets are: an operating income of ¥25,000 million (up 3.1% from the fiscal year under review), ordinary income of ¥26,200 million (down 0.6%) and a net income attributable to parent company shareholders of ¥17,800 million.

Divisional consolidated sales forecasts for the next fiscal year

Divisional sales projections are as follows: Confectioneries Division sales of ¥131,100 million (up 8.2% from the fiscal year under review), Ice Cream Division sales of ¥90,400 million (down 2.2%), Food Products Division sales of ¥21,000 million (up 3.9%), Milk and Dairy Products Division sales of ¥102,300 million (up 7.8%), Food Ingredients Division sales of ¥12,800 million (up 22.7%), and other segment sales of ¥17,400 million (up 22.9%).

2. Basic Policy for Selection of Accounting Standards

As a basic policy for the time being, our corporate group will prepare our consolidated financial statements in accordance with Japanese accounting standards based on the consideration of the comparability between accounting periods and between entities. As for the application of the International Financial Reporting Standards (IFRS), we will handle the matter appropriately by taking into account the situations inside and outside of Japan.

EZAKI GLICO CO., LTD. and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended 31st March, 2017

Contents

Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
EZAKI GLICO CO., LTD.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 29, 2017
Osaka, Japan

EZAKI GLICO CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet

31st March, 2017

	2017	2016	2017
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Assets			
Current assets:			
Cash and deposits *(Notes 6 and 7)*	**¥ 96,018**	¥ 50,941	**$ 855,851**
Marketable securities *(Notes 7 and 8)*	**3,238**	11,395	**28,861**
Notes and accounts receivable, trade *(Note 7)*	**36,832**	35,113	**328,300**
Inventories *(Note 9)*	**27,812**	26,895	**247,900**
Deferred tax assets *(Note 17)*	**2,515**	2,563	**22,417**
Other current assets	**3,828**	4,478	**34,120**
Less allowance for doubtful accounts	**(47)**	(54)	**(418)**
Total current assets	**170,199**	131,335	**1,517,060**
Property, plant and equipment *(Notes 10, 14, 19 and 20)*:			
Land	**15,763**	15,711	**140,502**
Buildings and structures	**70,893**	61,765	**631,901**
Machinery and vehicles	**110,694**	102,204	**986,665**
Tools, furniture and fixtures	**24,279**	23,660	**216,409**
Leased assets	**1,099**	1,180	**9,795**
Construction in progress	**4,445**	12,025	**39,620**
	227,176	216,547	**2,024,922**
Less accumulated depreciation	**(137,793)**	(133,970)	**(1,228,211)**
Property, plant and equipment, net	**89,382**	82,577	**796,702**
Investments and other assets:			
Investments in an unconsolidated subsidiary and affiliates *(Note 7)*	**3,224**	2,971	**28,736**
Investments in securities *(Notes 7 and 8)*	**36,618**	34,951	**326,392**
Long-term loans receivable	**1,065**	1,142	**9,492**
Deferred tax assets *(Note 17)*	**474**	406	**4,224**
Asset for retirement benefits *(Note 12)*	**2,534**	1,963	**22,586**
Real estate for investment, net *(Note 19)*	**12,363**	12,402	**110,196**
Software	**4,530**	2,365	**40,377**
Other assets	**3,776**	4,910	**33,657**
Less allowance for doubtful accounts	**(50)**	(52)	**(445)**
Total investments and other assets	**64,536**	61,061	**575,238**
Total assets *(Note 20)*	**¥ 324,118**	¥ 274,974	**$ 2,889,009**

EZAKI GLICO CO., LTD. and Consolidated Subsidiaries

Consolidated Balance Sheet (continued)

31st March, 2017

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable, trade *(Note 7)*	**¥ 29,200**	¥ 28,396	**$ 260,272**
Short-term loans payable *(Notes 7 and 11)*	**1,126**	5,218	**10,036**
Current portion of long-term debt *(Notes 7 and 11)*	**644**	706	**5,740**
Accrued expenses	**26,024**	25,107	**231,963**
Income taxes payable *(Note 17)*	**3,701**	2,179	**32,988**
Provision for bonuses of directors and audit and supervisory board members	**38**	41	**338**
Provision for sales promotion expenses	**1,795**	1,675	**15,999**
Provision for stock-based compensation of board incentive plan *(Note 4)*	**89**	56	**793**
Provision for employee stock ownership plan *(Note 4)*	**—**	1,366	**—**
Other current liabilities	**12,804**	12,048	**114,127**
Total current liabilities	**75,426**	76,795	**672,305**
Long-term liabilities:			
Convertible bonds *(Notes 7, 11 and 21)*	**30,146**	—	**268,704**
Long-term debt *(Notes 7 and 11)*	**846**	820	**7,540**
Liability for retirement benefits *(Note 12)*	**7,846**	10,927	**69,934**
Deferred tax liabilities *(Note 17)*	**5,646**	3,104	**50,325**
Other long-term liabilities	**5,771**	4,174	**51,439**
Total long-term liabilities	**50,257**	19,027	**447,963**
Net assets:			
Shareholders' equity *(Note 13)*:			
Common stock:			
Authorised – 270,000,000 shares in 2017 and 2016			
Issued – 69,430,069 shares in 2017 and 2016	**7,773**	7,773	**69,284**
Capital surplus	**9,049**	7,816	**80,657**
Retained earnings	**170,706**	155,190	**1,521,579**
Treasury stock – 3,682,471 shares in 2017 and 3,836,000 shares in 2016	**(7,093)**	(6,811)	**(63,223)**
Total shareholders' equity	**180,435**	163,968	**1,608,298**
Accumulated other comprehensive income (loss):			
Net unrealised holding gain on securities	**11,318**	7,949	**100,882**
Translation adjustments	**896**	2,646	**7,986**
Retirement benefits liability adjustments	**(200)**	(973)	**(1,782)**
Total accumulated other comprehensive income	**12,014**	9,623	**107,086**
Non-controlling interests	**5,984**	5,560	**53,338**
Total net assets *(Note 21)*	**198,434**	179,151	**1,768,731**
Total liabilities and net assets	**¥ 324,118**	¥ 274,974	**$ 2,889,009**

EZAKI GLICO CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income

Year ended 31st March, 2017
and

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales *(Note 20)*	¥ 353,217	¥ 338,437	$ 3,148,382
Cost of sales *(Note 9)*	188,086	183,904	1,676,495
Gross profit	165,131	154,533	1,471,886
Selling, general and administrative expenses *(Notes 15 and 16)*	140,877	137,422	1,255,700
Operating income *(Note 20)*	24,254	17,110	216,186
Other income (expenses):			
Interest and dividend income	1,109	2,137	9,885
Interest expense	(115)	(170)	(1,025)
Loss on disposal of property, plant and equipment	(183)	(259)	(1,631)
Loss on impairment of property, plant and equipment *(Notes 10 and 20)*	(112)	(83)	(998)
Gain on recognition of negative goodwill	313	–	2,789
Gain on sales of investments in securities *(Note 8)*	222	1,414	1,978
Gain on redemption of investments in securities	—	402	—
Rental income on real estate *(Note 19)*	638	476	5,686
Loss on foreign exchange, net	(207)	(653)	(1,845)
s			
(Notes 4 and 12)	(286)	—	(2,549)
Depreciation of inactive fixed assets	(179)	(174)	(1,595)
Donation	(165)	(33)	(1,470)
Other, net	1,203	795	10,722
Other income, net	2,237	3,851	19,939
Income before income taxes	26,492	20,962	236,135
Income taxes *(Note 17)*:			
Current	6,847	6,272	61,030
Deferred	836	325	7,451
	7,683	6,598	68,482
Net income	18,808	14,364	167,644
Other comprehensive income (loss) *(Note 18)*:			
Net unrealised holding gain (loss) on securities	3,368	(3,925)	30,020
Translation adjustments	(1,860)	(1,736)	(16,579)
Retirement benefits liability adjustments	774	(930)	6,899
Share of other comprehensive loss of affiliates accounted for by the equity method	(114)	(308)	(1,016)
Total other comprehensive income (loss)	2,168	(6,901)	19,324
Comprehensive income	¥ 20,977	¥ 7,462	$ 186,977
Net income attributable to:			
Owners of the parent *(Note 21)*	¥ 18,147	¥ 13,903	$ 161,752
Non-controlling interests	660	461	5,882
Total	¥ 18,808	¥ 14,364	$ 167,644
Comprehensive income attributable to:			
Owners of the parent	¥ 20,538	¥ 7,411	$ 183,064
Non-controlling interests	438	50	3,904
Total	¥ 20,977	¥ 7,462	$ 186,977

EZAKI GLICO CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended 31st March, 2017

	Shareholders' equity					Accumulated other comprehensive income (loss)					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
						(Millions of yen)					
Balance at 1st April, 2015	¥ 7,773	¥ 7,484	¥ 144,566	¥ (6,626)	¥ 153,198	¥ 11,875	¥ 4,281	¥ (42)	¥ 16,114	¥ 5,526	¥ 174,838
Cash dividends	–	–	(3,279)	–	(3,279)	–	–	–	–	–	(3,279)
Net income attributable to owners of the parent	–	–	13,903	–	13,903	–	–	–	–	–	13,903
Acquisition of treasury stock	–	–	–	(19)	(19)	–	–	–	–	–	(19)
Disposition of treasury stock	–	118	–	47	166	–	–	–	–	–	166
Transfer of treasury stock to the BIP Trust	–	213	–	81	295	–	–	–	–	–	295
Transfer of treasury stock from the BIP Trust	–	–	–	(295)	(295)	–	–	–	–	–	(295)
Net changes in items other than those in shareholders' equity	–	–	–	–	–	(3,925)	(1,634)	(930)	(6,491)	34	(6,456)
Balance at 1st April, 2016	**7,773**	**7,816**	**155,190**	**(6,811)**	**163,968**	**7,949**	**2,646**	**(973)**	**9,623**	**5,560**	**179,151**
Cash dividends	**–**	**–**	**(2,631)**	**–**	**(2,631)**	**–**	**–**	**–**	**–**	**–**	**(2,631)**
Net income attributable to owners of the parent	**–**	**–**	**18,147**	**–**	**18,147**	**–**	**–**	**–**	**–**	**–**	**18,147**
Acquisition of treasury stock	**–**	**–**	**–**	**(949)**	**(949)**	**–**	**–**	**–**	**–**	**–**	**(949)**
Disposition of treasury stock	**–**	**1,233**	**–**	**667**	**1,901**	**–**	**–**	**–**	**–**	**–**	**1,901**
Net changes in items other than those in shareholders' equity	**–**	**–**	**–**	**–**	**–**	**3,368**	**(1,750)**	**773**	**2,391**	**423**	**2,814**
Balance at 31st March, 2017	**¥ 7,773**	**¥ 9,049**	**¥ 170,706**	**¥ (7,093)**	**¥ 180,435**	**¥ 11,318**	**¥ 896**	**¥ (200)**	**¥ 12,014**	**¥ 5,984**	**¥ 198,434**

	Shareholders' equity					Accumulated other comprehensive income (loss)					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised holding gain on securities	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
						(Thousands of U.S. dollars) (Note 1)					
Balance at 1st April, 2016	**$ 69,284**	**$ 69,667**	**$1,383,278**	**$ (60,709)**	**$ 1,461,520**	**$ 70,853**	**$ 23,584**	**$ (8,672)**	**$ 85,774**	**$ 49,558**	**$1,596,853**
Cash dividends	**–**	**–**	**(23,451)**	**–**	**(23,451)**	**–**	**–**	**–**	**–**	**–**	**(23,451)**
Net income attributable to owners of the parent	**–**	**–**	**161,752**	**–**	**161,752**	**–**	**–**	**–**	**–**	**–**	**161,752**
Acquisition of treasury stock	**–**	**–**	**–**	**(8,458)**	**(8,458)**	**–**	**–**	**–**	**–**	**–**	**(8,458)**
Disposition of treasury stock	**–**	**10,990**	**–**	**5,945**	**16,944**	**–**	**–**	**–**	**–**	**–**	**16,944**
Net changes in items other than those in shareholders' equity	**–**	**–**	**–**	**–**	**–**	**30,020**	**(15,598)**	**6,890**	**21,312**	**3,770**	**25,082**
Balance at 31st March, 2017	**$ 69,284**	**$ 80,657**	**$1,521,579**	**$ (63,223)**	**$ 1,608,298**	**$ 100,882**	**$ 7,986**	**$ (1,782)**	**$ 107,086**	**$ 53,338**	**$1,768,731**

EZAKI GLICO CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended 31st March, 2017

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from operating activities:			
Income before income taxes	**¥ 26,492**	¥ 20,962	**$ 236,135**
Adjustments:			
Depreciation and amortisation	**11,110**	10,795	**99,028**
Loss on impairment of property, plant and equipment	**112**	83	**998**
Gain on recognition of negative goodwill	**(313)**	–	**(2,789)**
Net changes in asset and liability for retirement benefits	**(2,534)**	90	**(22,586)**
Decrease in provision for bonuses of directors and audit and supervisory board members	**(3)**	(2)	**(26)**
Increase in provision for stock-based compensation of board incentive plan	**33**	56	**294**
(Decrease) increase in provision for employee stock ownership plan	**(1,366)**	1,366	**(12,175)**
Decrease in provision for business structure improvement	—	(105)	—
Increase in provision for sales promotion expenses	**120**	166	**1,069**
Decrease in allowance for doubtful accounts	**(6)**	(27)	**(53)**
Interest and dividend income	**(1,109)**	(2,137)	**(9,885)**
Interest expense	**115**	170	**1,025**
Loss on foreign exchange, net	**122**	865	**1,087**
Gain on sales of property, plant and equipment	**(9)**	(10)	**(80)**
Loss on disposal of property, plant and equipment	**183**	259	**1,631**
Gain on sales of investments in securities	**(222)**	(1,414)	**(1,978)**
Gain on redemption of investments in securities	—	(402)	—
Increase in notes and accounts receivable, trade	**(1,801)**	(2,490)	**(16,053)**
Increase in inventories	**(945)**	(1,963)	**(8,423)**
Increase (decrease) in notes and accounts payable, trade	**722**	(971)	**6,435**
Other, net	**4,360**	1,887	**38,862**
Subtotal	**35,060**	27,175	**312,505**
Income taxes paid	**(5,496)**	(9,517)	**(48,988)**
Net cash provided by operating activities	**29,563**	17,658	**263,508**
Cash flows from investing activities:			
Increase in time deposits	**(13,196)**	(8,395)	**(117,621)**
Decrease in time deposits	**13,179**	4,049	**117,470**
Purchases of marketable securities	**(1,500)**	(2,900)	**(13,370)**
Proceeds from sales of marketable securities	**2,912**	4,811	**25,955**
Purchase of beneficial interests in trusts	**–**	(2,000)	—
Proceeds from redemption of beneficial interests in trusts	**500**	3,075	**4,456**
Purchases of investments in securities	**(555)**	(11)	**(4,946)**
Proceeds from sales and redemption of investments in securities	**3,206**	4,313	**28,576**
Purchase of shares of a subsidiary resulting in change in scope of consolidation	**(100)**	—	**(891)**
Purchases of property, plant and equipment	**(17,713)**	(16,605)	**(157,883)**
Proceeds from sales of property, plant and equipment	**37**	31	**329**
Purchases of intangible assets	**(2,560)**	(1,847)	**(22,818)**
Proceeds from rental of real estate for investment	**576**	413	**5,134**
Increase in loans receivable	**(2)**	(951)	**(17)**
Collection of loans receivable	**86**	125	**766**
Interest and dividends received	**1,136**	2,188	**10,125**
Other, net	**(66)**	(71)	**(588)**
Net cash used in investing activities	**(14,059)**	(13,773)	**(125,314)**

EZAKI GLICO CO., LTD. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended 31st March, 2017

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from financing activities:			
Proceeds from issuance of convertible bonds	**30,045**	—	**267,804**
Decrease in short-term loans payable, net	**(3,825)**	(2,368)	**(34,093)**
Proceeds from long-term bank loans	**944**	—	**8,414**
Repayment of long-term bank loans	**(879)**	(4,159)	**(7,834)**
Interest paid	**(115)**	(173)	**(1,025)**
Cash dividends paid	**(2,631)**	(3,279)	**(23,451)**
Cash dividends paid to non-controlling interests	**(14)**	(16)	**(124)**
Acquisition of treasury stock	**(949)**	(19)	**(8,458)**
Proceeds from sales of treasury stock	**1,829**	166	**16,302**
Other, net	**(188)**	(210)	**(1,675)**
Net cash provided by (used in) financing activities	**24,213**	(10,061)	**215,821**
Effect of exchange rate changes on cash and cash equivalents	**(1,489)**	(1,218)	**(13,272)**
Net increase (decrease) in cash and cash equivalents	**38,228**	(7,395)	**340,743**
Cash and cash equivalents at beginning of the year	**52,010**	59,406	**463,588**
Cash and cash equivalents at end of the year *(Note 6)*	**¥ 90,238**	¥ 52,010	**$ 804,331**

Notes to Consolidated Financial Statements

31st March, 2017

1. Basis of Presentation

The accompanying consolidated financial statements of EZAKI GLICO CO., Ltd. (the "Company") and its consolidated subsidiaries (collectively, the "Group") are prepared on the basis of accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information. Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended 31st March, 2016 to the 2017 presentation. Such reclassification had no effect on consolidated income.

Yen figures less than one million yen are rounded down to the nearest million yen and U.S. dollar figures less than one thousand dollars are rounded down to the nearest thousand dollars, except for per share data. As a result, the totals shown in the accompanying consolidated financial statements in yen and U.S. dollars do not necessarily agree with the sums of the individual amounts.

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥112.19 = U.S. $1.00, the approximate rate of exchange in effect on 31st March, 2017, has been utilised. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realised or settled in U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation and accounting for investments in an unconsolidated subsidiary and affiliates

The accompanying consolidated financial statements include the accounts of the Company and its 31 and 28 significant subsidiaries at 31st March, 2017 and 2016, respectively.

One subsidiary is excluded from the scope of consolidation because the effect of its total assets, net sales, net income or loss, and retained earnings (each amount of net income or loss and retained earnings in proportion to the interest held by the Group) on the accompanying consolidated financial statements is not significant.

The numbers of affiliates accounted for by the equity method were 2 at 31st March, 2017 and 2016, respectively.

Investments in an unconsolidated subsidiary and certain affiliates are not accounted for by the equity method but stated at cost, because the effect of their net income or loss and retained earnings (each amount in proportion to the interest held by the Group) on the accompanying consolidated financial statements is not significant individually or in the aggregate.

The balance sheet date of certain overseas consolidated subsidiaries and affiliates accounted for by the equity method is 31st December, which differs from that of the Company. The financial statements of these consolidated subsidiaries and affiliates as of and for the year ended 31st December are included in consolidation. Necessary adjustments are made to their financial statements to reflect any significant transactions from 1st January to 31st March. All significant intercompany balances and transactions are eliminated in consolidation.

2. Summary of Significant Accounting Policies (continued)

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the exchange rates in effect on the transaction date. The resulting exchange gains and losses are credited or charged to income.

The revenue and expense accounts of the foreign subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date. Except for the components of net assets excluding non-controlling interests, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding non-controlling interests are translated at their historical exchange rates. Differences arising from the translation are presented as translation adjustments and non-controlling interests in the consolidated balance sheet.

(c) Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, bank deposits available for withdrawal on demand, and short-term investments which are readily convertible to cash subject to an insignificant risk of any changes in value and which were purchased with an original maturity of three months or less.

(d) Allowance for doubtful accounts

The allowance for doubtful accounts is calculated based on the actual historical ratio of bad debts and an estimate of certain uncollectible amounts determined after an analysis of specific individual receivables.

(e) Marketable securities and investments in securities

The accounting standard applicable to financial instruments requires that securities be classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities are carried at fair value, and gain or loss, both realised and unrealised, is credited or charged to income. Held-to-maturity debt securities are carried at amortised cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealised holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is principally determined by the moving average method. For hybrid financial instruments containing an embedded derivative that cannot be reliably identified and measured separately, the entire contract is measured at fair value.

2. Summary of Significant Accounting Policies (continued)

(f) Inventories

Inventories are stated at the lower of cost, determined principally by the weighted average method, or net selling value.

(g) Property, plant and equipment and real estate for investment (except for leases)

Property, plant and equipment and real estate for investment are stated at cost. Depreciation is principally determined by the declining-balance method over the estimated useful lives of the respective assets, except for buildings (excluding structures attached to the buildings) acquired on or after 1st April, 1998 and facilities attached to the buildings as well as structures acquired on or after 1st April, 2016 to which the straight-line method is applied.

(h) Computer software (except for leases)

Expenditures relating to the cost of computer software intended for internal use are charged to income as incurred, except if these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalised and amortised by the straight-line method over an estimated useful life of five years.

(i) Goodwill

Goodwill is amortised by the straight-line method principally over a period of five years.

(j) Leased assets

Leased assets under finance lease contracts that do not transfer ownership to the lessee are depreciated to a residual value of zero by the straight-line method using the term of the contract as the useful life.

(k) Provision for bonuses of directors and audit and supervisory board members

Provision for bonuses of directors and audit and supervisory board members is provided at the estimated amount of bonuses to be paid to directors and audit and supervisory board members subsequent to the balance sheet date for services rendered in the current year.

(l) Provision for sales promotion expenses

Provision for sales promotion expenses is provided at the estimated amount of sales promotion expenses to be paid to customers subsequent to the balance sheet date, which is calculated based on historical experience and sales amounts due to each customer.

2. Summary of Significant Accounting Policies (continued)

(m) Provision for stock-based compensation of board incentive plan

Provision for stock-based compensation of board incentive plan is provided based on the amounts based on the estimated points to be granted to eligible directors under stock-based compensation regulations of the Company.

(n) Research and development costs

Research and development costs are expensed as incurred.

(o) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

(p) Retirement benefits

Liability for retirement benefits has been provided at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date. The retirement benefit obligation is attributed to each period by the benefit formula method over the remaining years of service of the eligible employees.

Prior service cost is amortised in the year in which it is recognised by the straight-line method over a period of five years, which is within the average remaining years of service of the eligible employees.

Actuarial gain or loss is amortised from the following year in which the gain or loss is recognised by the straight-line method over a period of five years, which is within the average remaining years of service of the eligible employees.

Certain consolidated subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount which would be payable at the year-end if all eligible employees terminated their services voluntarily (the "simplified method").

2. Summary of Significant Accounting Policies (continued)

(q) Derivative financial instruments and hedging activities

The Group enters into derivative transactions to effectively hedge foreign exchange fluctuation risk and interest rate fluctuation risk related to assets and borrowings of the Group, in accordance with the Company's internal policies.

Hedging instruments are forward foreign currency exchange contracts, interest rate and currency swaps agreements, and hedged items are forecasted transactions denominated in foreign currencies, financial assets and borrowings exposed to interest rate fluctuation risk and assets and liabilities denominated in foreign currencies exposed to foreign exchange fluctuation risk.

All derivatives are stated at fair value with any changes in fair value included in net income or loss for the period in which they arise, except for derivatives which qualify as hedges and meet the criteria for deferral hedge accounting under which unrealised gain or loss, net of the applicable income taxes, is deferred as a component of net assets. Receivables and payables hedged by forward exchange contracts which meet certain conditions are translated at their contracted rates. Interest-rate swaps which meet certain conditions are accounted for as if the interest rates applied to the swaps had originally applied to the underlying debt and investment assets.

Hedge effectiveness is evaluated by comparing the cumulative changes in cash flows or fair value of the hedging instruments and the hedged items. An assessment of hedge effectiveness is omitted for interest-rate swaps which meet certain conditions.

(r) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

(s) Adoption of consolidated tax return system

The Company and certain wholly owned domestic subsidiaries adopt the consolidated tax return system of Japan.

(t) Bond issuance costs

Bond issuance costs are fully charged to income as incurred.

3. Accounting Changes

Application of Practical Solution on a change in depreciation method due to Tax Reform 2016

Effective 1st April, 2016, the Company and its domestic consolidated subsidiaries adopted "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Accounting Standards Board of Japan ("ASBJ") Practical Issues Task Force (PITF) No. 32, issued on 17th June, 2016) following amendments to the Corporation Tax Act of Japan. Accordingly, the Company and its domestic consolidated subsidiaries have changed the depreciation method for facilities attached to buildings and structures acquired on or after 1st April, 2016 from the declining-balance method to the straight-line method.

As a result, operating income and income before income taxes for the year ended 31st March, 2017 each increased by ¥173 million ($1,542 thousand).

4. Additional Information

Transactions of delivering shares of the Company to employees through a trust

Pursuant to the resolution of the Board of Directors' meeting held on 20th June, 2011, the Company introduced the Employee Stock Ownership Plan Trust (the "ESOP Trust") for the purpose of enhancing corporate value of the Company as well as for promoting the benefit and welfare of the employees by utilising the employees' shareholding association of the Company. With the maturity of the trust period, the ESOP Trust sold all shares of the Company held by the ESOP Trust and was liquidated in June 2016.

The ESOP Trust was an incentive plan that covered all employees participating in the "EZAKI GLICO Shareholding Association" (the "Shareholding Association").

"Agreement") with Sumitomo Mitsui Trust Bank, Limited, as a trustee to set up a trust. The ESOP Trust entered into a bank loan agreement with Sumitomo Mitsui Trust Bank, Limited, and, through a third-party allocation, the ESOP Trust purchased the number of shares of the Company that the Shareholding Association rationally expected to purchase over the next five years utilising the bank loan and subsequently sells them to the Shareholding Association at market value in accordance with certain conditions and the method stipulated in the Agreement over a five-year period.

The third-party share allocation was executed based on the underwriting agreement of shares entered into between the Company and the ESOP Trust subsequent to the effective date of the Company's consolidated financial statements.

4. Additional Information (continued)

Transactions of delivering shares of the Company to employees through a trust (continued)

The proceeds from sales of the shares owned by the ESOP Trust and accumulated dividend distributions were used to repay the bank loan and interest. The remaining cash after repayment of the loan and interest payments and expenses incurred by the ESOP Trust was distributed to eligible employees in accordance with the Agreement.

The Company guaranteed any losses in the ESOP Trust for Sumitomo Mitsui Trust Bank, Limited based on the guarantee clause of the Agreement.

The Company applied “Practical Solution on Transactions of Delivering the Company’s Own Stock to Employees, etc. through Trusts” (ASBJ PITF No. 30, revised on 26th March, 2015) and selected to continuously account for the ESOP Trust by using the method applied previously.

The book value of the shares held by the ESOP Trust at 31st March, 2016 was ¥482 million and accounted for as treasury stock under net assets.

The number of shares at 31st March, 2016 was 271 thousand shares and the weighted-average number of shares for the years ended 31st March, 2017 and 2016 was 66 thousand shares and 284 thousand shares, respectively. These shares were included in the number of treasury stock that were excluded from the calculation of per share information.

There are no shares held by the ESOP Trust at 31st March, 2017.

Employee Shareholding Incentive Plan (E-Ship®)

The Company has introduced an Employee Shareholding Incentive Plan (E-Ship®) for the purpose of granting incentives for the employees to contribute to enhancing corporate value of the Company in the mid and long term.

The plan is an incentive plan that covers all employees participating in the Shareholding Association.

Under the plan, the Company, as the trustor, entered into a specified trust cash funding agreement (the “E-Ship Agreement”) with a trust bank, as a trustee to set up the trust (the “E-Ship Trust”). The E-Ship Trust purchases the number of shares of the Company that the Shareholding Association rationally expected to purchase over the next five years and subsequently sold periodically them to the Shareholding Association in accordance with certain conditions and the method stipulated in the E-Ship Agreement over a five-year period.

4. Additional Information (continued)

Employee Shareholding Incentive Plan (E-Ship®) (continued)

At the end of the trust period, the E-Ship Trust’s retained earnings, accumulation of net gain on sales of its shares of the Company, are to be distributed to the eligible employees in accordance with the E-Ship Agreement.

On the other hand, the Company will guarantee retained loss, accumulation of net loss on sales of its shares of the Company and will pay off the amount of outstanding debt at the end of the trust period, as it shall guarantee the debt of E-Ship Trust.

The shares of the Company held by the E-Ship Trust were accounted for as treasury stock under net assets. The assets, liabilities, income and expenses of the E-Ship Trust were consolidated in the accompanying consolidated financial statements.

The book value and number of shares held by the E-Ship Trust at 31st March, 2017 were ¥814 million ($7,255 thousand) and 128 thousand shares, respectively.

The book value of bank loans of the E-Ship Trust recorded in the consolidated balance sheet as of 31st March, 2017 was ¥833 million ($7,424 thousand).

The Company applied ASBJ PITF No. 30, revised on 26th March, 2015.

Performance-based remuneration

Pursuant to the resolution of the Board of Directors’ meeting held on 15th May, 2015, the Company has introduced a Board Incentive Plan Trust (the “BIP Trust”) for directors, exclusive of outside directors and part-time directors and executive officers, exclusive of officers serving in overseas subsidiaries (the “Directors”), in order to encourage motivation to contribute to the improvement of the financial results of the Group and to contribute to enhancing the Company’s stock value.

The BIP Trust is a program to deliver the Company’s stock to the Directors as directors’ remuneration over a three-year period from 31st March, 2016 to 31st March, 2018 (the “Period”) based on their individual rank and the level of attainment of performance targets.

Under the BIP Trust, the Company, as the trustor, entered into the BIP Trust agreement (the “BIP Trust Agreement”) with Mitsubishi UFJ Trust and Banking Corporation, as a trustee, to set up the BIP Trust, and the BIP Trust manages the Company’s stock held in the BIP Trust.

Under the BIP Trust Agreement, the Company established the BIP Trust for the eligible Directors and the Company contributes cash up to ¥300 million ($2,674 thousand) to the BIP Trust as a remuneration for the Directors over the Period.

4. Additional Information (continued)

Performance-based remuneration (continued)

The BIP Trust purchases treasury stock of the Company or from the market and the stock is granted to the eligible directors as compensation according to the level of attainment of performance targets. Such stock is granted to the eligible directors at the end of June of each year during the Period in proportion to the number of points granted to the eligible directors at the end of May of each year during the Period.

In accordance with the BIP Trust Agreement, the voting rights of shares held by the BIP Trust (before granting to the eligible directors) are not exercised during the Period in order to ensure neutrality in management of business operations.

The book value and number of shares held by the BIP Trust at 31st March, 2017 and 2016 were as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Book value	**¥ 223**	¥ 295	**$ 1,987**

	2017	2016
	(Thousands of shares)	
Number of shares	**35**	47

The shares held by the BIP Trust are accounted for as treasury stock and reported under net assets in the consolidated balance sheet.

The Company applied ASBJ PITF No. 30, revised on 26th March, 2015.

Implementation Guidance on Recoverability of Deferred Tax Assets

Effective 1st April, 2016, the Company and its domestic consolidated subsidiaries adopted "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, revised on 28th March, 2016).

Transfer to defined contribution pension plan

On 1st October, 2016, the Company transferred a certain portion of its lump-sum payment plans to defined contribution pension plans. The Company adopted "Guidance on Accounting for Transfers among Retirement Benefit Plans" (ASBJ Guidance No. 1, revised on 31st January, 2002) and accounted for the transferred parts of the plan as a termination of a part of its retirement benefit plans.

As a result of this transfer, the Company recognised loss on termination of retirement benefit plans of ¥286 million ($2,549 thousand) for the year ended 31st March, 2017.

5. Changes in Scope of Consolidation

Glico Channel Create Co., Ltd. and Glico Malaysia Sdn. Bhd. were newly established by the Company and a majority of shares of Shojikiyanyuuhan Co., Ltd. were acquired by the Company during the year ended 31st March, 2017. As a result, the accounts of these companies were included in the scope of consolidation in preparing the consolidated financial statements for the year ended 31st March, 2017.

6. Cash and Cash Equivalents

The balances of cash and deposits in the consolidated balance sheet at 31st March, 2017 and 2016 are reconciled to the balances of cash and cash equivalents as presented in the consolidated statement of cash flows for the years then ended as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	**¥ 96,018**	¥ 50,941	**$ 855,851**
Time deposits with original maturities in excess of three months included in cash and deposits	**(7,443)**	(7,426)	**(66,342)**
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	**1,663**	8,495	**14,823**
Cash and cash equivalents	**¥ 90,238**	¥ 52,010	**$ 804,331**

7. Financial Instruments

Policy for financial instruments

The Group raises funds mainly through bank borrowings and bond issuances taking into consideration its capital investment plan and other long-term capital needs. The Group raises short-term working capital through bank borrowings. The Group manages cash surpluses through highly liquid financial instruments, low-risk financial instruments like bonds issued by issuers with high credit ratings and stocks of other companies with which the Group has business relationships. Derivative transactions are utilised to reduce the risks described below; however, the Group does not enter into derivatives for speculative trading purposes.

7. Financial Instruments (continued)

Types of financial instruments and related risk

Trade receivables such as notes and accounts receivable are exposed to credit risk of customers. Marketable securities and investments in securities consist of bonds other than held-to-maturity debt securities and stocks; and those securities are exposed to credit risk, market fluctuation risk and interest rate fluctuation risk.

Trade payables such as notes and accounts payable are mostly due within six months. Short-term loans payable are utilised for the purpose of business activities and long-term debt and corporate bonds raised mainly for the purpose of making capital expenditures. Variable interest rate debt is exposed to interest rate fluctuation risk.

As for derivative financial instruments, forward foreign exchange contracts and currency swap transactions are utilised for the purpose of reducing foreign exchange fluctuation risk of receivables and payables denominated in foreign currencies, and interest rate swap transactions are utilised for the purpose of reducing interest rate fluctuation risk.

Risk management for financial instruments

(1) Monitoring of credit risk (the risk that customers or counterparties may default)

The Group manages the due dates of collection and the balances of trade receivables in accordance with the credit management internal rules of each component, and regularly monitors the status of customers to identify an early point and mitigate the risk of bad debt from customers having financial difficulties. In addition, the Group utilises business credit insurance for some trade receivables.

The Group only acquires marketable securities and investments in securities issued by companies with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such securities is insignificant.

In addition, the Group deals with only highly rated financial institutions to reduce counterparty risk in conducting derivative transactions.

(2) Monitoring of market risk (the risks arising from fluctuations in foreign exchange rates or interest rates)

For marketable securities and investments in securities, the Group periodically reviews the fair values of such securities and the financial position or the ratings of the issuers. In addition, the Group regularly evaluates whether securities should be maintained taking into account their fair values and business relationships with the issuers. In conducting and managing derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth the delegation of authority. The officer in charge periodically reports actual transaction data to the Board of Directors.

7. Financial Instruments (continued)

Risk management for financial instruments (continued)

(3) Monitoring of liquidity risk (the risk that the Company cannot meet its obligations on scheduled due dates)

The Company has introduced a cash management system for the Company and its main domestic subsidiaries. Based on the business plan of the Company and each subsidiary, the accounting department prepares and updates its cash flow plans taking into consideration actual operating results.

Supplementary explanation of the fair value of financial instruments

The estimated fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value.

Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheet, estimated fair value and the differences between them at 31st March, 2017 and 2016 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	2017		
	Carrying value	Estimated fair value	Difference
		(Millions of yen)	
Assets:			
Cash and deposits	**¥ 96,018**	**¥ 96,018**	**¥ –**
Notes and accounts receivable, trade	**36,832**	**36,832**	–
Marketable securities and investments in securities	**38,761**	**38,761**	–
Total assets	**¥ 171,613**	**¥ 171,613**	**¥ –**
Liabilities:			
Notes and accounts payable, trade	**¥ 29,200**	**¥ 29,200**	**¥ –**
Short-term loans payable	**1,126**	**1,126**	–
Current portion of long-term bank loans	**486**	**486**	–
Convertible bonds	**30,146**	**31,605**	**1,458**
Long-term bank loans	**644**	**644**	**(0)**
Total liabilities	**¥ 61,604**	**¥ 63,062**	**¥ 1,458**

7. Financial Instruments (continued)

	2016		
	Carrying value	Estimated fair value	Difference
	(Millions of yen)		
Assets:			
Cash and deposits	¥ 50,941	¥ 50,941	¥ –
Notes and accounts receivable, trade	35,113	35,113	–
Marketable securities and investments in securities	45,195	45,195	–
Total assets	¥ 131,250	¥ 131,250	¥ –
Liabilities:			
Notes and accounts payable, trade	¥ 28,396	¥ 28,396	¥ –
Short-term loans payable	5,218	5,218	–
Current portion of long-term bank loans	501	501	–
Long-term bank loans	501	498	(2)
Total liabilities	¥ 34,616	¥ 34,614	¥ (2)

	2017		
	Carrying value	Estimated fair value	Difference
	(Thousands of U.S. dollars)		
Assets:			
Cash and deposits	**$ 855,851**	**$ 855,851**	**$ –**
Notes and accounts receivable, trade	**328,300**	**328,300**	–
Marketable securities and investments in securities	**345,494**	**345,494**	–
Total assets	**$ 1,529,663**	**$ 1,529,663**	**$ –**
Liabilities:			
Notes and accounts payable, trade	**$ 260,272**	**$ 260,272**	**$ –**
Short-term loans payable	**10,036**	**10,036**	–
Current portion of long-term bank loans	**4,331**	**4,331**	–
Convertible bonds	**268,704**	**281,709**	**12,995**
Long-term bank loans	**5,740**	**5,740**	**(0)**
Total liabilities	**$ 549,104**	**$ 562,100**	**$ 12,995**

7. Financial Instruments (continued)

The methods to determine the estimated fair value of financial instruments and details on securities and derivative financial instruments are as follows:

Assets:

Cash and deposits, and notes and accounts receivable, trade:
Because these items are settled in a short term, their carrying value approximates the fair value.

Marketable securities and investments in securities:
The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions. (Refer to Note 8 "Marketable Securities and Investments in Securities").

Liabilities:

Notes and accounts payable, trade, short-term loans payable and current portion of long-term bank loans:
Because these items are settled in a short term, their carrying value approximates the fair value.

Convertible bonds:
The fair value of convertible bonds is determined based on quoted market prices.

Long-term bank loans:
The fair value of long-term bank loans is determined by discounting the sum of principal and interest by the interest rate expected to be applied if similar bank loan was newly financed.

Financial instruments for which it is extremely difficult to determine the fair value are shown in the following table. Because no quoted market price is available and it is extremely difficult to determine the fair value, the following financial instruments are not included in the above table.

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks	**¥ 4,319**	¥ 4,122	**$ 38,497**

7. Financial Instruments (continued)

The redemption schedule at 31st March, 2017 for deposits, trade receivables and securities with maturity dates is summarised as follows:

	2017			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Millions of yen)			
Deposits	**¥ 95,931**	**¥ –**	**¥ –**	**¥**
Notes and accounts receivable, trade	**36,832**	—	—	—
Marketable securities and investments in securities:				
Bonds (Corporate bonds)	**1,500**	**600**	—	**800**
Other securities	**1,300**	**40**	—	—
Total	**¥ 135,564**	**¥ 640**	**¥ –**	**¥ 800**

	2017			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	(Thousands of U.S. dollars)			
Deposits	**$ 855,076**	**$ –**	**$ –**	**$ –**
Notes and accounts receivable, trade	**328,300**	—	—	—
Marketable securities and investments in securities:				
Bonds (Corporate bonds)	**13,370**	**5,348**	—	**7,130**
Other securities	**11,587**	**356**	—	—
Total	**$1,208,342**	**$ 5,704**	**$ –**	**$7,130**

8. Marketable Securities and Investments in Securities

Marketable securities classified as other securities at 31st March, 2017 and 2016 are summarised as follows:

	2017		
	Acquisition cost	Carrying value	Unrealised holding gain (loss)
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost:			
Stocks	**¥ 18,413**	**¥ 33,587**	**¥ 15,174**
Bonds	**913**	**1,379**	**466**
Other	**48**	**53**	**4**
Subtotal	**19,375**	**35,021**	**15,645**
Securities whose acquisition cost exceeds their carrying value:			
Stocks	**538**	**527**	**(10)**
Bonds	**1,500**	**1,499**	**(0)**
Other	**1,719**	**1,713**	**(6)**
Subtotal	**3,758**	**3,740**	**(17)**
Total	**¥ 23,133**	**¥ 38,761**	**¥ 15,627**

	2016		
	Acquisition cost	Carrying value	Unrealised holding gain (loss)
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost:			
Stocks	¥ 16,457	¥ 27,290	¥ 10,832
Bonds	2,913	3,377	464
Other	1,573	1,602	29
Subtotal	20,944	32,270	11,325
Securities whose acquisition cost exceeds their carrying value:			
Stocks	2,868	2,469	(399)
Bonds	1,900	1,884	(15)
Other	8,572	8,571	(1)
Subtotal	13,340	12,925	(415)
Total	¥ 34,285	¥ 45,195	¥ 10,909

8. Marketable Securities and Investments in Securities (continued)

	2017		
	Acquisition cost	Carrying value	Unrealised holding gain (loss)
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	**$ 164,123**	**$ 299,376**	**$ 135,252**
Bonds	**8,137**	**12,291**	**4,153**
Other	**427**	**472**	**35**
Subtotal	**172,698**	**312,157**	**139,450**
Securities whose acquisition cost exceeds their carrying value:			
Stocks	**4,795**	**4,697**	**(89)**
Bonds	**13,370**	**13,361**	**(0)**
Other	**15,322**	**15,268**	**(53)**
Subtotal	**33,496**	**33,336**	**(151)**
Total	**$ 206,194**	**$ 345,494**	**$ 139,290**

8. Marketable Securities and Investments in Securities (continued)

The proceeds from sales and gross realised gain on securities classified as other securities for the years ended 31st March, 2017 and 2016 are summarised as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales:			
Stock	**¥ 624**	¥ 3,380	**$ 5,561**
Other	**1,512**	—	**13,477**
Total	**¥ 2,136**	¥ 3,380	**$ 19,039**
Gross realised gain:			
Stock	**¥ 210**	¥ 1,414	**$ 1,871**
Other	**12**	–	**106**
Total	**¥ 222**	¥ 1,414	**$ 1,978**

Loss on devaluation of investments in securities was nil and ¥0 million for the years ended 31st March, 2017 and 2016, respectively.

The Company and its consolidated subsidiaries recognise loss on devaluation of investment securities in cases where the fair value at the year-end of a security declines by more than 50% from its carrying value. The Company and its consolidated subsidiaries also recognise loss on devaluation of investment securities by considering the recoverability of fair value and so forth when the fair value at the year-end declines by more than 30% and less than 50% from its carrying value.

9. Inventories

Inventories at 31st March, 2017 and 2016 consisted of the following:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Finished goods and commercial goods	**¥ 13,460**	¥ 12,451	**$ 119,975**
Work in process	**894**	865	**7,968**
Raw materials and supplies	**13,457**	13,578	**119,948**
	¥ 27,812	¥ 26,895	**$ 247,900**

Cost of sales included loss on devaluation of inventories of ¥270 million ($2,406 thousand) and ¥621 million for the years ended 31st March, 2017 and 2016, respectively.

10. Loss on Impairment of Property, Plant and Equipment

Property, plant and equipment are grouped based on each unit which has decision-making authority for investing activities. Idle assets are grouped individually.

The Group recognised loss on impairment of idle assets of ¥112 million ($998 thousand) for the year ended 31st March, 2017 mainly consisting of machinery of ¥105 million ($935 thousand) and other of ¥6 million ($53 thousand), which were held by Kanto Glico Co., Ltd.

The Group recognised loss on impairment of idle assets of ¥83 million for the year ended 31st March, 2016 mainly consisting of machinery of ¥73 million and other of ¥9 million, which were located in Shanghai, China, and other areas.

The book value of assets not expected to be utilised in the future was written down to their recoverable amounts. The recoverable amounts of these assets were measured at net realisable value. The net realisable value was recognised as zero.

11. Short-Term Loans Payable, Long-Term Debt and Convertible Bonds

Short-term loans payable principally represent bank loans of the Company and its consolidated subsidiaries. The average interest rates on outstanding loans at 31st March, 2017 and 2016 were 2.962% and 1.635%, respectively.

Long-term debt at 31st March, 2017 and 2016 consisted of the following:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unsecured bank loans at 0.087%, due within 2018 and 2021	**¥ 644**	¥ –	**$ 5,740**
Unsecured bank loans at 3.860%, due 2017	**486**	1,002	**4,331**
Lease obligations	**360**	524	**3,208**
	1,491	1,526	**13,289**
Less current portion:			
Bank loans	**(486)**	(501)	**(4,331)**
Lease obligations	**(158)**	(205)	**(1,408)**
	(644)	(706)	**(5,740)**
Long-term debt	**¥ 846**	¥ 820	**$ 7,540**

11. Short-Term Loans Payable, Long-Term Debt and Convertible Bonds (continued)

The aggregate annual maturities of bank loans and lease obligations subsequent to 31st March, 2017 are summarised below:

Year ending 31st March,	Bank loans		Lease obligations	
	(Millions of yen)	*(Thousands of U.S. dollars)*	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2018	**¥ 486**	**$ 4,331**	**¥ 158**	**$ 1,408**
2019	**188**	**1,675**	**103**	**918**
2020	**188**	**1,675**	**58**	**516**
2021	**188**	**1,675**	**30**	**267**
2022	**78**	**695**	**5**	**44**
2023 and thereafter	—	—	**3**	**26**
	¥ 1,130	**$ 10,072**	**¥ 360**	**$ 3,208**

Convertible bonds at 31st March, 2017 and 2016 consisted of the following:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	**¥ 30,146**	¥ –	**$ 268,704**

The details of the above convertible bonds are as follows:

	Euro-Yen denominated convertible bonds due 2024
Class of shares to be issued	Common stock
Total issue price of stock acquisition rights	Zero
Initial conversion price	¥8,093 ($72.13) per share
Total issue price	¥30,000 million ($267,403 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	—
Percentage of stock acquisition rights granted	100.0%
Exercise period	13th February 2017 through 16th January 2024

(Note) The conversion price of the convertible bonds was subject to adjustment as it met certain conditions for adjustment of conversion price; therefore, it was adjusted from ¥8,093 ($72.13) to ¥8,077.8 ($72.00) from 1st April, 2017.

12. Retirement Benefits

The Company and certain of its domestic consolidated subsidiaries (Glico Nutrition Co., Ltd., and Koei Jyoho System Kabushiki Kaisha) have defined benefit plans, i.e., corporate pension fund plans in addition to lump-sum payment plans. The other domestic consolidated subsidiaries have lump-sum payment plans. One consolidated subsidiary participates in a multi-employer pension plan and recorded required contributions as retirement benefit expenses for the years ended 31st March, 2017 and 2016 since the subsidiary's portion of pension assets held by this multi-employer pension plan cannot be reasonably calculated. In addition, the Company transferred a certain portion of its lump-sum payment plans to defined contribution pension plans in October 2016.

The changes in the retirement benefit obligation for the years ended 31st March, 2017, and 2016 are as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Beginning balance of retirement benefit obligation	**¥ 26,148**	¥ 25,118	**$ 233,068**
Service cost	**1,163**	1,119	**10,366**
Interest cost	**112**	210	**998**
Actuarial (gain) loss	**(265)**	1,213	**(2,362)**
Benefits paid	**(1,754)**	(1,494)	**(15,634)**
Prior service cost arising during the year	**(103)**	−	**(918)**
Decrease due to transfer to defined contribution pension plans	**(2,802)**	−	**(24,975)**
Others	**(13)**	(19)	**(115)**
Ending balance of retirement benefit obligation	**¥ 22,485**	¥ 26,148	**$ 200,418**

Retirement benefit obligation calculated by the simplified method is included in the above table.

12. Retirement Benefits (continued)

The changes in plan assets at fair value for the years ended 31st March, 2017 and 2016 are as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Beginning balance of plan assets at fair value	**¥ 17,184**	¥ 17,584	**$ 153,168**
Expected return on plan assets	**429**	439	**3,823**
Actuarial gain (loss)	**143**	(430)	**1,274**
Contributions by the employers	**373**	372	**3,324**
Retirement benefits paid	**(958)**	(781)	**(8,539)**
Ending balance of plan assets at fair value	**¥ 17,172**	¥ 17,184	**$ 153,061**

The reconciliation of the ending balances of the retirement benefit obligation and plan assets to the asset and liability for retirement benefits recognised in the consolidated balance sheet at 31st March, 2017 and 2016 is as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	**¥ 16,387**	¥ 17,126	**$ 146,064**
Plan assets at fair value	**(17,172)**	(17,184)	**(153,061)**
	(784)	(57)	**(6,988)**
Unfunded retirement benefit obligations	**6,097**	9,021	**54,345**
Net liability for retirement benefits in the consolidated balance sheet	**5,312**	8,964	**47,348**
Liability for retirement benefits	**7,846**	10,927	**69,934**
Asset for retirement benefits	**(2,534)**	(1,963)	**(22,586)**
Net liability for retirement benefits in the consolidated balance sheet	**¥ 5,312**	¥ 8,964	**$ 47,348**

Retirement benefit obligation calculated by the simplified method is included in the above table.

12. Retirement Benefits (continued)

The components of retirement benefit expenses for the years ended 31st March, 2017 and 2016 are as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	**¥ 1,159**	¥ 1,119	**$ 10,330**
Interest cost	**112**	210	**998**
Expected return on plan assets	**(429)**	(439)	**(3,823)**
Amortisation:			
Actuarial loss	**429**	286	**3,823**
Prior service cost	**(1)**	18	**(8)**
Others	**57**	28	**508**
Retirement benefit expenses	**¥ 1,327**	¥ 1,223	**$ 11,828**
Loss resulting from transfer to defined contribution pension plans (Note 2)	**¥ 286**	¥ –	**$ 2,549**

(Notes)

1. Retirement benefit expenses calculated by the simplified method are included in “Service cost” of the above table.
2. “Loss resulting from transfer to defined contribution pension plans” is included in “Other expenses” as “Loss on termination of retirement benefit plans.”

The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) are as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Prior service cost	**¥ 102**	¥ 18	**$ 909**
Actuarial gain (loss)	**1,014**	(1,357)	**9,038**
Total	**¥ 1,117**	¥ (1,339)	**$ 9,956**

12. Retirement Benefits (continued)

The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) are as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognised prior service cost	**¥ 93**	¥ (9)	**$ 828**
Unrecognised actuarial loss	**(387)**	(1,401)	**(3,449)**
Total	**¥ (293)**	¥ (1,410)	**$ (2,611)**

The fair value of plan assets, by major category, as a percentage of total plan assets as of 31st March, 2017 and 2016 are as follows:

	2017	2016
Bonds	**46 %**	57 %
Equities	**28**	27
General accounts at life insurance companies	**6**	4
Other	**20**	12
Total	**100 %**	100 %

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

	2017	2016
Discount rates	**0.0%～1.3%**	0.2%～1.0%
Expected long-term rate of return on plan assets	**2.5%**	2.5%
Expected rates of future salary increase	**6.0%～8.0%**	6.0%～8.0%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future, and expected long-term rate of return from multiple plan assets at present and in the future.

12. Retirement Benefits (continued)

The contributions to the multi-employer plan were ¥26 million ($231 thousand) and ¥25 million for the years ended 31st March, 2017 and 2016, respectively, and are accounted for in the same manner as contributions to the defined contribution plans.

The following table sets forth the status of the multi-employer pension plan as of 31st March, 2017 and 2016.

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Plan assets	**¥ 531,916**	¥ 571,380	**$ 4,741,206**
Total of amount of the pension obligation based on the calculation of pension financing in the scheme and minimum reserve amount	**538,160**	561,736	**4,796,862**
Difference	**¥ (6,243)**	¥ 9,644	**$ (55,646)**

The contribution ratios of the consolidated subsidiary to the multi-employer pension plan for the years ended 31st March, 2017 and 2016 were 0.18% and 0.17%, respectively.

The main reasons behind the difference in the above table are due to unrecognised prior service costs of ¥34,540 million ($307,870 thousand) and ¥40,107 million and, net of surplus of ¥28,296 million ($252,214 thousand) and ¥49,751 million as of 31st March, 2017 and 2016, respectively.

The amortisation of unrecognised prior service costs was calculated on a straight-line basis and with an employer contribution of 1.55% and employee contribution of 0.15%. The remaining period for amortisation as of 31st March, 2016 was 6 years and 0 months. The ratio outlined above does not equal the subsidiary's actual share of the pension obligation.

The amount of plan assets transferred to the defined contribution pension plans as a result of the transfer of a portion of the lump-sum payment plans to the defined contribution pension plan was ¥2,912 million ($25,955 thousand) and the transfer is expected to be completed in four years. The portion of plan assets yet to be transferred at 31st March, 2017 in the amount of ¥2,175 million ($19,386 thousand) is included in accounts payable, other under "Other current liabilities" and long-term accounts payable, other under "Other long-term liabilities."

The amount to be paid to the defined contribution plans by the Company and its consolidated subsidiaries was ¥86 million ($766 thousand) for the year ended 31st March, 2017.

13. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed 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 the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The legal reserve of the Company, which is included in retained earnings, amounted to ¥1,943 million ($17,318 thousand) and ¥1,943 million at 31st March, 2017 and 2016, respectively.

Movements in issued shares of common stock and treasury stock during the years ended 31st March, 2017 and 2016 are summarised as follows:

For the year ended 31st March, 2017

	Number of Shares			
	2017			
	1st April, 2016	Increase	Decrease	31st March, 2017
Issued shares:				
Common stock	**69,430,069**	—	—	**69,430,069**
Treasury stock	**3,836,000**	**149,974**	**303,503**	**3,682,471**

The increase in treasury stock of 149,974 shares was due to the acquisition of fractional shares of less than one voting unit of 1,274 shares and acquisition due to the establishment of the E-Ship Trust of 148,700 shares. The decrease in treasury stock of 303,503 shares was due to the sales of fractional shares of less than one voting unit of 203 shares, the sales of stock from the ESOP Trust to the employees' shareholding association of 10,900 shares, sales of stock to the stock market due to the maturity of the trust period of 260,600 shares, sales from the E-Ship Trust to the employees' shareholding association of 20,300 shares and shares granted from the BIP Trust to Directors of 11,500 shares.

Treasury stock at 31st March, 2017 includes 128,400 shares held by the ESOP Trust and 35,900 shares held by the BIP Trust.

13. Shareholders' Equity (continued)

For the year ended 31st March, 2016

	Number of Shares			
	2016			
	1st April, 2015	Increase	Decrease	31st March, 2016
Issued shares:				
Common stock	69,430,069	–	–	69,430,069
Treasury stock	3,860,644	3,221	27,865	3,836,000

The increase in treasury stock of 3,221 shares was due to the acquisition of fractional shares of less than one voting unit. The decrease in treasury stock of 27,865 shares was due to the sales of fractional shares of less than one voting unit of 165 shares and the sales of stock from the ESOP Trust to the employees' shareholding association of 27,700 shares.

Treasury stock at 31st March, 2016 includes 271,500 shares held by the ESOP Trust and 47,400 shares held by the BIP Trust.

Information on stock acquisition rights and treasury stock acquisition rights during the years ended 31st March, 2017 and 2016 is as follows:

For the year ended 31st March, 2017

Company name	Details	Type of stock subject to stock acquisition rights	Number of shares subject to stock acquisition rights: 1st April, 2016	Increase	Decrease	31st March, 2017	31st March, 2017 (*Millions of yen / Thousands of U.S. dollars*)
The Company	Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	Common stock	–	**3,706,907**	–	**3,706,907**	(Note)

(Note) Convertible bonds are accounted for using the lump-sum method, by which the bond portion and a stock acquisition right portion are treated as non-separable.

For the year ended 31st March, 2016

There are no stock acquisition rights and treasury stock acquisition rights.

13. Shareholders' Equity (continued)

Information on dividend payments and the effective date for the years ended 31st March, 2017 and 2016 is as follows:

For the year ended 31st March, 2017

Dividend payment:

Resolution	Type of shares	Dividends paid *(Millions of yen/ Thousands of U.S. dollars)*	Dividend per share *(Yen/ U.S. dollars)*	Record date	Effective date
Board of Directors' meeting held on 13th May, 2016	Common stock	**¥ 1,312 ($ 11,694)**	**¥ 20 ($ 0.17)**	31st March, 2016	7th June, 2016
Board of Directors' meeting held on 7th November, 2016	Common stock	**¥ 1,318 ($ 11,747)**	**¥ 20 ($ 0.17)**	30th September, 2016	9th December, 2016

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 13th May, 2016 in the above table did not include cash dividends applicable to the ESOP Trust. This is because, although the Company applied ASBJ PITF No. 30, revised on 26th March, 2015, the Company selected to continuously account for the ESOP Trust by using the method applied previously. In addition, the dividend payment included ¥0 million ($0 thousand) of cash dividends applicable to the Company's shares held by the BIP Trust.

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 7th November, 2016 included ¥3 million ($26 thousand) of cash dividends applicable to shares held by the E-Ship Trust and the BIP Trust.

Dividend payment with an effective date in the following year:

Resolution	Type of shares	Dividends paid *(Millions of yen/ Thousands of U.S. dollars)*	Source of dividend	Dividend per share *(Yen/ U.S. dollars)*	Record date	Effective date
Board of Directors' meeting held on 15th May, 2017	Common stock	**¥ 1,977 ($ 17,621)**	Retained earnings	**¥ 30 ($ 0.26)**	31st March, 2017	6th June, 2017

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 15th May, 2017 included ¥4 million ($35 thousand) of cash dividends applicable to shares held by the E-Ship Trust and the BIP Trust.

13. Shareholders' Equity (continued)

For the year ended 31st March, 2016

Dividend payment:

Resolution	Type of shares	Dividends paid *(Millions of yen)*	Dividend per share *(Yen)*	Record date	Effective date
Board of Directors' meeting held on 15th May, 2015	Common stock	¥ 1,967	¥ 30	31st March, 2015	5th June, 2015
Board of Directors' meeting held on 30th October, 2015	Common stock	¥ 1,312	¥ 20	30th September, 2015	10th December, 2015

The dividend payment to the ESOP Trust is not included in dividends paid in the above tables. This is because, although the Company applied ASBJ PITF No. 30, revised on 26th March, 2015, the Company selected to continuously account for the ESOP Trust by using the method applied previously.

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 30th October, 2015 included ¥0 million of cash dividends applicable to shares held by the BIP Trust.

Dividend payment with an effective date in the following year:

Resolution	Type of shares	Dividends paid *(Millions of yen)*	Source of dividend	Dividend per share *(Yen)*	Record date	Effective date
Board of Directors' meeting held on 13th May, 2016	Common stock	¥ 1,312	Retained earnings	¥ 20	31st March, 2016	7th June, 2016

The dividend payment to the ESOP Trust is not included in dividends paid in the above tables. This is because, although the Company applied ASBJ PITF No. 30, revised on 26th March, 2015, the Company selected to continuously account for the ESOP Trust by using the method applied previously.

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 13th May, 2016 included ¥0 million of cash dividends applicable to shares held by the BIP Trust.

14. Leases

Leased assets under finance lease transactions which do not transfer ownership to the lessee mainly consist of tools, furniture and fixtures, vehicles and software.

As described in Note 2 "Summary of Significant Accounting Policies, (j) Leased assets," leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalised and depreciated to a residual value of zero by the straight-line method using the term of the contracts as the useful life.

Future minimum lease payments under non-cancellable operating leases subsequent to 31st March, 2017 for operating leases are summarised as follows:

Year ending 31st March,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2018	**¥ 266**	**$ 2,370**
2019 and thereafter	**622**	**5,544**
Total	**¥ 888**	**$ 7,915**

15. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended 31st March, 2017 and 2016 were as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Freight and warehouse expenses	**¥ 30,398**	¥ 29,983	**$ 270,951**
Sales promotion expenses	**52,460**	50,404	**467,599**
Provision for sales promotion expenses	**1,795**	1,675	**15,999**
Advertising expenses	**11,710**	12,168	**104,376**
Salaries	**16,194**	15,930	**144,344**
Bonuses	**5,460**	4,870	**48,667**
Welfare expenses	**5,201**	5,066	**46,358**
Retirement benefit expenses	**1,057**	898	**9,421**
Reversal of allowance for doubtful accounts	**(0)**	(21)	**(0)**
Provision for bonuses of directors and audit and supervisory board members	**38**	41	**338**
Provision for stock-based compensation of board incentive plan	**89**	56	**793**
Provision for employee stock ownership plan	**–**	1,366	**–**
Depreciation and amortisation	**1,800**	1,901	**16,044**
Other	**14,669**	13,082	**130,751**
Total	**¥ 140,877**	¥ 137,422	**$ 1,255,700**

16. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2017 and 2016 amounted to ¥5,490 million ($48,934 thousand) and ¥5,094 million, respectively.

17. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to several types of taxes: corporate taxes, local inhabitants taxes and enterprise taxes, which in aggregate resulted in statutory tax rates of approximately 30.9% and 33.0% for the years ended 31st March, 2017 and 2016, respectively. Overseas subsidiaries are subject to the income and other taxes of the respective countries in which they operate.

The reconciliation between effective tax rate and the statutory tax rate for the year ended 31st March, 2017 is as follows:

	2017
Statutory tax rate	**30.9%**
Permanent non-deductible expenses	**1.0**
Permanent non-taxable dividend income	**(0.3)**
Inhabitants' per capita taxes	**0.3**
Change in valuation allowance	**(2.0)**
Tax credits	**(3.9)**
Other	**3.0**
Effective tax rate	**29.0%**

For the year ended 31st March, 2016, the reconciliation between the effective tax rate reflected in the consolidated statement of income and comprehensive income and statutory tax rate is not disclosed because the difference is less than 5% of the statutory tax rate.

17. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at 31st March, 2017 and 2016 are summarised as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Current portion			
Deferred tax assets:			
Accrued bonuses	**¥ 930**	¥ 842	**$ 8,289**
Accrued expenses	**887**	723	**7,906**
Other	**699**	1,011	**6,230**
Total deferred tax assets	**2,518**	2,577	**22,444**
Less valuation allowance	**(2)**	(13)	**(17)**
Offset by deferred tax liabilities	**–**	–	**–**
Net deferred tax assets	**¥ 2,515**	¥ 2,563	**$ 22,417**
Non-current portion			
Deferred tax assets:			
Liability for retirement benefits	**¥ 1,698**	¥ 2,811	**$ 15,135**
Loss on impairment of property, plant and equipment	**1,657**	1,823	**14,769**
Loss on devaluation of investments in securities	**532**	532	**4,741**
Tax loss carryforwards	**200**	362	**1,782**
Amortisation of deferred assets	**29**	15	**258**
Depreciation	**466**	451	**4,153**
Other	**2,191**	1,715	**19,529**
Total deferred tax assets	**6,776**	7,711	**60,397**
Less valuation allowance	**(3,796)**	(4,245)	**(33,835)**
Offset by deferred tax liabilities	**(2,506)**	(3,059)	**(22,337)**
Net deferred tax assets	**¥ 474**	¥ 406	**$ 4,224**
Deferred tax liabilities:			
Net unrealised holding gain on securities	**¥ (4,318)**	¥ (2,964)	**$ (38,488)**
Reserve for special depreciation for tax purposes	**(6)**	(11)	**(53)**
Reserve for deferred gain on property for tax purposes	**(2,427)**	(2,435)	**(21,632)**
Other	**(1,399)**	(752)	**(12,469)**
Total deferred tax liabilities	**(8,152)**	(6,163)	**(72,662)**
Offset by deferred tax assets	**2,506**	3,059	**22,337**
Net deferred tax liabilities	**¥ (5,646)**	¥ (3,104)	**$ (50,325)**

18. Other Comprehensive Income (Loss)

Other comprehensive income (loss) related to reclassification adjustments and tax effects allocated to each comprehensive income (loss) for the years ended 31st March, 2017 and 2016 are summarised as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net unrealised holding gain (loss) on securities:			
Amount arising during the year	**¥ 4,949**	¥ (4,020)	**$ 44,112**
Reclassification adjustments	**(222)**	(1,816)	**(1,978)**
Amount before income tax effect	**4,727**	(5,836)	**42,133**
Income tax effect	**(1,359)**	1,910	**(12,113)**
Total	**3,368**	(3,925)	**30,020**
Translation adjustments:			
Amount arising during the year	**(1,860)**	(1,736)	**(16,579)**
Retirement benefits liability adjustments:			
Amount arising during the year	**512**	(1,644)	**4,563**
Reclassification adjustments	**604**	304	**5,383**
Amount before income tax effect	**1,117**	(1,339)	**9,956**
Income tax effect	**(342)**	408	**(3,048)**
Total	**774**	(930)	**6,899**
Share of other comprehensive loss of affiliates accounted for by the equity method:			
Adjustments arising during the year	**(114)**	(308)	**(1,016)**
Total other comprehensive income (loss)	**¥ 2,168**	¥ (6,901)	**$ 19,324**

19. Investment and Rental Property

The Company and certain consolidated subsidiaries own rental office buildings, rental commercial facilities and others in Tokyo, Japan and other areas.

Rental revenues are recorded under "Rental income on real estate" and rental costs are recorded mainly under "Other, net" in the consolidated statement of income and comprehensive income for the years ended 31st March, 2017 and 2016. Net rental income, net of rental cost, for the years ended 31st March, 2017 and 2016 was ¥481 million ($4,287 thousand) and ¥365 million, respectively.

The carrying value in the consolidated balance sheet and corresponding fair value of investment and rental properties as of 31st March, 2017 and 2016 are as follows:

	Carrying value			*Fair value*
	1st April, 2016	Net change	31st March, 2017	31st March, 2017
		(Millions of yen)		
Investment and rental property	**¥ 12,549**	**¥ 326**	**¥ 12,875**	**¥ 16,011**

	Carrying value			*Fair value*
	1st April, 2015	Net change	31st March, 2016	31st March, 2016
		(Millions of yen)		
Investment and rental property	¥ 12,629	¥ (79)	¥ 12,549	¥ 14,621

	Carrying value			*Fair value*
	1st April, 2016	Net change	31st March, 2017	31st March, 2017
		(Thousands of U.S. dollars)		
Investment and rental property	**$ 111,854**	**$ 2,905**	**$ 114,760**	**$ 142,713**

The carrying value represents the acquisition costs less accumulated depreciation and accumulated impairment loss.

19. Investment and Rental Property (continued)

The main components of net change in the carrying value during the year ended 31st March, 2017 were the increase of idle property in the amount of ¥365 million ($3,253 thousand) and the decrease due to depreciation in the amount of ¥ 26 million ($231 thousand).

The main components of net change in the carrying value during the year ended 31st March, 2016 were the decrease due to the reclassification from idle property to property for internal use in the amount of ¥136 million.

For major property, the fair value is determined based on the real-estate appraisal assessed by external real-estate appraisers. For other property, the fair value is determined based on the land price index issued by government authorities and others. However, unless the appraisal or indicators that are regarded to reflect the fair value of the property appropriately change significantly since the date of acquisition or the date of the latest appraisal, the Company and certain consolidated subsidiaries measure the fair value of the property based on such appraisal or indicators obtained previously and adjusted as appropriate.

20. Segment Information

Summary of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Group has established its business headquarters to control the business divisions at the corporate office. Each division formulates comprehensive domestic and overseas strategies for its products and services and conducts business activities according to these strategies.

The Group classifies its businesses into five reportable segments: Confectioneries Division, Ice Cream Division, Food Products Division, Milk and Dairy Products Division and Food Ingredients Division.

The Confectioneries Division mainly produces and sells chocolate, gum, cookies, snacks and others.

The Ice Cream Division mainly produces and sells ice cream and others.

The Food Products Division mainly produces and sells curry roux, retort-packed food and others.

The Milk and Dairy Products Division mainly produces and sells milk, dairy products and others.

The Food Ingredients Division mainly produces and sells starch, food colouring and others.

20. Segment Information (continued)

Calculation methods of sales, income or loss, assets and other items by reportable segment

The accounting policies of the reportable segments are substantially the same as those described in the Note 2 “Summary of Significant Accounting Policies,” except for the valuation method of inventory and the depreciation method of property, plant and equipment. Certain inventories are valued at the amounts used in inter-segment sales transactions before application of lower of cost or net selling value. Certain property, plant and equipment are depreciated using the straight-line method. Segment income (loss) is determined based on operating income or loss. Inter-segment transactions are determined based on market prices.

Change in depreciation method

As described in Note 3 “Accounting Changes,” the Company and its domestic consolidated subsidiaries changed the depreciation method for facilities attached to buildings and structures acquired on and after 1st April, 2016 from the declining-balance method to the straight-line method following amendments to the Corporation Tax Act of Japan. As a result, segment income in “Confectioneries,” “Ice Cream,” “Food Products,” “Milk and Dairy Products,” “Food Ingredients” and “Others” for the year ended 31st March, 2017 increased by ¥14 million ($124 thousand), ¥143 million ($1,274 thousand), ¥0 million ($0 thousand), ¥2 million ($17 thousand), ¥0 million ($0 thousand), and ¥12 million ($106 thousand), respectively.

20. Segment Information (continued)

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

	2017					
	Reportable segments					
	Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Subtotal
	(Millions of yen)					
Sales, income or loss and assets by reportable segments:						
Net sales:						
Sales to third parties	**¥ 121,116**	**¥ 92,416**	**¥ 20,220**	**¥ 94,871**	**¥ 10,434**	**¥ 339,059**
Inter-segment sales and transfers	**4**	—	—	**68**	**173**	**246**
Total	**¥ 121,120**	**¥ 92,416**	**¥ 20,220**	**¥ 94,940**	**¥ 10,607**	**¥ 339,305**
Segment income	**¥ 10,546**	**¥ 8,444**	**¥ 844**	**¥ 4,788**	**¥ 952**	**¥ 25,576**
Segment assets	**60,584**	**40,761**	**6,571**	**27,101**	**5,025**	**140,044**
Other items:						
Depreciation and amortisation	**4,336**	**2,761**	**224**	**1,344**	**94**	**8,761**
Increase in property, plant and equipment and intangible assets	**4,262**	**10,321**	**142**	**857**	**175**	**15,760**

	2017			
	Others	Total	Adjustments and eliminations	Consolidated
	(Millions of yen)			
Sales, income or loss and assets by reportable segments:				
Net sales:				
Sales to third parties	**¥ 14,158**	**¥ 353,217**	**¥ —**	**¥ 353,217**
Inter-segment sales and transfers	**5,125**	**5,371**	**(5,371)**	—
Total	**¥ 19,284**	**¥ 358,589**	**¥ (5,371)**	**¥ 353,217**
Segment income	**¥ 477**	**¥ 26,053**	**¥ (1,798)**	**¥ 24,254**
Segment assets	**1,200**	**141,245**	**182,873**	**324,118**
Other items:				
Depreciation and amortisation	**101**	**8,862**	**2,247**	**11,110**
Increase in property, plant and equipment and intangible assets	**235**	**15,995**	**4,752**	**20,748**

20. Segment Information (continued)

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

	2016					
	Reportable segments					
	Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Subtotal
	(Millions of yen)					
Sales, income or loss and assets by reportable segments:						
Net sales:						
Sales to third parties	¥ 121,157	¥ 81,004	¥ 20,183	¥ 97,821	¥ 10,242	¥330,408
Inter-segment sales and transfers	542	—	—	603	160	1,306
Total	¥ 121,699	¥ 81,004	¥ 20,183	¥ 98,425	¥ 10,403	¥331,715
Segment income (loss)	¥ 9,206	¥ 5,478	¥ 112	¥ 4,516	¥ 492	¥ 19,806
Segment assets	59,514	33,007	6,088	27,347	5,026	130,984
Other items:						
Depreciation and amortisation	4,364	2,456	252	1,625	84	8,783
Increase in property, plant and equipment and intangible assets	4,262	12,692	184	1,539	113	18,793

	2016			
	Others	Total	Adjustments and eliminations	Consolidated
	(Millions of yen)			
Sales, income or loss and assets by reportable segments:				
Net sales:				
Sales to third parties	¥ 8,029	¥ 338,437	¥ –	¥ 338,437
Inter-segment sales and transfers	4,453	5,760	(5,760)	—
Total	¥12,482	¥ 344,198	¥ (5,760)	¥ 338,437
Segment income (loss)	¥ (41)	¥ 19,765	¥ (2,654)	¥ 17,110
Segment assets	931	131,915	143,058	274,974
Other items:				
Depreciation and amortisation	143	8,927	1,868	10,795
Increase in property, plant and equipment and intangible assets	130	18,923	4,386	23,310

20. Segment Information (continued)

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

	2017					
	Reportable segments					
	Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Subtotal
	(Thousands of U.S. dollars)					
Sales, income or loss and assets by reportable segments:						
Net sales:						
Sales to third parties	**$1,079,561**	**$ 823,745**	**$ 180,229**	**$ 845,627**	**$ 93,002**	**$3,022,185**
Inter-segment sales and transfers	**35**	—	–	**606**	**1,542**	**2,192**
Total	**$1,079,597**	**$ 823,745**	**$ 180,229**	**$ 846,242**	**$ 94,544**	**$3,024,378**
Segment income	**$ 94,001**	**$ 75,265**	**$ 7,522**	**$ 42,677**	**$ 8,485**	**$ 227,970**
Segment assets	**540,012**	**363,321**	**58,570**	**241,563**	**44,790**	**1,248,275**
Other items:						
Depreciation and amortisation	**38,648**	**24,610**	**1,996**	**11,979**	**837**	**78,090**
Increase in property, plant and equipment and intangible assets	**37,989**	**91,995**	**1,265**	**7,638**	**1,559**	**140,475**

	2017			
	Others	Total	Adjustments and eliminations	Consolidated
	(Thousands of U.S. dollars)			
Sales, income or loss and assets by reportable segments:				
Net sales:				
Sales to third parties	**$ 126,196**	**$ 3,148,382**	**$ –**	**$ 3,148,382**
Inter-segment sales and transfers	**45,681**	**47,874**	**(47,874)**	—
Total	**$ 171,886**	**$ 3,196,265**	**$ (47,874)**	**$ 3,148,382**
Segment income	**$ 4,251**	**$ 232,222**	**$ (16,026)**	**$ 216,186**
Segment assets	**10,696**	**1,258,980**	**1,630,029**	**2,889,009**
Other items:				
Depreciation and amortisation	**900**	**78,990**	**20,028**	**99,028**
Increase in property, plant and equipment and intangible assets	**2,094**	**142,570**	**42,356**	**184,936**

20. Segment Information (continued)

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

"Others" are businesses not included in the reportable segments, which mainly include the Health Division (including ex-Sports Foods Division), the Office Glico Division (Sales of confectioneries, ice cream and others from vending boxes placed in offices) and the System Maintenance and Development Division.

The adjustments and eliminations for segment income in the amounts of ¥(1,798) million ($(16,026) thousand) and ¥(2,654) million consisted of the elimination of inter-segment transactions and other adjustments of ¥1,255 million ($11,186 thousand) and ¥1,472 million and corporate expenses not allocated to each reportable segment of ¥(3,053) million ($(27,212) thousand) and ¥(4,126) million for the years ended 31st March, 2017 and 2016, respectively. Corporate expenses were mainly related to selling, general and administrative expenses not attributable to reportable segments for the years ended 31st March, 2017 and 2016. These expenses consisted of the provision for the employee stock ownership plan and the related cost of the merger with Glico Daily Products Co., Ltd. for the year ended 31st March, 2016. The segment assets in the amount of ¥182,873 million ($1,630,029 thousand) and ¥143,058 million at 31st March, 2017 and 2016, respectively, consisted of corporate assets not attributable to reportable segments. The adjustments and eliminations for depreciation and amortisation of ¥2,247 million ($20,028 thousand) and ¥1,868 million and increase in property, plant and equipment and intangible assets of ¥4,752 million ($42,356 thousand) and ¥4,386 million for the years ended 31st March, 2017 and 2016, respectively, consisted of depreciation and amortisation and acquisition of corporate assets not attributable to reporting segments.

Segment income (loss) corresponds to operating income in the consolidated statement of income and comprehensive income.

20. Segment Information (continued)

Related information

Information by products and services

Sales to third parties categorised by products and services for the years ended 31st March, 2017 and 2016 are summarised as follows:

2017						
Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Others	Total
(Millions of yen)						
¥ 121,116	**¥ 92,416**	**¥ 20,220**	**¥ 94,871**	**¥ 10,434**	**¥ 14,158**	**¥ 353,217**

2016						
Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Others	Total
(Millions of yen)						
¥ 121,157	¥ 81,004	¥ 20,183	¥ 97,821	¥ 10,242	¥ 8,029	¥ 338,437

2017						
Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Others	Total
(Thousands of U.S. dollars)						
$1,079,561	**$ 823,745**	**$ 180,229**	**$ 845,627**	**$ 93,002**	**$ 126,196**	**$ 3,148,382**

20. Segment Information (continued)

Related information (continued)

Geographical information

(1) Net sales

Net sales categorised by countries and regions based on locations of customers of the Group for the years ended 31st March, 2017 and 2016 are summarised as follows:

2017				
Japan	China	Southeast Asia	Others	Total
		(Millions of yen)		
¥ 307,906	**¥ 25,097**	**¥ 13,301**	**¥ 6,912**	**¥ 353,217**

2016				
Japan	China	Southeast Asia	Others	Total
		(Millions of yen)		
¥ 293,790	¥ 28,470	¥ 10,749	¥ 5,427	¥ 338,437

2017				
Japan	China	Southeast Asia	Others	Total
		(Thousands of U.S. dollars)		
$2,744,504	**$ 223,700**	**$ 118,557**	**$ 61,609**	**$ 3,148,382**

(2) Property, plant and equipment

Property, plant and equipment categorised by countries and regions as of 31st March, 2017 and 2016 are summarised as follows:

2017				
Japan	China	Southeast Asia	Others	Total
		(Millions of yen)		
¥ 75,326	**¥ 7,132**	**¥ 6,466**	**¥ 458**	**¥ 89,382**

2016				
Japan	China	Southeast Asia	Others	Total
		(Millions of yen)		
¥ 66,799	¥ 7,831	¥ 7,446	¥ 500	¥ 82,577

2017				
Japan	China	Southeast Asia	Others	Total
		(Thousands of U.S. dollars)		
$ 671,414	**$ 63,570**	**$ 57,634**	**$ 4,082**	**$ 796,702**

20. Segment Information (continued)

Related information (continued)

Information on loss on impairment of property, plant equipment

	2017						
	Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Others	Total
	(Millions of yen)						
Loss on impairment of property, plant and equipment	**¥ 67**	**¥ 11**	**¥ 1**	**¥ 30**	**¥ –**	**¥ –**	**¥ 112**

	2016						
	Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Others	Total
	(Millions of yen)						
Loss on impairment of property, plant and equipment	¥ 75	¥ 1	¥ –	¥ 6	¥ –	¥ –	¥ 83

	2017						
	Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Others	Total
	(Thousands of U.S. dollars)						
Loss on impairment of property, plant and equipment	**$ 597**	**$ 98**	**$ 8**	**$ 267**	**$ –**	**$ –**	**$ 998**

Information on amortisation of goodwill and remaining unamortised balance by reportable segment

Information on amortisation of goodwill and remaining unamortised balance by reportable segment as of and for the years ended 31st March, 2017 and 2016 was omitted because the amounts were immaterial.

Information on gain on recognition of negative goodwill by reportable segment

Information on gain on recognition of negative goodwill by reportable segment for the years ended 31st March, 2017 and 2016 was omitted because the amounts were immaterial.

21. Amounts per Share

Amounts per share at 31st March, 2017 and 2016 and for the years then ended were as follows:

	2017	2016	**2017**
	(Yen)		*(U.S. dollars)*
Net income attributable to owners of the parent	**¥ 276.20**	¥ 212.00	**$ 2.46**
Cash dividends	**50.00**	40.00	**0.44**
Net assets	**2,927.10**	2,646.45	**26.09**

Net income attributable to owners of the parent per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each respective year. Net assets per share have been computed based on the net assets available for distribution to the shareholders of common stock and the number of shares of common stock outstanding at the balance sheet date.

The number of the Company's shares held by the ESOP Trust of 271 thousand shares at 31st March, 2016, that held by the E-Ship Trust of 128 thousand shares at 31st March, 2017, and that held by the BIP Trust of 35 thousand shares and 47 thousand shares at 31st March, 2017 and 2016, respectively, were excluded from the number of shares of common stock used in the computation of net assets per share.

Diluted net income per share for the years ended 31st March, 2017 and 2016 has not been disclosed because no dilutive potential shares with dilutive effect existed for the year ended 31st March, 2017 and no dilutive potential shares existed for the year ended 31st March, 2016.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective years together with the interim cash dividends paid.

21. Amounts per Share (continued)

The financial data used in the computation of net income attributable to owners of the parent per share for the years ended 31st March, 2017 and 2016 is summarised as follows:

	2017	2016	**2017**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net income attributable to owners of the parent	**¥ 18,147**	¥ 13,903	**$ 161,752**

	2017	2016
	(Thousands of shares)	
Weighted-average number of shares of common stock	**65,703**	65,581

The weighted-average number of the Company's shares held by the ESOP Trust of 66 thousand shares and 284 thousand shares for the years ended 31st March, 2017 and 2016, respectively, that held by the E-Ship Trust of 104 thousand shares for the year ended 31st March, 2017, and that held by the BIP Trust of 37 thousand shares and 47 thousand shares for the years ended 31st March, 2017 and 2016, respectively, were excluded from the number of shares of common stock used in the computation of net income attributable to owners of the parent.

Descriptions of dilutive potential shares that were not included in the computation of diluted net income per share because of their anti-dilutive effect are as follows:

	2017		
	Face value		Number of stock acquisition rights
	(Millions of yen)	*(Thousands of U.S. dollars)*	
Euro-Yen denominated convertible bonds due 2024	**¥ 30,000**	**$ 267,403**	**3,000**

22. Related-Party Transactions

Principal transactions and balances between the Company and related parties as of and for the years ended 31st March, 2017 and 2016 were summarised as follows:

Name of related parties	Transactions			
	Type of transaction	**2017**	2016	**2017**
		(Millions of yen)		*(Thousands of U.S. dollars)*
OSAKA EIKEN CO., LTD.	Insurance expense	**¥ 167**	¥ 203	**$ 1,488**
	Balances			
	Account name	**2017**	2016	**2017**
		(Millions of yen)		*(Thousands of U.S. dollars)*
	Prepaid expenses	**¥ 59**	¥ 13	**$ 525**
	Long-term prepaid expenses	**69**	19	**615**

Principal transactions and balances between the Company's consolidated subsidiaries and related parties as of and for the years ended 31st March, 2017 and 2016 were summarised as follows:

Name of related parties	Transactions			
	Type of transaction	**2017**	2016	**2017**
		(Millions of yen)		*(Thousands of U.S. dollars)*
OSAKA EIKEN CO., LTD.	Insurance expense	**¥ 226**	¥ 77	**$ 2,014**
	Balances			
	Account name	**2017**	2016	**2017**
		(Millions of yen)		*(Thousands of U.S. dollars)*
	Prepaid expenses	**¥ 20**	¥ 4	**$ 178**
	Long-term prepaid expenses	**25**	3	**222**

OSAKA EIKEN is a majority owned company by a director and the director's relatives, located in Osaka City, Osaka and it is engaged in the insurance agency business. OSAKA EIKEN owns 0.31% of the voting rights of the Company. The capital amount of OSAKA EIKEN was ¥10 million ($89 thousand) and ¥10 million at 31st March, 2017 and 2016.

Corporate Information

Board of Directors and Statutory Auditors (as of 30th June, 2017)

President & CEO
Katsuhisa Ezaki

Senior Managing Executive Officer and Representative Director
Etsuro Ezaki

Directors
Takashi Kuriki
Akira Onuki
Tetsuo Masuda
Takatoshi Kato
Kanoko Oishi

Standing Corporate Auditors
Toshiaki Yoshida
Hiroshi Adachi

Corporate Auditors
Shintaro Iwai
Matao Miyamoto
Minoru Kudo

Corporate Data (as of 31st March, 2017)

Head Office
6-5, Utajima, 4-chome,
Nishiyodogawa-ku, Osaka 555-8502, Japan
Tel : (06)6477-8352
Fax : (06)6477-8250

Tokyo Branch
10-18, Takanawa, 4-chome, Minato-ku,
Tokyo 108-0074, Japan

Capital Paid
¥7,773 Million
(U.S. $69,284 Thousand)

Number of Employee
1,455

Stock Exchanges Listed
Tokyo

Transfer Agents
Sumitomo Mitsui Trust Bank, Limited.
5-33, Kitahama, 4-chome, Chuo-ku,
Osaka 541-0041, Japan

Established
1922