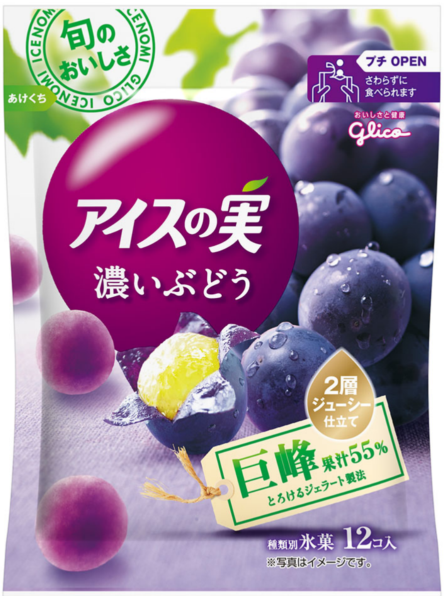
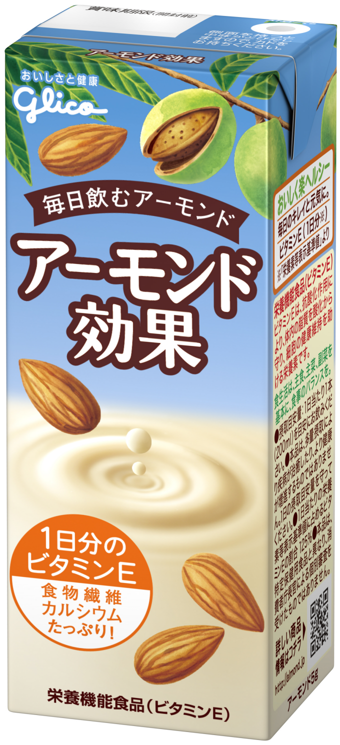
Annual Report 2018

(Fiscal year ended 31st March, 2018)





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Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	2018	2017	2016	2015	2014	2018
Net sales	**353,432**	353,217	338,437	319,393	315,399	**3,326,731**
Income before income taxes	**22,473**	26,492	20,962	31,113	17,370	**211,530**
Net income attributable to owners of parent	**15,216**	18,147	13,903	21,068	11,033	**143,222**
	Yen					
Per share of common stock:						
Net income *	**231.34**	276.20	212.00	321.35	178.19	**2.17**
Cash dividends	**50.00**	50.00	40.00	35.00	15.00	**0.47**
	Millions of yen					
Balance sheet data:						
Shareholders' equity	**192,694**	180,435	163,968	153,198	132,700	**1,813,761**
Total assets	**343,198**	324,118	274,974	275,302	243,244	**3,230,402**

* 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, 2018 and before 2017 has not been disclosed because no dilutive potential shares with dilutive effect existed for the years ended 31st March, 2018 and 2017, and no dilutive potential shares existed for the years 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, the Japanese economy remained on a gradual recovery trend, reflecting the improvement in employment conditions and corporate earnings. Meanwhile, the future outlook remained uncertain due to the uncertainty of overseas economies and the effects of fluctuations in the financial and capital markets including concerns about intensifying trade friction. The food industry was helped by relatively stable raw material prices, but personal spending remained anemic due to sluggish wages, 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 brands and focusing management resources on the health business and overseas business centered on communication with consumers. These efforts, based on Glico Group Action Guidelines, reflect our commitment to business operations that continuously earn the trust and respect of stakeholders.

Our ice cream and milk and dairy products posted decreased sales from the previous fiscal year. However, sales of our confectioneries, food products, food ingredients and other segments increased from the previous fiscal year. Consequently, consolidated net sales amounted to ¥353,432 million, an increase of 0.1% from the ¥353,217 million total of the previous fiscal year.

Regarding earnings, our overall cost-to-sales ratio decreased due to the decrease in our wholesale sales portfolio. As for selling, general and administrative (SG&A) expenses, sales promotion expenses and advertising expenses increased due to aggressive sales promotion efforts and expenses related to improvement of internal infrastructure for enhancing our business base increased.

As a result, operating income amounted to ¥20,377 million, a decrease of ¥3,876 million from the previous fiscal year (¥24,254 million). Ordinary income was ¥21,993 million, a decrease of ¥4,373 million from the previous fiscal year (¥26,367 million). Net income attributable to parent company shareholders was ¥15,216 million, a decrease of ¥2,930 million from the previous fiscal year (¥18,147 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 2018

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	124,946	3,830	103.2	9,862	(683)	93.5
Ice Cream	87,866	(4,549)	95.1	6,092	(2,351)	72.1
Food Products	20,461	240	101.2	808	(36)	95.7
Milk and Dairy Products	94,383	(488)	99.5	3,896	(891)	81.4
Food Ingredients	10,747	313	103.0	1,157	204	121.5
Others	15,026	867	106.1	246	(230)	51.7
Adjusted amount	–	–	–	(1,685)	112	–
Total	353,432	214	100.1	20,377	(3,876)	84.0

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 ‘Bisco,’ which expanded its lineup of related products and chocolate products including ‘LIBERA’ and ‘GABA.’ Outside Japan, sales revenue in almost all subsidiaries increased from the previous fiscal year. As a result, divisional sales amounted to ¥124,946 million, a 3.2% increase from the previous fiscal year (¥121,116 million).

As for divisional profits, sales promotion expenses and advertising expenses increased. As a result, operating income was ¥9,862 million, a decrease of ¥683 million from the previous fiscal year (¥10,546 million).

[Ice Cream Division]

Sales of mainstay products, including ‘Papico’ and ‘Bokujoshibori’ increased from the previous fiscal year. On the other hand, sales in wholesale sales subsidiaries decreased from the previous fiscal year due to the effect of changes in the wholesalers of our customers. As a result, divisional sales totaled ¥87,866 million, a 4.9% decrease from the previous fiscal year (¥92,416 million).

As for divisional profits, sales promotion expenses and advertising expenses increased, while gross profit decreased due to a fall in sales. Consequently, operating income was ¥6,092 million, a decrease of ¥2,351 million from the previous fiscal year (¥8,444 million).

[Food Products Division]

While ‘Premium Juku Curry’ sales decreased from the previous fiscal year, ‘DONBURI-Tei’ and ‘Curry Shokunin’ posted sales increases. Consequently, divisional sales totaled ¥20,461 million, representing an increase of 1.2% over the previous fiscal year (¥20,220 million).

As for divisional profits, sales promotion expenses such as rebates increased, while advertising expenses decreased. As a result, operating income amounted to ¥808 million, a decrease of ¥36 million from the previous fiscal year (¥844 million).

[Milk and Dairy Products Division]
'Tyousyoku Ringo Yogurt' posted sales increase over the previous fiscal year, however 'BifiX Yogurt', 'Café au Lait' and sales commissioned by Kirin Beverage Co., Ltd. decreased from the previous fiscal year. As a result, divisional sales totaled ¥94,383 million, a 0.5% decrease from the previous fiscal year (¥94,871 million).
As for divisional profits, there was an increase in advertising expenses and cost-to-sales ratio. As a result, operating income was ¥3,896 million, a decrease of ¥891 million from the previous fiscal year (¥4,788 million).

[Food Ingredients Division]
'A-glu' and 'Fine Chemical' sales increased from the previous fiscal year. As a result, divisional sales were ¥10,747 million, a 3.0% increase over the previous fiscal year (¥10,434 million).
As for divisional profits, there were improvements in the cost-to-sales ratio and the transportation and warehousing expenses-to-sales ratio. As a result, operating income was ¥1,157 million, an increase of ¥204 million from the previous fiscal year (¥952 million).

[Others]
'SUNAO' and 'Almond Koka' sales increased over the previous fiscal year. As a result, sales in this segment totaled ¥15,026 million, a 6.1% increase over the previous fiscal year (¥14,158 million).
As for profits, the increase in selling, general and administrative (SG&A) expenses of the Health Division resulted in a decrease of operating income to ¥246 million, a decrease of ¥230 million from the previous fiscal year (¥477 million).

(2) Financial Position

Assets
As of March 31, 2018, current assets were ¥181,357 million, an increase of ¥11,157 million from the end of the previous fiscal year. The main components of this increase were a ¥8,318 million increase in cash and deposits and a ¥4,527 million increase in notes and accounts receivable, trade. Non-current assets were ¥161,840 million, an increase of ¥7,921 million from the end of the previous fiscal year. The main contributors to this increase were a ¥3,910 million increase in intangible assets and a ¥3,116 million increase in investments in securities. Consequently, total assets were ¥343,198 million, an increase of ¥19,079 million compared to the end of the previous fiscal year.

Liabilities
As of March 31, 2018, current liabilities were ¥78,843 million, an increase of ¥3,417 million from the end of the previous fiscal year. The main component of this increase was a ¥4,671 million increase in notes and accounts payable, trade. Long-term liabilities were ¥49,566 million, a decrease of ¥691 million from the end of the previous fiscal year. The main component of this decrease was a ¥1,630 million decrease in liability for retirement benefits. Consequently, total liabilities were ¥128,409 million, an increase of ¥2,725 million compared to the end of the previous fiscal year.

Net Assets
As of March 31, 2018, net assets were ¥214,788 million, an increase of ¥16,353 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 ¥15,216 million, a ¥2,269 million increase in net unrealized holding gain on securities and a ¥1,025 million increase in translation adjustments. Consequently, shareholders' equity ratio was 60.7%, up 1.3 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	29,563	31,493	1,930
Cash flows from investing activities	(14,059)	(25,044)	(10,984)
Cash flows from financing activities	24,213	(4,454)	(28,667)
Balance of cash and cash equivalents at beginning of current period	52,010	90,238	38,228
Balance of cash and cash equivalents at end of current period	90,238	93,017	2,778

As of March 31, 2018, cash and cash equivalents totaled ¥93,017 million, an increase of ¥2,778 million compared to the end of the previous fiscal year. The main reason for this increase was because net cash used in investing activities and financing activities were within the range of income before income taxes of ¥22,473 million and depreciation and amortization of ¥13,604 million. Cash flows and reasons for changes during the consolidated fiscal year under review are as follows:

Cash flows from operating activities

Net cash provided by operating activities totaled ¥31,493 million, an increase of 6.5% over the previous fiscal year. The main components of cash inflows included income before income taxes amounting to ¥22,473 million recorded during the fiscal year under review, and depreciation and amortization of ¥13,604 million, while cash outflows occurred mainly with payment of income taxes amounting to ¥7,110 million.

Cash flows from investing activities

Net cash used in investing activities totaled ¥25,044 million, an increase of 78.1% over the previous fiscal year. The main components of cash outflows were ¥18,295 million spent for the acquisition of property, plant and equipment and ¥13,453 million for the increase in time deposits.

Cash flows from financing activities

Net cash used in financing activities totaled ¥4,454 million compared with ¥24,213 million provided during the previous fiscal year. The main components of cash outflows included ¥3,295 million spent for dividend payments and decrease in short-term loans payable amounting to ¥828 million.

Reference: Cash flow indicator trends

	Mar. 2016	Mar. 2017	Mar. 2018
Shareholders' equity ratio (%)	63.1	59.4	60.7
Shareholders' equity ratio on market value basis(%)	137.6	109.5	106.7
Debt-to-cash flow ratio	0.4	0.1	0.0
Interest coverage ratio (times)	101.8	255.6	616.6

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 foreign policies set forth by the U.S., 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, fluctuations in exchange rates and salary conditions 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 and strengthen our competitiveness further through selection and concentration of management resources. Furthermore, we will continue to strengthen our management foundation to achieve sustainable growth.

By adopting these measures, we aim to achieve net sales of ¥364,000 million in the next fiscal year, a 3.0% increase over the fiscal year under review. Our profit targets are: an operating income of ¥18,000 million (down 11.7% from the fiscal year under review), ordinary income of ¥19,900 million (down 9.5%) and a net income attributable to parent company shareholders of ¥13,600 million.

(4) Outlook for the Next Fiscal Year (continued)

Divisional consolidated sales forecasts for the next fiscal year

The previous 'Confectioneries Division' and 'Food Products Division' will be merged to become 'Confectioneries and Food Products Division.' Overseas business included in the 'Confectioneries Division,' 'Ice Cream Division,' 'Milk and Dairy Products Division' will be separated to form 'Overseas Division.'

These reflect changes made in the corporate management structure including the establishment of the ASEAN regional headquarters.

Accordingly, divisional sales projections are as follows: Confectioneries and Food Products Division sales of ¥100,900 million (up 1.6% from the fiscal year under review), Ice Cream Division sales of ¥88,000 million (up 1.0%), Milk and Dairy Products Division sales of ¥94,800 million (up 1.3%), Food Ingredients Division sales of ¥10,900 million (up 1.4%), Overseas Division sales of ¥53,100 million (up 11.4%) and other segment sales of ¥16,300 million (up 8.5%).

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, 2018

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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, 2018, and the consolidated statements of income and 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, 2018, 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 28, 2018
Osaka, Japan

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

31st March, 2018

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Assets			
Current assets:			
Cash and deposits *(Notes 5 and 6)*	**¥ 104,336**	¥ 96,018	**$ 982,078**
Marketable securities *(Notes 6 and 7)*	**2,240**	3,238	**21,084**
Notes and accounts receivable, trade *(Note 6)*	**41,360**	36,832	**389,307**
Inventories *(Note 8)*	**27,489**	27,812	**258,744**
Deferred tax assets *(Note 17)*	**2,478**	2,515	**23,324**
Other current assets	**3,483**	3,828	**32,784**
Less allowance for doubtful accounts	**(31)**	(47)	**(291)**
Total current assets	**181,357**	170,199	**1,707,050**
Property, plant and equipment *(Notes 9, 14, 19 and 20)*:			
Land	**15,758**	15,763	**148,324**
Buildings and structures	**70,454**	70,893	**663,158**
Machinery and vehicles	**116,523**	110,694	**1,096,790**
Tools, furniture and fixtures	**24,938**	24,279	**234,732**
Leased assets	**1,637**	1,099	**15,408**
Construction in progress	**6,871**	4,445	**64,674**
	236,184	227,176	**2,223,117**
Less accumulated depreciation	**(144,369)**	(137,793)	**(1,358,894)**
Property, plant and equipment, net	**91,814**	89,382	**864,213**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates *(Note 6)*	**3,224**	3,224	**30,346**
Investments in securities *(Notes 6 and 7)*	**39,734**	36,618	**374,002**
Long-term loans receivable	**946**	1,065	**8,904**
Deferred tax assets *(Note 17)*	**505**	474	**4,753**
Asset for retirement benefits *(Note 12)*	**1,420**	2,534	**13,365**
Real estate for investment, net *(Note 19)*	**12,329**	12,363	**116,048**
Software	**5,000**	4,530	**47,063**
Goodwill *(Notes 10 and 20)*	**4,051**	150	**38,130**
Other assets	**2,864**	3,626	**26,957**
Less allowance for doubtful accounts	**(49)**	(50)	**(461)**
Total investments and other assets	**70,026**	64,536	**659,130**
Total assets *(Note 20)*	**¥ 343,198**	¥ 324,118	**$ 3,230,402**

	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable, trade *(Note 6)*	**¥ 33,872**	¥ 29,200	**$ 318,825**
Short-term loans payable *(Notes 6 and 11)*	**842**	1,126	**7,925**
Current portion of long-term debt *(Note 11)*	**272**	644	**2,560**
Accrued expenses	**27,946**	26,024	**263,045**
Income taxes payable *(Note 17)*	**3,352**	3,701	**31,551**
Provision for bonuses of directors and audit and supervisory board members	**38**	38	**357**
Provision for sales promotion expenses	**1,887**	1,795	**17,761**
Provision for stock-based compensation of board incentive plan *(Note 3)*	**75**	89	**705**
Other current liabilities	**10,556**	12,804	**99,359**
Total current liabilities	**78,843**	75,426	**742,121**
Long-term liabilities:			
Convertible bonds *(Notes 6, 11 and 21)*	**30,125**	30,146	**283,556**
Long-term debt *(Notes 6 and 11)*	**1,016**	846	**9,563**
Liability for retirement benefits *(Note 12)*	**6,215**	7,846	**58,499**
Deferred tax liabilities *(Note 17)*	**7,205**	5,646	**67,818**
Other long-term liabilities	**5,003**	5,771	**47,091**
Total long-term liabilities	**49,566**	50,257	**466,547**
Net assets:			
Shareholders' equity *(Note 13)*:			
Common stock:			
Authorised – 270,000,000 shares in 2018 and 2017			
Issued – 69,430,069 shares in 2018 and 2017	**7,773**	7,773	**73,164**
Capital surplus	**9,095**	9,049	**85,608**
Retained earnings	**182,627**	170,706	**1,719,004**
Treasury stock – 3,636,411 shares in 2018 and 3,682,471 shares in 2017	**(6,802)**	(7,093)	**(64,024)**
Total shareholders' equity	**192,694**	180,435	**1,813,761**
Accumulated other comprehensive income (loss):			
Net unrealised holding gain on securities	**13,587**	11,318	**127,889**
Translation adjustments	**1,922**	896	**18,091**
Retirement benefits liability adjustments	**91**	(200)	**856**
Total accumulated other comprehensive income	**15,600**	12,014	**146,837**
Non-controlling interests	**6,493**	5,984	**61,116**
Total net assets *(Note 21)*	**214,788**	198,434	**2,021,724**
Total liabilities and net assets	**¥ 343,198**	¥ 324,118	**$ 3,230,402**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income

Year ended 31st March, 2018

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales *(Note 20)*	**¥353,432**	¥ 353,217	**$ 3,326,731**
Cost of sales *(Note 8)*	**187,194**	188,086	**1,761,991**
Gross profit	**166,238**	165,131	**1,564,740**
Selling, general and administrative expenses *(Notes 15 and 16)*	**145,860**	140,877	**1,372,929**
Operating income *(Note 20)*	**20,377**	24,254	**191,801**
Other income (expenses):			
Interest and dividend income	**1,239**	1,109	**11,662**
Interest expense	**(51)**	(115)	**(480)**
Gain on sales of property, plant and equipment	**32**	9	**301**
Loss on impairment of property, plant and equipment *(Notes 9 and 20)*	**(833)**	(112)	**(7,840)**
Gain on recognition of negative goodwill	**–**	313	**–**
Gain on sales of investments in securities *(Note 7)*	**492**	222	**4,631**
Gain on redemption of investments in securities *(Note 7)*	**486**	–	**4,574**
Rental income on real estate *(Note 19)*	**762**	638	**7,172**
Subsidy income	**477**	–	**4,489**
Loss on foreign exchange, net	**(644)**	(207)	**(6,061)**
Gain (loss) on termination of retirement benefit plans *(Note 12)*	**34**	(286)	**320**
Depreciation of inactive fixed assets	**(189)**	(179)	**(1,778)**
Donation	**(46)**	(165)	**(432)**
Gain on step acquisitions	**471**	–	**4,433**
Special retirement payment *(Note 12)*	**(197)**	–	**(1,854)**
Loss on disposal of property, plant and equipment	**(594)**	(194)	**(5,591)**
Other, net	**656**	1,204	**6,174**
Other income, net	**2,095**	2,237	**19,719**
Profit before income taxes	**22,473**	26,492	**211,530**
Income taxes *(Note 17)*:			
Current	**6,873**	6,847	**64,693**
Deferred	**126**	836	**1,185**
	6,999	7,683	**65,879**
Profit	**15,473**	18,808	**145,641**
Other comprehensive income (loss) *(Note 18)*:			
Net unrealised holding gain on securities	**2,269**	3,368	**21,357**
Translation adjustments	**1,366**	(1,860)	**12,857**
Retirement benefits liability adjustments	**292**	774	**2,748**
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	**55**	(114)	**517**
Total other comprehensive income	**3,983**	2,168	**37,490**
Comprehensive income	**¥ 19,457**	¥ 20,977	**$ 183,141**

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income (continued)

Year ended 31st March, 2018

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Profit attributable to:			
Owners of the parent *(Note 21)*	**¥ 15,216**	¥ 18,147	**$ 143,222**
Non-controlling interests	**257**	660	**2,419**
Total	**¥ 15,473**	¥ 18,808	**$ 145,641**
Comprehensive income attributable to:			
Owners of the parent	**¥ 18,802**	¥ 20,538	**$ 176,976**
Non-controlling interests	**654**	438	**6,155**
Total	**¥ 19,457**	¥ 20,977	**$ 183,141**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended 31st March, 2018

	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, 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)
Profit attributable to owners of the parent	–	–	18,147	–	18,147	–	–	–	–	–	18,147
Acquisition of treasury stock	–	–	–	(949)	(949)	–	–	–	–	–	(949)
Disposition of treasury stock	–	1,223	–	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 1st April, 2017	**7,773**	**9,049**	**170,706**	**(7,093)**	**180,435**	**11,318**	**896**	**(200)**	**12,014**	**5,984**	**198,434**
Cash dividends	**–**	**–**	**(3,295)**	**–**	**(3,295)**	**–**	**–**	**–**	**–**	**–**	**(3,295)**
Profit attributable to owners of the parent	**–**	**–**	**15,216**	**–**	**15,216**	**–**	**–**	**–**	**–**	**–**	**15,216**
Acquisition of treasury stock	**–**	**–**	**–**	**(11)**	**(11)**	**–**	**–**	**–**	**–**	**–**	**(11)**
Disposition of treasury stock	**–**	**0**	**–**	**302**	**302**	**–**	**–**	**–**	**–**	**–**	**302**
Changes in shareholders' equity due to transactions with non-controlling shareholders	**–**	**46**	**–**	**–**	**46**	**–**	**–**	**–**	**–**	**–**	**46**
Net changes in items other than those in shareholders' equity	**–**	**–**	**–**	**–**	**–**	**2,269**	**1,025**	**291**	**3,586**	**508**	**4,095**
Balance at 31st March, 2018	**¥ 7,773**	**¥ 9,095**	**¥ 182,627**	**¥ (6,802)**	**¥ 192,694**	**¥ 13,587**	**¥ 1,922**	**¥ 91**	**¥ 15,600**	**¥ 6,493**	**¥ 214,788**

Consolidated Statement of Changes in Net Assets (continued)

Year ended 31st March, 2018

	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, 2017	**$ 73,164**	**$ 85,175**	**$ 1,606,795**	**$ (66,763)**	**$ 1,698,371**	**$ 106,532**	**$ 8,433**	**$ (1,882)**	**$ 113,083**	**$ 56,325**	**$1,867,789**
Cash dividends	–	–	**(31,014)**	–	**(31,014)**	–	–	–	–	–	**(31,014)**
Profit attributable to owners of the parent	–	–	**143,222**	–	**143,222**	–	–	–	–	–	**143,222**
Acquisition of treasury stock	–	–	–	**(103)**	**(103)**	–	–	–	–	–	**(103)**
Disposition of treasury stock	–	**0**	–	**2,842**	**2,842**	–	–	–	–	–	**2,842**
Changes in shareholders' equity due to transactions with non-controlling shareholders	–	**432**	–	–	**432**	–	–	–	–	–	**432**
Net changes in items other than those in shareholders' equity	–	–	–	–	–	**21,357**	**9,647**	**2,739**	**33,753**	**4,781**	**38,544**
Balance at 31st March, 2018	**$ 73,164**	**$ 85,608**	**$ 1,719,004**	**$ (64,024)**	**$ 1,813,761**	**$ 127,889**	**$ 18,091**	**$ 856**	**$ 146,837**	**$ 61,116**	**$2,021,724**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended 31st March, 2018

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from operating activities:			
Profit before income taxes	**¥ 22,473**	¥ 26,492	**$ 211,530**
Adjustments:			
Depreciation and amortisation	**13,604**	11,110	**128,049**
Loss on impairment of property, plant and equipment	**833**	112	**7,840**
Gain on recognition of negative goodwill	**–**	(313)	**–**
Net changes in asset and liability for retirement benefits	**(95)**	(2,534)	**(894)**
Decrease in provision for bonuses of directors and audit and supervisory board members	**–**	(3)	**–**
(Decrease) increase in provision for stock-based compensation of board incentive plan	**(14)**	33	**(131)**
Decrease in provision for employee stock ownership plan	**–**	(1,366)	**–**
Increase in provision for sales promotion expenses	**92**	120	**865**
Decrease in allowance for doubtful accounts	**(16)**	(6)	**(150)**
Interest and dividend income	**(1,239)**	(1,109)	**(11,662)**
Interest expense	**51**	115	**480**
Loss on foreign exchange, net	**366**	122	**3,445**
Gain on sales of property, plant and equipment	**(32)**	(9)	**(301)**
Loss on disposal of property, plant and equipment	**594**	194	**5,591**
Gain on sales of investments in securities	**(492)**	(222)	**(4,631)**
Gain on redemption of investments in securities	**(486)**	–	**(4,574)**
Increase in notes and accounts receivable, trade	**(4,096)**	(1,801)	**(38,554)**
Decrease (increase) in inventories	**689**	(945)	**6,485**
Increase in notes and accounts payable, trade	**4,479**	722	**42,159**
Other, net	**1,894**	4,349	**17,827**
Subtotal	**38,604**	35,060	**363,365**
Income taxes paid	**(7,110)**	(5,496)	**(66,923)**
Net cash provided by operating activities	**31,493**	29,563	**296,432**
Cash flows from investing activities:			
Increase in time deposits	**(13,453)**	(13,196)	**(126,628)**
Decrease in time deposits	**7,938**	13,179	**74,717**
Purchases of marketable securities	**(8)**	(1,500)	**(75)**
Proceeds from sales of marketable securities	**1,533**	2,912	**14,429**
Proceeds from redemption of beneficial interests in trusts	**–**	500	**–**
Purchases of investments in securities	**(241)**	(555)	**(2,268)**
Proceeds from sales and redemption of investments in securities	**1,814**	3,206	**17,074**
Purchase of shares of a subsidiary resulting in change in scope of consolidation *(Note 5)*	**(4,307)**	(100)	**(40,540)**
Purchases of property, plant and equipment	**(18,295)**	(17,713)	**(172,204)**
Proceeds from sales of property, plant and equipment	**115**	37	**1,082**
Purchases of intangible assets	**(1,282)**	(2,560)	**(12,067)**
Proceeds from rental of real estate for investment	**672**	576	**6,325**
Increase in loans receivable	**(1)**	(2)	**(9)**
Collection of loans receivable	**58**	86	**545**
Interest and dividends received	**1,257**	1,136	**11,831**
Other, net	**(845)**	(66)	**(7,953)**
Net cash used in investing activities	**(25,044)**	(14,059)	**(235,730)**

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended 31st March, 2018

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from financing activities:			
Proceeds from issuance of convertible bonds	–	30,045	–
Decrease in short-term loans payable, net	**(828)**	(3,825)	**(7,793)**
Proceeds from long-term loans payable	–	944	–
Repayment of long-term bank loans	**(201)**	(879)	**(1,891)**
Interest paid	**(51)**	(115)	**(480)**
Cash dividends paid	**(3,295)**	(2,631)	**(31,014)**
Cash dividends paid to non-controlling shareholders	**(19)**	(14)	**(178)**
Acquisition of treasury stock	**(11)**	(949)	**(103)**
Proceeds from sales of treasury stock	**213**	1,829	**2,004**
Other, net	**(260)**	(188)	**(2,447)**
Net cash (used in) provided by financing activities	**(4,454)**	24,213	**(41,923)**
Effect of exchange rate changes on cash and cash equivalents	**783**	(1,489)	**7,370**
Net increase in cash and cash equivalents	**2,778**	38,228	**26,148**
Cash and cash equivalents at beginning of the year	**90,238**	52,010	**849,378**
Cash and cash equivalents at end of the year *(Note 5)*	**¥ 93,017**	¥ 90,238	**$ 875,536**

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

31st March, 2018

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, 2017 to the 2018 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 ¥106.24 = U.S. $1.00, the approximate rate of exchange in effect on 31st March, 2018, 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 unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and its 34 and 31 significant subsidiaries at 31st March, 2018 and 2017, respectively.

Two subsidiaries are excluded from the scope of consolidation because the effect of their total assets, net sales, profit or loss, and retained earnings (each amount of profit or loss and retained earnings in proportion to the interest held by the Group) on the accompanying consolidated financial statements are not significant.

The number of affiliates accounted for by the equity method was 2 at 31st March, 2018 and 2017, respectively.

Investments in two unconsolidated subsidiaries and an affiliate are not accounted for by the equity method but stated at cost, because the effect of their profit 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 profit.

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 provided to cover possible losses on collection. With respect to normal accounts receivables, loan receivables and others, allowance for doubtful accounts is stated at an amount based on the actual rate of historical bad debts, and for certain doubtful receivable, the uncollectible amount has been individually estimated.

(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 profit. 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 gross average method, or net selling value.

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

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 leased assets)

Expenditures relating to the cost of computer software intended for internal use are charged to profit as incurred, except if these are deemed to contribute to the generation of future profit 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 to ten 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 nil 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.

2. *Summary* of Significant Accounting Policies (continued)

(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.

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

Provision for stock-based compensation of board incentive plan is provided at the estimated stock-based compensation 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 profit 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) Accounting standards issued but not yet effective

"Implementation Guidance on Tax Effect Accounting" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 28, revised on 16th February, 2018)
"Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, final revision on 16th February, 2018)

2. Summary of Significant Accounting Policies (continued)

(t) Accounting standards issued but not yet effective (continued)

(1) Overview

The following revisions to the above guidances were made as necessary upon transfer of responsibility for practical guidance on tax effect accounting issued by the Japanese Institute of Certified Public Accountants to the ASBJ, whilst adhering to the original framework of the practical guidance in general.

- The accounting treatment on taxable temporary differences for investments in subsidiaries, etc. in non-consolidated financial statements.
- The accounting treatment on recoverability of deferred tax assets for companies classified as category 1 entities (companies that have recorded sufficient taxable income to exceed the amount of the deductible temporary differences in the current year and previous three years).

(2) Scheduled date of adoption

The Company expects to adopt the implementation guidance from the beginning of the fiscal year ending 31st March, 2019.

(3) Impact of adopting the implementation guidance

The Company is currently evaluating the impact of adopting these guidances on the consolidated financial statements.

"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued on 30th March, 2018)
"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued on 30th March, 2018)

(1) Overview

The standard and guidance are comprehensive accounting standards on revenue recognition. Revenue will be recognised based on the following five-step model.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

2. Summary of Significant Accounting Policies (continued)

(t) Accounting standards issued but not yet effective (continued)

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending 31st March, 2022.

(3) Impact of adopting the accounting standard and implementation guidance

The Company is currently evaluating the impact of adopting the standard and implementation guidance on the consolidated financial statements.

3. Additional Information

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 them to the Shareholding Association periodically in accordance with certain conditions and the method stipulated in the E-Ship Agreement over a five-year period.

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, any accumulation of net loss on sales of its shares and will pay off the amount of outstanding debt at the end of the trust period, as it shall guarantee the debt of the 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.

3. Additional Information (continued)

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

The book value and number of shares held by the E-Ship Trust at 31st March, 2018 and 2017 were as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Book value	**¥ 601**	¥ 814	**$ 5,657**

	2018	2017
	(Thousands of shares)	
Number of shares	**94**	128

The book value of bank loans of the E-Ship Trust recorded in the consolidated balance sheet as of 31st March, 2018 and 2017 were as follows.

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Book value	**¥ 631**	¥ 833	**$ 5,939**

The Company applied "Practical Solution on Transactions on Delivering the Company's Own Stock Employee, etc. through Trusts" (ASBJ PITF No. 30, revised on 26th March, 2015).

Performance-based remuneration

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 1st April, 2015 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.

3. Additional Information (continued)

Performance-based remuneration (continued)

Under the BIP Trust Agreement, the Company established the BIP Trust for the eligible Directors and the Company contributes cash up to ¥300 million ($2,823 thousand) to the BIP Trust as a remuneration for the Directors over the Period.

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

The book value and number of shares held by the BIP Trust at 31st March, 2018 and 2017 were as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Book value	**¥ 133**	¥ 223	**$ 1,251**

	2018	2017
	(Thousands of shares)	
Number of shares	**21**	35

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

4. Changes in Scope of Consolidation

Glico Asia Pacific Pte. Ltd. was newly established by the Company and a majority of shares of Glico Canada Corporation (an affiliate previously not accounted for by the equity method) and TCHO Ventures, Inc. were acquired by the Company during the year ended 31st March, 2018. 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, 2018.

5. Cash and Cash Equivalents

(1) The balances of cash and deposits in the consolidated balance sheet at 31st March, 2018 and 2017 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:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	**¥104,336**	¥96,018	**$ 982,078**
Time deposits with original maturities in excess of three months included in cash and deposits	**(12,958)**	(7,443)	**(121,969)**
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	**1,639**	1,663	**15,427**
Cash and cash equivalents	**¥ 93,017**	¥90,238	**$ 875,536**

(2) The assets and liabilities of the entities which became newly consolidated subsidiaries following the purchase of shares during the year ended 31st March, 2018

The assets and liabilities at the beginning of consolidation and the net cash used in the acquisition and the acquisition cost following the purchase of shares of TCHO Ventures, Inc. are as follows:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Current assets	¥ 636	$ 5,986
Non-current assets	18	169
Goodwill	3,311	31,165
Current liabilities	(170)	(1,600)
Translation adjustments	171	1,609
Acquisition cost of shares of the consolidated subsidiary	3,966	37,330
Cash and cash equivalents of the consolidated subsidiary	(64)	(602)
Purchase of shares of a subsidiary resulting in change in scope of consolidation	¥3,902	$ 36,728

Information of the assets and liabilities of other entities which became newly consolidated subsidiaries following the purchase of shares during the years ended 31st March, 2018 and 2017 was omitted because the amounts were immaterial.

6. 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.

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 loans payable 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.

6. Financial Instruments (continued)

Risk management for financial instruments (continued)

(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.

(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.

6. Financial Instruments (continued)

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, 2018 and 2017 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.

	2018		
	Carrying value	Estimated fair value	Difference
		(Millions of yen)	
Assets:			
Cash and deposits	**¥ 104,336**	**¥ 104,336**	**¥ –**
Notes and accounts receivable, trade	**41,360**	**41,360**	**–**
Marketable securities and investments in securities	**40,877**	**40,877**	**–**
Total assets	**¥ 186,575**	**¥ 186,575**	**¥ –**
Liabilities:			
Notes and accounts payable, trade	**¥ 33,872**	**¥ 33,872**	**¥ –**
Short-term loans payable	**842**	**842**	**–**
Current portion of long-term bank loans	**–**	**–**	**–**
Convertible bonds	**30,125**	**30,780**	**654**
Long-term bank loans	**443**	**442**	**(0)**
Total liabilities	**¥ 65,282**	**¥ 65,937**	**¥ 654**

6. Financial Instruments (continued)

	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

	2018		
	Carrying value	Estimated fair value	Difference
	(Thousands of U.S. dollars)		
Assets:			
Cash and deposits	**$ 982,078**	**$ 982,078**	**$** –
Notes and accounts receivable, trade	**389,307**	**389,307**	–
Marketable securities and investments in securities	**384,760**	**384,760**	–
Total assets	**$1,756,165**	**$1,756,165**	**$** –
Liabilities:			
Notes and accounts payable, trade	**$ 318,825**	**$ 318,825**	**$** –
Short-term loans payable	**7,925**	**7,925**	–
Current portion of long-term bank loans	–	–	–
Convertible bonds	**283,556**	**289,721**	**6,155**
Long-term bank loans	**4,169**	**4,160**	**(0)**
Total liabilities	**$ 614,476**	**$ 620,641**	**$ 6,155**

6. 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 7 "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.

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks	**¥ 4,321**	¥4,319	**$ 40,672**

6. Financial Instruments (continued)

The redemption schedule at 31st March, 2018 for deposits, trade receivables and securities with maturity dates is summarised as follows:

	2018			
	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	**¥ 104,227**	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	**41,360**	–	–	–
Marketable securities and investments in securities:				
Bonds (Corporate bonds)	**600**	–	–	–
Other securities	**1,000**	**140**	**684**	–
Total	**¥ 147,187**	**¥140**	**¥ 684**	**¥** –

	2018			
	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	**$ 981,052**	**$** –	**$** –	**$** –
Notes and accounts receivable, trade	**389,307**	–	–	–
Marketable securities and investments in securities:				
Bonds (Corporate bonds)	**5,647**	–	–	–
Other securities	**9,412**	**1,317**	**6,438**	–
Total	**$1,385,419**	**$ 1,317**	**$ 6,438**	**$** –

7. Marketable Securities and Investments in Securities

Marketable securities classified as other securities at 31st March, 2018 and 2017 are summarised as follows:

	2018		
	Acquisition cost	Carrying value	Unrealised holding gain (loss)
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost:			
Stock	**¥ 18,461**	**¥ 37,668**	**¥ 19,206**
Bonds	**600**	**600**	**0**
Other	**32**	**48**	**15**
Subtotal	**19,094**	**38,317**	**19,223**
Securities whose carrying value does not exceed their acquisition cost:			
Stock	**230**	**213**	**(16)**
Other	**2,348**	**2,346**	**(2)**
Subtotal	**2,578**	**2,559**	**(18)**
Total	**¥ 21,673**	**¥ 40,877**	**¥ 19,204**

	2017		
	Acquisition cost	Carrying value	Unrealised holding gain (loss)
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 18,413	¥ 33,587	¥ 15,174
Bonds	913	1,379	466
Other	48	53	4
Subtotal	19,375	35,021	15,645
Securities whose carrying value does not exceed their acquisition cost:			
Stock	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

7. Marketable Securities and Investments in Securities (continued)

	2018		
	Acquisition cost	Carrying value	Unrealised holding gain (loss)
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Stock	**$ 173,766**	**$ 354,555**	**$ 180,779**
Bonds	**5,647**	**5,647**	**0**
Other	**301**	**451**	**141**
Subtotal	**179,725**	**360,664**	**180,939**
Securities whose carrying value does not exceed their acquisition cost:			
Stock	**2,164**	**2,004**	**(150)**
Other	**22,100**	**22,082**	**(18)**
Subtotal	**24,265**	**24,086**	**(169)**
Total	**$ 204,000**	**$ 384,760**	**$ 180,760**

The proceeds from sales and gross realised gain on securities classified as other securities for the years ended 31st March, 2018 and 2017 are summarised as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales:			
Stock	**¥ 992**	¥ 624	**$ 9,337**
Bonds	**800**	–	**7,530**
Other	–	1,512	–
Total	**¥ 1,792**	¥ 2,136	**$ 16,867**
Gross realised gain:			
Stock	**¥ 492**	¥ 210	**$ 4,631**
Bonds	**486**	–	**4,574**
Other	–	12	–
Total	**¥ 978**	¥ 222	**$ 9,205**

There were no losses on devaluation of investments in securities for the years ended 31st March, 2018 and 2017, 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.

8. Inventories

Inventories at 31st March, 2018 and 2017 consisted of the following:

	2018	2017	2018
	(Millions of yen)		*(Thousands of U.S. dollars)*
Finished goods and commercial goods	**¥ 13,992**	¥ 13,460	**$ 131,701**
Work in process	**791**	894	**7,445**
Raw materials and supplies	**12,704**	13,457	**119,578**
	¥ 27,489	¥ 27,812	**$ 258,744**

Cost of sales included loss on devaluation of inventories of ¥200 million ($1,882 thousand) and ¥270 million for the years ended 31st March, 2018 and 2017, respectively.

9. 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.

For the year ended 31st March, 2018

As to the grouping method of assets, for business assets, loss on impairment is recognised and measured based on the smallest grouping of assets that generate cash flows that are essentially independent classified by business segment, and for idle assets, loss on impairment is recognised and measured based on each individual unit.

The Group recognised loss on impairment of ¥833 million ($7,840 thousand) for the year ended 31st March, 2018 as follows:

- Kyushu Glico, Hiroshima Glico Dairy and Others
  For business assets and idle assets not expected to be utilised in the future, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of buildings and structures of ¥76 million ($715 thousand) and machinery of ¥86 million ($809 thousand). The recoverable amounts of these assets were measured at net realisable value. The net realisable value was nil.

- Thailand (Bangkok City and Others)
  For ice cream production equipment, sales equipment and others, the financial results were significantly lower than the initial business plan and accordingly, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of machinery of ¥448 million ($4,216 thousand) and tools, furniture and fixtures of ¥220 million ($2,070 thousand). The recoverable amounts of these assets were measured at value in use. Since the future cash flow is expected to be negative, the value in use was measured at memorandum value.

9. Loss on Impairment of Property, Plant and Equipment (continued)

<u>For the year ended 31st March, 2017</u>

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

10. Business Combinations

Business combination through acquisition

(1) Outline of the business combination

(a) Name and business description of acquired companies

Name: TCHO Ventures, Inc.
Description of business: Manufacturing and sales of chocolate confectioneries

(b) Primary reason for the acquisition

The market size of chocolate confectioneries in the U.S. is $18.9 billion annually, and in recent years, the market has grown by 2% per annum.
TCHO Ventures, Inc. established a premium chocolate brand "TCHO," which is known for its superior quality ingredients and production process, and has earned strong recognition particularly amongst millennials, the generation with the highest purchase intent. Continued growth is expected in the overall market in the premium chocolate category in the U.S., and by entering this market, the Company will further strengthen its chocolate business.

(c) Date of the business combination

28th February, 2018

(d) Legal form of the business combination

Acquisition of shares in consideration for cash

(e) Ratio of acquired voting rights

100%

(f) Main grounds for determining the acquiring company

The Company acquired all the shares of TCHO Ventures, Inc. in exchange for cash.

10. Business Combinations (continued)

Business combination through acquisition (continued)

(2) Period for which acquired company financial results are included in consolidated financial statements

The financial results of the acquired company are not included because only the balance sheet was consolidated for the year ended 31st March, 2018.

(3) Acquisition cost and composition of consideration

Consideration for the acquisition	Cash	¥3,966 million	($37,330 thousand)
Acquisition cost		¥3,966 million	($37,330 thousand)

(4) Costs directly associated with the acquisition

Advisory fees and commissions, etc. ¥189 million ($1,778 thousand)

(5) Amount, reason, amortisation method and amortisation period of goodwill recognised

(a) Amount of goodwill recognised

¥3,311 million ($31,165 thousand)
The amount of goodwill is calculated on a provisional basis because the allocation of acquisition cost has not been completed.

(b) Reason of recognition

Future business activities of the acquired company are expected to generate excess profitability.

(c) Amortisation method and amortisation period

Straight-line method over a period of 10 years.

(6) Assets acquired and liabilities assumed at the date of business combination

	(Millions of yen)	*(Thousands of U.S. dollars)*
Current assets	¥636	$ 5,986
Non-current assets	18	169
Total assets	655	6,165
Current liabilities	170	1,600
Non-current liabilities	–	–
Total liabilities	¥170	$ 1,600

10. Business Combinations (continued)

Business combination through acquisition (continued)

(7) Approximate impact on the consolidated statement of income and comprehensive income for the year ended 31st March, 2018 assuming that the business combination was completed on 1st April, 2017 and its calculation method

Disclosure is omitted because the amounts were immaterial.

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, 2018 and 2017 were 2.801% and 2.962%, respectively.

Long-term debt at 31st March, 2018 and 2017 consisted of the following:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unsecured bank loans at average interest rates of 0.099%, due within 2019 and 2021	**¥ 443**	¥ 644	**$ 4,169**
Unsecured bank loans at the average interest rate of 3.860%, due 2017	**–**	486	**–**
Lease obligations	**846**	360	**7,963**
	1,289	1,491	**12,132**
Less current portion:			
Bank loans	**–**	(486)	**–**
Lease obligations	**(272)**	(158)	**(2,560)**
	(272)	(644)	**(2,560)**
Long-term debt	**¥1,016**	¥ 846	**$ 9,563**

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, 2018 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)*
2019	**¥ –**	**$ –**	**¥ 272**	**$ 2,560**
2020	**188**	**1,769**	**229**	**2,155**
2021	**188**	**1,769**	**202**	**1,901**
2022	**65**	**611**	**133**	**1,251**
2023	**–**	**–**	**5**	**47**
2024 and thereafter	**–**	**–**	**2**	**18**
	¥ 443	**$ 4,169**	**¥ 846**	**$ 7,963**

Convertible bonds at 31st March, 2018 and 2017 consisted of the following:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	**¥ 30,125**	¥ 30,146	**$ 283,556**

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	Nil
Initial conversion price	¥8,077.8 ($76.03) per share
Total issue price	¥30,000 million ($282,379 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 ¥8,077.8 ($76.03) to ¥8,062.2 ($75.88) from 1st April, 2018.

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, 2018 and 2017 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. Glico Nutrition Co., Ltd., and Koei Jyoho System Kabushiki Kaisha transferred a certain portion of their lump-sum payment plans to defined contribution pension plans in October 2017.

The changes in the retirement benefit obligation for the years ended 31st March, 2018, and 2017 are as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Beginning balance of retirement benefit obligation	**¥ 22,485**	¥ 26,148	**$ 211,643**
Service cost	**779**	1,163	**7,332**
Interest cost	**119**	112	**1,120**
Actuarial loss (gain)	**380**	(265)	**3,576**
Benefits paid	**(1,373)**	(1,754)	**(12,923)**
Prior service cost arising during the year	**–**	(103)	**–**
Decrease due to transfer to defined contribution pension plans	**(141)**	(2,802)	**(1,327)**
Others	**193**	(13)	**1,816**
Ending balance of retirement benefit obligation	**¥ 22,443**	¥ 22,485	**$ 211,248**

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, 2018 and 2017 are as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Beginning balance of plan assets at fair value	**¥17,172**	¥17,184	**$ 161,634**
Expected return on plan assets	**429**	429	**4,038**
Actuarial gain	**581**	143	**5,468**
Contributions by the employers	**378**	373	**3,557**
Retirement benefits paid	**(914)**	(958)	**(8,603)**
Ending balance of plan assets at fair value	**¥17,647**	¥17,172	**$ 166,105**

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, 2018 and 2017 is as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	**¥ 16,239**	¥ 16,387	**$ 152,852**
Plan assets at fair value	**(17,647)**	(17,172)	**(166,105)**
	(1,408)	(784)	**(13,253)**
Unfunded retirement benefit obligations	**6,204**	6,097	**58,396**
Net liability for retirement benefits in the consolidated balance sheet	**4,795**	5,312	**45,133**
Liability for retirement benefits	**6,215**	7,846	**58,499**
Asset for retirement benefits	**(1,420)**	(2,534)	**(13,365)**
Net liability for retirement benefits in the consolidated balance sheet	**¥ 4,795**	¥ 5,312	**$ 45,133**

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, 2018 and 2017 are as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	**¥ 779**	¥ 1,159	**$ 7,332**
Interest cost	**119**	112	**1,120**
Expected return on plan assets	**(429)**	(429)	**(4,038)**
Amortisation:			
Actuarial loss	**228**	429	**2,146**
Prior service cost	**(20)**	(1)	**(188)**
Others	**(2)**	57	**(18)**
Retirement benefit expenses	**¥ 674**	¥ 1,327	**$ 6,344**
Special retirement payment	**¥ 197**	¥ –	**$ 1,854**
(Gain) loss resulting from transfer to defined contribution pension plans	**¥ (34)**	¥ 286	**$ (320)**

(Notes)

1. Retirement benefit expenses calculated by the simplified method are included in "Service cost" of the above table.
2. "Special retirement payment" is included in "Other expenses."
3. "(Gain) loss resulting from transfer to defined contribution pension plans" is included in "Other income (expenses)" as "Gain (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:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Prior service cost	**¥ (20)**	¥ 102	**$ (188)**
Actuarial gain	**442**	1,014	**4,160**
Total	**¥ 421**	¥ 1,117	**$ 3,962**

12. Retirement Benefits (continued)

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

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognised prior service cost	**¥ 72**	¥ 93	**$ 677**
Unrecognised actuarial gain (loss)	**55**	(387)	**517**
Total	**¥ 128**	¥ (293)	**$ 1,204**

The fair value of plan assets, by major category, as a percentage of total plan assets as of 31st March, 2018 and 2017 are as follows:

	2018	2017
Bonds	**48 %**	46 %
Equities	**31**	28
General accounts at life insurance companies	**5**	6
Other	**16**	20
Total	**100 %**	100 %

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

	2018	2017
Discount rates	**0.1%～1.1%**	0.0%～1.3%
Expected long-term rate of return on plan assets	**2.5%**	2.5%
Expected rates of future salary increase	**8.0%～14.0%**	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 ¥14 million ($131 thousand) and ¥26 million for the years ended 31st March, 2018 and 2017, 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, 2018 and 2017.

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Plan assets	**¥ 549,912**	¥ 531,916	**$ 5,176,129**
Total of amount of the pension obligation based on the calculation of pension financing in the scheme and minimum reserve amount	**547,838**	538,160	**5,156,607**
Difference	**¥ 2,074**	¥ (6,243)	**$ 19,521**

The contribution ratios of the consolidated subsidiary to the multi-employer pension plan for the years ended 31st March, 2018 and 2017 were 0.17% and 0.18%, respectively.

The main reasons behind the difference in the above table are due to unrecognised prior service costs of ¥28,872 million ($271,762 thousand) and ¥34,540 million and, net of surplus of ¥30,947 million ($291,293 thousand) and ¥28,296 million as of 31st March, 2018 and 2017, 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, 2017 was 5 years and 0 month. 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 ¥3,006 million ($28,294 thousand) and the transfer is expected to be completed in four years from the beginning of the transfer. The portion of plan assets yet to be transferred at 31st March, 2018 in the amount of ¥1,479 million ($13,921 thousand) is included in accounts payable, other under "Other current liabilities" and long-term accounts payable, other under "Other long-term liabilities."

The amounts to be paid to the defined contribution plans by the Company and certain consolidated subsidiaries were ¥180 million ($1,694 thousand) and ¥86 million for the years ended 31st March, 2018 and 2017, respectively.

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 ($18,288 thousand) at 31st March, 2018 and 2017, respectively.

Movements in issued shares of common stock and treasury stock during the years ended 31st March, 2018 and 2017 are summarised as follows:

For the year ended 31st March, 2018

	Number of Shares			
	2018			
	1st April, 2017	Increase	Decrease	31st March, 2018
Issued shares:				
Common stock	**69,430,069**	**–**	**–**	**69,430,069**
Treasury stock	**3,682,471**	**1,977**	**48,037**	**3,636,411**

The increase in treasury stock of 1,977 shares was due to the acquisition of fractional shares of less than one voting unit. The decrease in treasury stock of 48,037 shares was due to the sales of fractional shares of less than one voting unit of 37 shares, issuance of treasury stock through the E-Ship Trust of 33,600 shares and shares granted from the BIP Trust to Directors of 14,400 shares.

Treasury stock at 31st March, 2018 includes 94,800 shares held by the E-ship Trust and 21,500 shares held by the BIP Trust.

13. Shareholders' Equity (continued)

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.

Information on stock acquisition rights and treasury stock acquisition rights during the years ended 31st March, 2018 and 2017 is as follows:

For the year ended 31st March, 2018

			Number of shares subject to stock acquisition rights				31st March, 2018 (*Millions of yen / Thousands of U.S. dollars*)
Company name	Details	Type of stock subject to stock acquisition rights	1st April, 2017	Increase	Decrease	31st March, 2018	
The Company	Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	Common stock	**3,706,907**	(Note 1) **6,975**	–	**3,713,882**	(Note 2)

(Notes) 1. The increase in the Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights) was due to the adjustment of the conversion price.

2. 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.

13. Shareholders' Equity (continued)

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				31st March, 2017 (*Millions of yen / Thousands of U.S. dollars*)
			1st April, 2016	Increase	Decrease	31st March, 2017	
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.

Information on dividend payments and the effective date for the years ended 31st March, 2018 and 2017 is as follows:

For the year ended 31st March, 2018

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 15th May, 2017	Common stock	**¥ 1,977 (\$ 18,608)**	**¥ 30 (\$ 0.28)**	31st March, 2017	6th June, 2017
Board of Directors' meeting held on 31st October, 2017	Common stock	**¥ 1,318 (\$ 12,405)**	**¥ 20 (\$ 0.18)**	30th September, 2017	8th December, 2017

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 15th May, 2017 included ¥4 million (\$37 thousand) of cash dividends applicable to shares held by the E-Ship Trust and the BIP Trust.

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 31st October, 2017 included ¥2 million (\$18 thousand) of cash dividends applicable to shares held by the E-Ship Trust and the BIP Trust.

13. Shareholders' Equity (continued)

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 14th May, 2018	Common stock	**¥ 1,977** **($ 18,608)**	Retained earnings	**¥ 30** **($ 0.28)**	31st March, 2018	6th June, 2018

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 14th May, 2018 included ¥3 million ($28 thousand) of cash dividends applicable to shares held by the E-Ship Trust and the BIP Trust.

<u>For the year ended 31st March, 2017</u>

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 13th May, 2016	Common stock	¥ 1,312	¥ 20	31st March, 2016	7th June, 2016
Board of Directors' meeting held on 7th November, 2016	Common stock	¥ 1,318	¥ 20	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 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 of cash dividends applicable to shares held by the E-Ship Trust and 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 nil 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, 2018 for operating leases are summarised as follows:

Year ending 31st March,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2019	**¥ 292**	**$ 2,748**
2020 and thereafter	**421**	**3,962**
Total	**¥ 713**	**$ 6,711**

15. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended 31st March, 2018 and 2017 were as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Freight and warehouse expenses	**¥ 29,965**	¥ 30,398	**$ 282,050**
Sales promotion expenses	**53,597**	52,460	**504,489**
Provision for sales promotion expenses	**1,887**	1,795	**17,761**
Advertising expenses	**13,621**	11,710	**128,209**
Salaries	**16,549**	16,194	**155,769**
Bonuses	**5,509**	5,460	**51,854**
Welfare expenses	**5,100**	5,201	**48,004**
Retirement benefit expenses	**817**	1,057	**7,690**
Reversal of allowance for doubtful accounts	**(5)**	(0)	**(47)**
Provision for bonuses of directors and audit and supervisory board members	**38**	38	**357**
Provision for stock-based compensation of board incentive plan	**75**	89	**705**
Depreciation and amortisation	**2,503**	1,800	**23,559**
Other	**16,200**	14,669	**152,484**
Total	**¥145,860**	¥140,877	**$ 1,372,929**

16. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2018 and 2017 amounted to ¥6,148 million ($57,868 thousand) and ¥5,490 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 a statutory tax rate of approximately 30.9% for the years ended 31st March, 2018 and 2017. Overseas subsidiaries are subject to the income and other taxes of the respective countries in which they operate.

For the year ended 31st March, 2018, 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.

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%

17. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at 31st March, 2018 and 2017 are summarised as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Current portion			
Deferred tax assets:			
Accrued bonuses	**¥ 946**	¥ 930	**$ 8,904**
Accrued expenses	**896**	887	**8,433**
Other	**638**	699	**6,005**
Total deferred tax assets	**2,481**	2,518	**23,352**
Less valuation allowance	**(3)**	(2)	**(28)**
Offset by deferred tax liabilities	**–**	–	**–**
Net deferred tax assets	**¥ 2,478**	¥ 2,515	**$ 23,324**
Non-current portion			
Deferred tax assets:			
Liability for retirement benefits	**¥ 1,534**	¥ 1,698	**$ 14,439**
Loss on impairment of property, plant and equipment	**1,823**	1,657	**17,159**
Loss on devaluation of investments in securities	**372**	532	**3,501**
Tax loss carryforwards	**232**	200	**2,183**
Amortisation of deferred assets	**24**	29	**225**
Depreciation	**420**	466	**3,953**
Other	**648**	2,191	**6,099**
Total deferred tax assets	**5,056**	6,776	**47,590**
Less valuation allowance	**(2,249)**	(3,796)	**(21,169)**
Offset by deferred tax liabilities	**(2,300)**	(2,506)	**(21,649)**
Net deferred tax assets	**¥ 505**	¥ 474	**$ 4,753**
Deferred tax liabilities:			
Net unrealised holding gain on securities	**¥ (5,623)**	¥ (4,318)	**$ (52,927)**
Reserve for special depreciation for tax purposes	**(3)**	(6)	**(28)**
Reserve for deferred gain on property for tax purposes	**(2,423)**	(2,427)	**(22,806)**
Other	**(1,455)**	(1,399)	**(13,695)**
Total deferred tax liabilities	**(9,505)**	(8,152)	**(89,467)**
Offset by deferred tax assets	**2,300**	2,506	**21,649**
Net deferred tax liabilities	**¥ (7,205)**	¥ (5,646)	**$ (67,818)**

18. Other Comprehensive Income

Other comprehensive income (loss) related to reclassification adjustments and tax effects allocated to each comprehensive income (loss) for the years ended 31st March, 2018 and 2017 are summarised as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net unrealised holding gains on securities:			
Amount arising during the year	**¥ 4,469**	¥ 4,949	**$ 42,065**
Reclassification adjustments	**(892)**	(222)	**(8,396)**
Amount before income tax effect	**3,576**	4,727	**33,659**
Income tax effect	**(1,307)**	(1,359)	**(12,302)**
Total	**2,269**	3,368	**21,357**
Translation adjustments:			
Amount arising during the year	**1,366**	(1,860)	**12,857**
Retirement benefits liability adjustments:			
Amount arising during the year	**201**	512	**1,891**
Reclassification adjustments	**220**	604	**2,070**
Amount before income tax effect	**421**	1,117	**3,962**
Income tax effect	**(129)**	(342)	**(1,214)**
Total	**292**	774	**2,748**
Share of other comprehensive income (loss) of affiliates accounted for by the equity method:			
Adjustments arising during the year	**55**	(114)	**517**
Total other comprehensive income	**¥ 3,983**	¥ 2,168	**$ 37,490**

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, 2018 and 2017. Net rental income, net of rental cost, for the years ended 31st March, 2018 and 2017 was ¥516 million ($4,856 thousand) and ¥481 million, respectively.

The carrying value in the consolidated balance sheet and corresponding fair value of investment and rental properties as of 31st March, 2018 and 2017 are as follows:

	Carrying value			*Fair value*
	1st April, 2017	Net change	31st March, 2018	31st March, 2018
		(Millions of yen)		
Investment and rental property	**¥ 12,875**	**¥ (111)**	**¥ 12,764**	**¥ 16,234**

	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, 2017	Net change	31st March, 2018	31st March, 2018
		(Thousands of U.S. dollars)		
Investment and rental property	**$ 121,187**	**$(1,044)**	**$ 120,143**	**$ 152,804**

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, 2018 were the decrease due to sales of idle property in the amount of ¥46 million ($432 thousand) and the decrease due to depreciation in the amount of ¥26 million ($244 thousand).

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 and the decrease due to depreciation in the amount of ¥26 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.

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 is determined based on operating income. Inter-segment transactions are determined based on market prices.

20. Segment Information (continued)

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

	2018					
	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 segment:						
Net sales:						
Sales to third parties	**¥ 124,946**	**¥ 87,866**	**¥ 20,461**	**¥ 94,383**	**¥ 10,747**	**¥ 338,406**
Inter-segment sales and transfers	**1,093**	**146**	**1**	**22**	**165**	**1,429**
Total	**¥ 126,040**	**¥ 88,013**	**¥ 20,462**	**¥ 94,405**	**¥ 10,913**	**¥ 339,835**
Segment income	**¥ 9,862**	**¥ 6,092**	**¥ 808**	**¥ 3,896**	**¥ 1,157**	**¥ 21,817**
Segment assets	**61,821**	**41,673**	**6,732**	**28,517**	**5,368**	**144,112**
Other items:						
Depreciation and amortisation	**4,443**	**3,664**	**225**	**1,469**	**118**	**9,921**
Increase in property, plant and equipment and intangible assets	**5,656**	**3,250**	**391**	**1,578**	**245**	**11,121**

	2018			
	Others	Total	Adjustments and eliminations	Consolidated
	(Millions of yen)			
Sales, income or loss and assets by reportable segment:				
Net sales:				
Sales to third parties	**¥ 15,026**	**¥ 353,432**	**¥ –**	**¥ 353,432**
Inter-segment sales and transfers	**4,292**	**5,722**	**(5,722)**	**–**
Total	**¥ 19,319**	**¥ 359,154**	**¥ (5,722)**	**¥ 353,432**
Segment income	**¥ 246**	**¥ 22,063**	**¥ (1,685)**	**¥ 20,377**
Segment assets	**1,518**	**145,631**	**197,566**	**343,198**
Other items:				
Depreciation and amortisation	**268**	**10,190**	**3,414**	**13,604**
Increase in property, plant and equipment and intangible assets	**688**	**11,809**	**4,728**	**16,538**

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
	(Millions of yen)					
Sales, income or loss and assets by reportable segment:						
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 segment:				
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)

	2018					
	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 segment:						
Net sales:						
Sales to third parties	**$ 1,176,073**	**$ 827,051**	**$ 192,592**	**$ 888,394**	**$ 101,157**	**$ 3,185,297**
Inter-segment sales and transfers	**10,288**	**1,374**	**9**	**207**	**1,553**	**13,450**
Total	**$ 1,186,370**	**$ 828,435**	**$ 192,601**	**$ 888,601**	**$ 102,720**	**$ 3,198,748**
Segment income	**$ 92,827**	**$ 57,341**	**$ 7,605**	**$ 36,671**	**$ 10,890**	**$ 205,355**
Segment assets	**581,899**	**392,253**	**63,365**	**268,420**	**50,527**	**1,356,475**
Other items:						
Depreciation and amortisation	**41,820**	**34,487**	**2,117**	**13,827**	**1,110**	**93,382**
Increase in property, plant and equipment and intangible assets	**53,237**	**30,591**	**3,680**	**14,853**	**2,306**	**104,678**

	2018			
	Others	Total	Adjustments and eliminations	Consolidated
	(Thousands of U.S. dollars)			
Sales, income or loss and assets by reportable segment:				
Net sales:				
Sales to third parties	**$ 141,434**	**$ 3,326,731**	**$ –**	**$ 3,326,731**
Inter-segment sales and transfers	**40,399**	**53,859**	**(53,859)**	**–**
Total	**$ 181,842**	**$ 3,380,591**	**$ (53,859)**	**$ 3,326,731**
Segment income	**$ 2,315**	**$ 207,671**	**$ (15,860)**	**$ 191,801**
Segment assets	**14,288**	**1,370,773**	**1,859,619**	**3,230,402**
Other items:				
Depreciation and amortisation	**2,522**	**95,914**	**32,134**	**128,049**
Increase in property, plant and equipment and intangible assets	**6,475**	**111,153**	**44,503**	**155,666**

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, 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 ¥(1,685) million ($(15,860) thousand) and ¥(1,798) million consisted of the elimination of inter-segment transactions and other adjustments of ¥1,158 million ($10,899 thousand) and ¥1,255 million and corporate expenses not allocated to each reportable segment of ¥(2,843) million ($(26,760) thousand) and ¥(3,053) million for the years ended 31st March, 2018 and 2017, respectively.

Corporate expenses were mainly related to selling, general and administrative expenses not attributable to reportable segments for the years ended 31st March, 2018 and 2017. The adjustments and eliminations for segment assets in the amount of ¥197,566 million ($1,859,619 thousand) and ¥182,873 million at 31st March, 2018 and 2017, respectively, consisted of corporate assets not attributable to reportable segments.

The adjustments and eliminations for depreciation and amortisation of ¥3,414 million ($32,134 thousand) and ¥2,247 million and increase in property, plant and equipment and intangible assets of ¥4,728 million ($44,503 thousand) and ¥4,752 million for the years ended 31st March, 2018 and 2017, respectively, consisted of depreciation and amortisation and acquisition of corporate assets not attributable to reportable segments.

Segment income 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, 2018 and 2017 are summarised as follows:

2018						
Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Others	Total
			(Millions of yen)			
¥ 124,946	**¥ 87,866**	**¥ 20,461**	**¥ 94,383**	**¥ 10,747**	**¥ 15,026**	**¥ 353,432**

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

2018						
Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Others	Total
			(Thousands of U.S. dollars)			
$1,176,073	**$ 827,051**	**$ 192,592**	**$ 888,394**	**$ 101,157**	**$ 141,434**	**$ 3,326,731**

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, 2018 and 2017 are summarised as follows:

2018				
Japan	China	Southeast Asia	Others	Total
		(Millions of yen)		
¥ 305,749	**¥ 26,118**	**¥ 13,551**	**¥ 8,013**	**¥ 353,432**

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

2018				
Japan	China	Southeast Asia	Others	Total
		(Thousands of U.S. dollars)		
$ 2,877,908	**$ 245,839**	**$ 127,550**	**$ 75,423**	**$ 3,326,731**

(2) Property, plant and equipment

Property, plant and equipment categorised by countries and regions as of 31st March, 2018 and 2017 are summarised as follows:

2018				
Japan	China	Southeast Asia	Others	Total
		(Millions of yen)		
¥ 78,710	**¥ 6,880**	**¥ 5,714**	**¥ 508**	**¥ 91,814**

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

2018				
Japan	China	Southeast Asia	Others	Total
		(Thousands of U.S. dollars)		
$ 740,869	**$ 64,759**	**$ 53,783**	**$ 4,781**	**$ 864,213**

20. Segment Information (continued)

Related information (continued)

Information on loss on impairment of property, plant equipment

	2018						
	Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Others	Total
				(Millions of yen)			
Loss on impairment of property, plant and equipment	**¥83**	**¥636**	**¥0**	**¥43**	**¥–**	**¥69**	**¥833**

	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

	2018						
	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	**$ 781**	**$ 5,986**	**$ 0**	**$ 404**	**$ –**	**$ 649**	**$ 7,840**

20. Segment Information (continued)

Related information (continued)

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

	2018						
	Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Others	Total
	(Millions of yen)						
Amortisation for the year	**¥ 75**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ 75**
Remaining unamortised balance	**¥ 4,051**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ 4,051**

	2018						
	Confectioneries	Ice Cream	Food Products	Milk and Dairy Products	Food Ingredients	Others	Total
	(Thousands of U.S. dollars)						
Amortisation for the year	**$ 705**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 705**
Remaining unamortised balance	**$ 38,130**	**$ –**	**$ –**	**$ –**	**$ –**	**$ –**	**$ 38,130**

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

Information on gain on recognition of negative goodwill by reportable segment

Gain on recognition of negative goodwill was nil for the year ended 31st March, 2018.

Information on gain on recognition of negative goodwill by reportable segment for the year ended 31st March, 2017 was omitted because the amount was immaterial.

21. Amounts per Share

Amounts per share at 31st March, 2018 and 2017 and for the years then ended were as follows:

	2018	2017	**2018**
	(Yen)		*(U.S. dollars)*
Profit attributable to owners of the parent	**¥ 231.34**	¥ 276.20	**$ 2.17**
Cash dividends	**50.00**	50.00	**0.47**
Net assets	**3,165.88**	2,927.10	**29.79**

Profit attributable to owners of the parent per share has been computed based on the profit 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 E-Ship Trust of 94 thousand shares and 128 thousand shares at 31st March, 2018 and 2017, respectively, and that held by the BIP Trust of 21 thousand shares and 35 thousand shares at 31st March, 2018 and 2017, respectively, were excluded from the number of shares of common stock used in the computation of net assets per share.

Diluted profit per share for the years ended 31st March, 2018 and 2017 has not been disclosed because no dilutive potential shares with dilutive effect existed for the years ended 31st March, 2018 and 2017, respectively.

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 profit attributable to owners of the parent per share for the years ended 31st March, 2018 and 2017 is summarised as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Profit attributable to owners of the parent	**¥ 15,216**	¥ 18,147	**$ 143,222**

	2018	2017
	(Thousands of shares)	
Weighted-average number of shares of common stock	**65,776**	65,703

The weighted-average number of the Company's shares held by the ESOP Trust of 66 thousand shares for the year ended 31st March, 2017, that held by the E-Ship Trust of 110 thousand shares and 104 thousand shares for the years ended 31st March, 2018 and 2017, respectively, and that held by the BIP Trust of 23 thousand shares and 37 thousand shares for the years ended 31st March, 2018 and 2017, respectively, were excluded from the number of shares of common stock used in the computation of profit attributable to owners of the parent.

Descriptions of dilutive potential shares that were not included in the computation of diluted profit per share for the years ended 31st March, 2018 and 2017 because of their anti-dilutive effect are as follows:

	2018	2017	**2018**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Euro-Yen denominated convertible bonds due 2024	**¥ 30,000**	¥ 30,000	**$ 282,379**

	2018	2017
	(Thousands of shares)	
Number of stock acquisition rights	**3,000**	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, 2018 and 2017 were summarised as follows:

Name of related parties	*Transactions*			
	Type of transaction	**2018**	2017	**2018**
		(Millions of yen)		*(Thousands of U.S. dollars)*
OSAKA EIKEN CO., LTD.	Insurance expense	**¥ 67** (Note)	¥ 167	**$ 630**
	Balances			
	Account name	**2018**	2017	**2018**
		(Millions of yen)		*(Thousands of U.S. dollars)*
	Prepaid expenses	**¥ –**	¥ 59	**$ –**
	Long-term prepaid expenses	**–**	69	**–**

(Note) The Company acquired the shares of OSAKA EIKEN CO., LTD. on 1st August, 2017. Accordingly, the transaction amount represents the amount recorded during the period prior to the acquisition date.

Name of related parties	*Transactions*		
	Type of transaction	**2018**	**2018**
		(Millions of yen)	*(Thousands of U.S. dollars)*
Katsuhisa Ezaki	Acquisition of shares of OSAKA EIKEN CO., LTD.	**¥ 546**	**$ 5,139**
Etsuro Ezaki	Acquisition of shares of OSAKA EIKEN CO., LTD.	**¥ 28**	**$ 263**

The Company acquired 20,500 shares of common stock of OSAKA EIKEN CO., LTD. following the resolution of the Board of Directors' meeting held on 28th July, 2017. The shares were previously held by Katsuhisa Ezaki, the Company's President and CEO and Etsuro Ezaki, the Company's Senior Managing Executive Officer and Representative Director who collectively owned the majority of the voting rights. Consequently, OSAKA EIKEN CO., LTD. became a wholly owned subsidiary of the Company.

The transaction price was determined based on the valuation result provided by a third-party valuer.

22. Related-Party Transactions (continued)

Principal transactions and balances between the Company's consolidated subsidiaries and related parties as of and for the years ended 31st March, 2018 and 2017 were summarised as follows:

Name of related parties	Type of transaction	**2018**	2017	**2018**
		(Millions of yen)		*(Thousands of U.S. dollars)*
OSAKA EIKEN CO., LTD.	Insurance expense	**¥ 42** (Note)	¥ 226	**$ 395**
	Balances			
	Account name	**2018**	2017	**2018**
		(Millions of yen)		*(Thousands of U.S. dollars)*
	Prepaid expenses	**¥ –**	¥20	**$ –**
	Long-term prepaid expenses	–	25	–

(Note) The Company acquired the shares of OSAKA EIKEN CO., LTD. on 1st August, 2017. Accordingly, the transaction amount represents the amount recorded during the period prior to the acquisition date.

OSAKA EIKEN CO., LTD. is a company located in Osaka City, Osaka and it is engaged in the insurance agency business. The capital amount of OSAKA EIKEN CO., LTD. was ¥10 million ($94 thousand) at 31st March, 2018 and 2017.

Corporate Information

Board of Directors and Statutory Auditors (as of 30th June, 2018)

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, 2018)

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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. $73,164 Thousand)

Number of Employee
1,473

Stock Exchanges Listed
Tokyo

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

Established
1922