

# Annual Report 2019

(Fiscal year ended 31st March, 2019)



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# Five-Year Summary

## Consolidated

	Millions of yen					Thousands of U.S. dollars
	2019	2018	2017	2016	2015	2019
Net sales	<b>350,270</b>	353,432	353,217	338,437	319,393	<b>3,155,869</b>
Income before income taxes	<b>18,798</b>	22,473	26,492	20,962	31,113	<b>169,366</b>
Net income attributable to owners of parent	<b>11,844</b>	15,216	18,147	13,903	21,068	<b>106,712</b>
	Yen					
Per share of common stock:						
Net income *	<b>180.02</b>	231.34	276.20	212.00	321.35	<b>1.62</b>
Cash dividends	<b>60.00</b>	50.00	50.00	40.00	35.00	<b>0.54</b>
	Millions of yen					
Balance sheet data:						
Shareholders' equity	<b>201,098</b>	192,694	180,435	163,968	153,198	<b>1,811,856</b>
Total assets	<b>348,452</b>	341,024	324,118	274,974	275,302	<b>3,139,490</b>

\* Diluted net income per share for the years ended 31st March, 2019, 2018 and 2017 has not been disclosed because no dilutive potential shares with dilutive effect existed for the years ended 31st March, 2019, 2018 and 2017, and no dilutive potential shares existed for the years ended before 31st March, 2016.

\* 'Partial Amendments to Accounting Standard for Tax Effect Accounting' (Accounting Standards Board of Japan ('ASBJ') Statement No. 28, revised on 16th February, 2018) has been applied from the beginning of the year ended 31st March, 2019. This accounting standard has been retrospectively applied to the summary financial information for the year ended 31st March, 2018.

\* The revision of the purchase price allocation following the finalisation of the tentative accounting treatment related to business combination in the year ended 31st March, 2019 has been reflected to the summary financial information for the year ended 31st March, 2018.

\* Fractions of one million yen and thousands of U.S. dollars are rounded off

## 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 and earnings conditions as well as the effects from various policies. Meanwhile, the future outlook remained uncertain due to concerns about the impact of trade friction on the world economy, uncertainty of overseas economies including the future outlook of the Chinese economy, and the effects of fluctuations in the financial and capital markets.

In light of this situation, our corporate group has proactively implemented various measures. These include enhancing our mainstay brands and focusing management resources on accelerating development of the health business and overseas business centered on communication with consumers.

Overseas and other segments including the health business posted significantly increased sales from the previous fiscal year. However, sales of our confectioneries and food products, ice cream and dairy divisions decreased from the previous fiscal year. Consequently, consolidated net sales amounted to ¥350,270 million, a decrease of 0.9% from the ¥353,432 million total of the previous fiscal year.

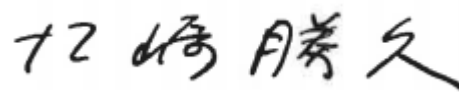
Regarding earnings, our overall cost-to-sales ratio decreased by 0.4% due to the decrease in cost-to-sales ratio in the ice cream and overseas divisions. As for selling, general and administrative (SG&A) expenses, advertising expenses and sales promotion expenses increased due to aggressive sales promotion efforts in addition to the increased expenses related to improvement of internal infrastructure for enhancing our business base.

As a result, operating income amounted to ¥16,746 million, a decrease of ¥3,631 million from the previous fiscal year (¥20,377 million). Ordinary income was ¥19,217 million, a decrease of ¥2,776 million from the previous fiscal year (¥21,993 million) due to the decrease in operating income, although there were positive factors including gain on foreign exchange and increased income from affiliates accounted for by the equity method. Net income attributable to parent company shareholders was ¥11,844 million, a decrease of ¥3,372 million from the previous fiscal year (¥15,216 million), since gain on sales of investments in securities and other positive factors were offset mainly by the recognition of business structure improvement expenses.

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 2019



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 and Food Products	94,905	(4,395)	95.6	6,134	(1,997)	75.4
Ice Cream	85,037	(2,069)	97.6	6,864	262	104.0
Dairy	90,149	(3,416)	96.3	2,821	(1,022)	73.4
Food Ingredients	10,768	21	100.2	915	(241)	79.1
Overseas	51,572	3,889	108.2	1,409	(672)	67.7
Others	17,836	2,809	118.7	336	89	136.3
Adjusted amount	–	–	–	(1,735)	(49)	–
Total	350,270	(3,161)	99.1	16,746	(3,631)	82.2

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 and Food Products Division]

In Japan, overall confectionery sales decreased from the previous fiscal year. ‘Kobe Roasted Chocolat’, ‘Bisco’, ‘LIBERA’, ‘GABA’ and ‘DONBURI-Tei’ sales increased from the previous fiscal year while sales of mainstay products, including ‘Pretz’ and ‘Pocky’ decreased from the previous fiscal year. As a result, divisional sales amounted to ¥94,905 million, a 4.4% decrease from the previous fiscal year (¥99,301 million).

As for divisional profits, cost-to-sales ratio increased. As a result, operating income was ¥6,134 million, a decrease of ¥1,997 million from the previous fiscal year (¥8,131 million).

#### [Ice Cream Division]

Sales of mainstay products, including ‘Papico’ and ‘Ice-no-Mi’ increased from the previous fiscal year while sales from ‘Corporate exclusive goods’ decreased from the previous fiscal year. 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 ¥85,037 million, a 2.4% decrease from the previous fiscal year (¥87,106 million).

As for divisional profits, due to the decrease in cost-to-sales ratio, operating income was ¥6,864 million, an increase of ¥262 million from the previous fiscal year (¥6,602 million).

#### [Dairy Division]

While ‘ICREO’ sales increased from the previous fiscal year, ‘BifiX Yogurt’, ‘Dororich’, ‘Café au Lait’ and ‘Tyousyoku Ringo Yogurt’ sales decreased from the previous fiscal year. As a result, divisional sales totaled ¥90,149 million, a decrease of 3.7% from the previous fiscal year (¥93,566 million).

As for divisional profits, cost-to-sales ratio, transportation and warehouse expenses increased. As a result, operating income was ¥2,821 million, a decrease of ¥1,022 million from the previous fiscal year (¥3,844 million).

[Food Ingredients Division]

While 'Fine Chemical', 'E-Starch' and 'A-glu' sales increased from the previous fiscal year, 'Starch' decreased from the previous fiscal year. As a result, divisional sales were ¥10,768 million, a 0.2% increase over the previous fiscal year (¥10,747 million).

As for divisional profits, there was an increase in the cost-to-sales ratio. As a result, operating income was ¥915 million, a decrease of ¥241 million from the previous fiscal year (¥1,157 million).

[Overseas Division]

Sales revenue of our subsidiaries in China, Indonesia, and the U.S. increased from the previous fiscal year. As a result, divisional sales were ¥51,572 million, a 8.2% increase over the previous fiscal year (¥47,683 million).

As for divisional profits, while increased sales contributed to gross profit, advertising expenses in China and selling, general and administrative (SG&A) expenses for strengthening business foundation in the ASEAN region increased. As a result, operating income was ¥1,409 million, a decrease of ¥672 million from the previous fiscal year (¥2,081 million).

[Others]

Sales of health food products such as 'Almond Koka' and 'SUNAO' increased from the previous fiscal year. As a result, sales in this segment totaled ¥17,836 million, a 18.7% increase over the previous fiscal year (¥15,026 million).

As for profits, while labor cost related to 'Office Glico' increased, the increase in gross profit generated from increased sales in the health business resulted in an increase of operating income to ¥336 million, an increase of ¥89 million over the previous fiscal year (¥246 million).

## **(2) Financial Position**

### **Assets**

As of March 31, 2019, current assets were ¥180,171 million, an increase of ¥1,525 million from the end of the previous fiscal year. The main component of this increase was a ¥2,227 million increase in finished goods and commercial goods. Non-current assets were ¥168,281 million, an increase of ¥5,901 million from the end of the previous fiscal year. The main contributor to this increase was a ¥7,651 million increase in property, plant and equipment, despite a ¥1,159 million decrease in investments in securities. Consequently, total assets were ¥348,452 million, an increase of ¥7,427 million compared to the end of the previous fiscal year.

### **Liabilities**

As of March 31, 2019, current liabilities were ¥81,749 million, an increase of ¥2,943 million from the end of the previous fiscal year. The main component of this increase was a ¥2,220 million increase in accrued expenses. Long-term liabilities were ¥45,849 million, a decrease of ¥1,581 million from the end of the previous fiscal year. The main component of this decrease was a ¥929 million decrease in liability for retirement benefits. Consequently, total liabilities were ¥127,598 million, an increase of ¥1,362 million compared to the end of the previous fiscal year.

### **Net Assets**

As of March 31, 2019, net assets were ¥220,853 million, an increase of ¥6,065 million compared to the end of the previous fiscal year. Main contributors to this increase included a net income attributable to parent company shareholders amounting to ¥11,844 million partially offset by ¥3,623 million in dividends, a ¥1,035 million decrease in net unrealized holding gain on securities and a ¥1,526 million decrease in translation adjustments. Consequently, shareholders' equity ratio was 61.4%, up 0.3 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	31,493	20,324	(11,169)
Cash flows from investing activities	(25,044)	(8,697)	16,346
Cash flows from financing activities	(4,454)	(4,566)	(112)
Balance of cash and cash equivalents at beginning of current period	90,238	93,017	2,778
Balance of cash and cash equivalents at end of current period	93,017	99,237	6,219

As of March 31, 2019, cash and cash equivalents totaled ¥99,237 million, an increase of ¥6,219 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 ¥18,798 million and depreciation and amortization of ¥13,175 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 ¥20,324 million, a decrease of 35.5% from the previous fiscal year. The main components of cash inflows included income before income taxes amounting to ¥18,798 million recorded during the fiscal year under review, and depreciation and amortization of ¥13,175 million, while cash outflows occurred mainly with payment of income taxes amounting to ¥6,626 million.

#### **Cash flows from investing activities**

Net cash used in investing activities totaled ¥8,697 million, a decrease of 65.3% from the previous fiscal year. The main components of cash outflows were ¥16,890 million spent for the acquisition of property, plant and equipment, while ¥13,970 million decrease in time deposits exceeded ¥7,170 million increase in time deposits.

#### **Cash flows from financing activities**

Net cash used in financing activities totaled ¥4,566 million compared with ¥4,454 million used during the previous fiscal year. The main components of cash outflows included ¥3,623 million spent for dividend payments and a decrease in short-term loans payable amounting to ¥496 million.

Reference: Cash flow indicator trends

	Mar. 2017	Mar. 2018	Mar. 2019
Shareholders' equity ratio (%)	59.4	61.1	61.4
Shareholders' equity ratio on market value basis (%)	109.5	106.7	109.9
Debt-to-cash flow ratio	0.1	0.0	0.0
Interest coverage ratio (times)	255.6	616.6	607.7

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**

The Company intends to change its fiscal year end from 31st March to 31st December effective the fiscal year 2020 under the condition that the proposed 'Partial Amendment of Articles of Incorporation' will be approved at the 114th Annual Shareholders Meeting to be held on 25th June, 2019. Accordingly, subject to the aforementioned approval, in the transitional period, which shall end on 31st December, 2019, the period for consolidated accounting of the Company and its subsidiaries whose fiscal year end is on 31st March shall be a nine-month period from 1st April, 2019 until 31st December, 2019. For subsidiaries whose fiscal year end is already 31st December, as their period for consolidated accounting will be as before, their fiscal year shall be from 1st January, 2019 until 31st December, 2019.'

The adjusted percentage change represents a ratio comparing the results for the current period on a consolidated basis for the nine-month period from April to December for the Company and its domestic subsidiaries whose fiscal year end is on 31st March as well as the 12-month period from January to December for overseas subsidiaries whose fiscal year end is on 31st December, against the forecast results for the next fiscal year.

It is expected that the Japanese and the global economy will continuously show a gradual recovery trend, although partial weakness remains. Meanwhile, the future outlook remains uncertain due to concerns about the impact of trade friction on the world economy, the future outlook of the Chinese economy, the uncertainty of overseas economies, and the effects of fluctuations in the financial and capital markets.

In light of this situation, we aim to achieve net sales of ¥292,000 million (adjusted percentage change: up 2.5%) in the next fiscal year. Our profit targets are: an operating income of ¥16,200 million (adjusted percentage change: up 1.6%), ordinary income of ¥17,600 million (adjusted percentage change: down 4.5%) and a net income attributable to parent company shareholders of ¥12,000 million (adjusted percentage change: up 1.0%).

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

### **Divisional consolidated sales forecasts for the next fiscal year**

Divisional sales projections are as follows: Confectioneries and Food Products Division sales of ¥72,100 million (adjusted percentage change: up 2.3%), Ice Cream Division sales of ¥72,800 million (adjusted percentage change: up 2.5%), Dairy Division sales of ¥65,700 million (adjusted percentage change: down 5.7%), Food Ingredients Division sales of ¥8,500 million (adjusted percentage change: up 0.3%), Overseas Division sales of ¥56,700 million (adjusted percentage change: up 10.3%) and other segment sales of ¥16,200 million (adjusted percentage change: up 17.8%).

## **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, 2019*

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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 31st March, 2019, 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 31st March, 2019, 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.

25th June, 2019  
Osaka, Japan

*Ernst & Young ShinNihon LLC*

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

31st March, 2019

	<b>2019</b>	2018	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
<b>Assets</b>			
Current assets:			
Cash and deposits <i>(Notes 6 and 7)</i>	¥ <b>103,601</b>	¥ 104,336	\$ <b>933,426</b>
Marketable securities <i>(Notes 7 and 9)</i>	<b>1,645</b>	2,240	<b>14,821</b>
Notes and accounts receivable, trade <i>(Note 7)</i>	<b>40,128</b>	41,360	<b>361,546</b>
Inventories <i>(Note 10)</i>	<b>31,112</b>	27,505	<b>280,313</b>
Other current assets	<b>3,733</b>	3,233	<b>33,633</b>
Less allowance for doubtful accounts	<b>(50)</b>	(31)	<b>(450)</b>
Total current assets	<b>180,171</b>	178,645	<b>1,623,308</b>
Property, plant and equipment <i>(Notes 11, 12, 18, 23 and 24):</i>			
Land	<b>15,584</b>	15,758	<b>140,409</b>
Buildings and structures	<b>73,062</b>	70,454	<b>658,275</b>
Machinery and vehicles	<b>118,992</b>	116,523	<b>1,072,096</b>
Tools, furniture and fixtures	<b>24,340</b>	24,938	<b>219,299</b>
Leased assets	<b>1,720</b>	1,637	<b>15,496</b>
Construction in progress	<b>12,421</b>	6,871	<b>111,910</b>
	<b>246,121</b>	236,184	<b>2,217,506</b>
Less accumulated depreciation	<b>(146,655)</b>	(144,369)	<b>(1,321,335)</b>
Property, plant and equipment, net	<b>99,465</b>	91,814	<b>896,161</b>
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates <i>(Note 7)</i>	<b>2,830</b>	3,224	<b>25,497</b>
Investments in securities <i>(Notes 7 and 9)</i>	<b>38,969</b>	39,734	<b>351,103</b>
Long-term loans receivable	<b>917</b>	946	<b>8,262</b>
Deferred tax assets <i>(Note 3 and 21)</i>	<b>939</b>	849	<b>8,460</b>
Asset for retirement benefits <i>(Note 16)</i>	<b>1,336</b>	1,420	<b>12,037</b>
Real estate for investment, net <i>(Note 23)</i>	<b>12,296</b>	12,329	<b>110,784</b>
Software	<b>4,688</b>	5,000	<b>42,238</b>
Goodwill <i>(Notes 14 and 24)</i>	<b>3,874</b>	4,246	<b>34,904</b>
Other assets	<b>3,015</b>	2,864	<b>27,164</b>
Less allowance for doubtful accounts	<b>(53)</b>	(49)	<b>(477)</b>
Total investments and other assets	<b>68,815</b>	70,564	<b>620,010</b>
Total assets <i>(Note 24)</i>	<b>¥ 348,452</b>	¥ 341,024	<b>\$ 3,139,490</b>

	2019	2018	2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
<b>Liabilities and Net Assets</b>			
Current liabilities:			
Notes and accounts payable, trade <i>(Note 7)</i>	¥ 33,831	¥ 33,872	\$ 304,811
Short-term loans payable <i>(Notes 7 and 15)</i>	417	842	3,757
Current portion of long-term debt <i>(Note 15)</i>	257	272	2,315
Accrued expenses	30,128	27,907	271,447
Income taxes payable <i>(Note 21)</i>	2,651	3,352	23,885
Provision for bonuses of directors and audit and supervisory board members	38	38	342
Provision for sales promotion expenses	2,448	1,887	22,056
Provision for stock-based compensation of board incentive plan <i>(Note 4)</i>	–	75	–
Provision for stock-based compensation	44	–	396
Other current liabilities	11,931	10,556	107,496
Total current liabilities	<b>81,749</b>	<b>78,805</b>	<b>736,543</b>
Long-term liabilities:			
Convertible bonds <i>(Notes 7, 15 and 25)</i>	30,103	30,125	271,222
Long-term debt <i>(Notes 7 and 15)</i>	654	1,016	5,892
Liability for retirement benefits <i>(Note 16)</i>	5,286	6,215	47,625
Deferred tax liabilities <i>(Note 3 and 21)</i>	5,098	5,070	45,932
Other long-term liabilities	4,706	5,003	42,400
Total long-term liabilities	<b>45,849</b>	<b>47,431</b>	<b>413,091</b>
Net assets:			
Shareholders' equity <i>(Notes 17 and 27)</i> :			
Common stock:			
Authorised – 270,000,000 shares in 2019 and 2018			
Issued – 69,414,469 shares in 2019 and 69,430,069 shares in 2018			
	7,773	7,773	70,033
Capital surplus	8,999	9,095	81,079
Retained earnings	190,892	182,627	1,719,902
Treasury stock – 3,602,394 shares in 2019 and 3,636,411 shares in 2018	(6,566)	(6,802)	(59,158)
Total shareholders' equity	<b>201,098</b>	<b>192,694</b>	<b>1,811,856</b>
Accumulated other comprehensive income (loss):			
Net unrealised holding gain on securities	12,551	13,587	113,082
Deferred gain on hedges	73	–	657
Translation adjustments	395	1,922	3,558
Retirement benefits liability adjustments	(225)	91	(2,027)
Total accumulated other comprehensive income	<b>12,794</b>	<b>15,600</b>	<b>115,271</b>
Non-controlling interests	6,960	6,493	62,708
Total net assets <i>(Note 25)</i>	<b>220,853</b>	<b>214,788</b>	<b>1,989,845</b>
Total liabilities and net assets	<b>¥ 348,452</b>	<b>¥ 341,024</b>	<b>\$ 3,139,490</b>

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, 2019

	<b>2019</b>	2018	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Net sales <i>(Note 24)</i>	<b>¥ 350,270</b>	¥ 353,432	<b>\$ 3,155,869</b>
Cost of sales <i>(Note 10)</i>	<b>184,167</b>	187,194	<b>1,659,311</b>
Gross profit	<b>166,103</b>	166,238	<b>1,496,558</b>
Selling, general and administrative expenses <i>(Notes 19 and 20)</i>	<b>149,357</b>	145,860	<b>1,345,679</b>
Operating income <i>(Note 24)</i>	<b>16,746</b>	20,377	<b>150,878</b>
Other income (expenses):			
Interest and dividend income	<b>1,274</b>	1,239	<b>11,478</b>
Interest expense	<b>(33)</b>	(51)	<b>(297)</b>
Gain on sales of property, plant and equipment <i>(Note 11)</i>	<b>379</b>	32	<b>3,414</b>
Loss on impairment of property, plant and equipment <i>(Notes 12 and 24)</i>	<b>(307)</b>	(833)	<b>(2,766)</b>
Business structure improvement expenses <i>(Note 13)</i>	<b>(516)</b>	–	<b>(4,649)</b>
Gain on sales of investments in securities <i>(Note 9)</i>	<b>425</b>	492	<b>3,829</b>
Gain on redemption of investments in securities <i>(Note 9)</i>	–	486	–
Rental income on real estate <i>(Note 23)</i>	<b>757</b>	762	<b>6,820</b>
Subsidy income	<b>489</b>	477	<b>4,405</b>
Gain (loss) on foreign exchange, net	<b>176</b>	(644)	<b>1,585</b>
(Loss) gain on termination of retirement benefit plans <i>(Note 16)</i>	<b>(292)</b>	34	<b>(2,630)</b>
Depreciation of inactive fixed assets	<b>(265)</b>	(189)	<b>(2,387)</b>
Donation	<b>(71)</b>	(46)	<b>(639)</b>
Gain on step acquisitions	–	471	–
Special retirement payment <i>(Note 16)</i>	<b>(85)</b>	(197)	<b>(765)</b>
Loss on disposal of property, plant and equipment	<b>(486)</b>	(594)	<b>(4,378)</b>
Other, net	<b>608</b>	656	<b>5,477</b>
Other income, net	<b>2,052</b>	2,095	<b>18,488</b>
Profit before income taxes	<b>18,798</b>	22,473	<b>169,366</b>
Income taxes <i>(Note 21)</i> :			
Current	<b>5,911</b>	6,873	<b>53,257</b>
Deferred	<b>470</b>	126	<b>4,234</b>
	<b>6,381</b>	6,999	<b>57,491</b>
Profit	<b>12,417</b>	15,473	<b>111,874</b>
Other comprehensive (loss) income <i>(Note 22)</i> :			
Net unrealised holding (loss) gain on securities	<b>(1,035)</b>	2,269	<b>(9,325)</b>
Deferred gain on hedges	<b>73</b>	–	<b>657</b>
Translation adjustments	<b>(1,435)</b>	1,366	<b>(12,929)</b>
Retirement benefits liability adjustments	<b>(314)</b>	292	<b>(2,829)</b>
Share of other comprehensive (loss) income of affiliates accounted for by the equity method	<b>(184)</b>	55	<b>(1,657)</b>
Total other comprehensive (loss) income	<b>(2,896)</b>	3,983	<b>(26,092)</b>
Comprehensive income	<b>¥ 9,520</b>	¥ 19,457	<b>\$ 85,773</b>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income (continued)

Year ended 31st March, 2019

	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
Profit attributable to:			
Owners of the parent <i>(Note 25)</i>	¥ <b>11,844</b>	¥ 15,216	\$ <b>106,712</b>
Non-controlling interests	<u>572</u>	<u>257</u>	<u>5,153</u>
Total	<u>¥ 12,417</u>	<u>¥ 15,473</u>	<u>\$ 111,874</u>
Comprehensive income attributable to:			
Owners of the parent	¥ <b>9,039</b>	¥ 18,802	\$ <b>81,439</b>
Non-controlling interests	<u>481</u>	<u>654</u>	<u>4,333</u>
Total	<u>¥ 9,520</u>	<u>¥ 19,457</u>	<u>\$ 85,773</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended 31st March, 2019

	Shareholders' equity					Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised holding gain on securities	Deferred gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
	<i>(Millions of yen)</i>											
<b>Balance at 1st April, 2017</b>	¥ 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
<b>Balance at 1st April, 2018</b>	<b>7,773</b>	<b>9,095</b>	<b>182,627</b>	<b>(6,802)</b>	<b>192,694</b>	<b>13,587</b>	<b>–</b>	<b>1,922</b>	<b>91</b>	<b>15,600</b>	<b>6,493</b>	<b>214,788</b>
Cash dividends	–	–	(3,623)	–	(3,623)	–	–	–	–	–	–	(3,623)
Profit attributable to owners of the parent	–	–	11,844	–	11,844	–	–	–	–	–	–	11,844
Acquisition of treasury stock	–	–	–	(150)	(150)	–	–	–	–	–	–	(150)
Disposition of treasury stock	–	0	–	289	290	–	–	–	–	–	–	290
Cancellation of treasury stock	–	(97)	–	97	–	–	–	–	–	–	–	–
Change in scope of consolidation	–	–	43	–	43	–	–	–	–	–	–	43
Net changes in items other than those in shareholders' equity	–	–	–	–	–	(1,035)	73	(1,526)	(316)	(2,805)	466	(2,338)
<b>Balance at 31st March, 2019</b>	<b>¥ 7,773</b>	<b>¥ 8,999</b>	<b>¥ 190,892</b>	<b>¥ (6,566)</b>	<b>¥ 201,098</b>	<b>¥ 12,551</b>	<b>¥ 73</b>	<b>¥ 395</b>	<b>¥ (225)</b>	<b>¥ 12,794</b>	<b>¥ 6,960</b>	<b>¥ 220,853</b>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries  
Consolidated Statement of Changes in Net Assets (continued)

Year ended 31st March, 2019

	Shareholders' equity					Accumulated other comprehensive income (loss)						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised holding gain on securities	Deferred gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
	<i>(Thousands of U.S. dollars) (Note 1)</i>											
<b>Balance at 1st April, 2018</b>	<b>\$ 70,033</b>	<b>\$ 81,944</b>	<b>\$ 1,645,436</b>	<b>\$ (61,284)</b>	<b>\$ 1,736,138</b>	<b>\$ 122,416</b>	<b>\$ –</b>	<b>\$ 17,316</b>	<b>\$ 819</b>	<b>\$ 140,553</b>	<b>\$ 58,500</b>	<b>\$ 1,935,201</b>
Cash dividends	–	–	(32,642)	–	(32,642)	–	–	–	–	–	–	(32,642)
Profit attributable to owners of the parent	–	–	106,712	–	106,712	–	–	–	–	–	–	106,712
Acquisition of treasury stock	–	–	–	(1,351)	(1,351)	–	–	–	–	–	–	(1,351)
Disposition of treasury stock	–	0	–	2,603	2,612	–	–	–	–	–	–	2,612
Cancellation of treasury stock	–	(873)	–	873	–	–	–	–	–	–	–	–
Change in scope of consolidation	–	–	387	–	387	–	–	–	–	–	–	387
Net changes in items other than those in shareholders' equity	–	–	–	–	–	(9,325)	657	(13,748)	(2,847)	(25,272)	4,198	(21,064)
<b>Balance at 31st March, 2019</b>	<b>\$ 70,033</b>	<b>\$ 81,079</b>	<b>\$ 1,719,902</b>	<b>\$ (59,158)</b>	<b>\$ 1,811,856</b>	<b>\$ 113,082</b>	<b>\$ 657</b>	<b>\$ 3,558</b>	<b>\$ (2,027)</b>	<b>\$ 115,271</b>	<b>\$ 62,708</b>	<b>\$ 1,989,845</b>

See accompanying notes to the consolidated financial statements.



Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended 31st March, 2019

	2019	2018	2019
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
<b>Cash flows from operating activities:</b>			
Profit before income taxes	¥ 18,798	¥ 22,473	\$ 169,366
Adjustments:			
Depreciation and amortisation	13,175	13,604	118,704
Loss on impairment of property, plant and equipment	307	833	2,766
Net changes in asset and liability for retirement benefits	(1,298)	(95)	(11,694)
Decrease in provision for stock-based compensation of board incentive plan	(75)	(14)	(675)
Increase in provision for stock-based compensation	44	–	396
Increase in provision for sales promotion expenses	561	92	5,054
Increase (decrease) in allowance for doubtful accounts	24	(16)	216
Interest and dividend income	(1,274)	(1,239)	(11,478)
Interest expense	33	51	297
(Gain) loss on foreign exchange, net	(275)	366	(2,477)
Gain on sales of property, plant and equipment	(379)	(32)	(3,414)
Loss on disposal of property, plant and equipment	486	594	4,378
Gain on sales of investments in securities	(425)	(492)	(3,829)
Gain on redemption of investments in securities	–	(486)	–
Decrease (increase) in notes and accounts receivable, trade	903	(4,096)	8,135
(Increase) decrease in inventories	(3,761)	689	(33,885)
Increase in notes and accounts payable, trade	140	4,479	1,261
Other, net	(36)	1,894	(324)
Subtotal	<u>26,950</u>	<u>38,604</u>	<u>242,814</u>
Income taxes paid	(6,626)	(7,110)	(59,699)
Net cash provided by operating activities	<u>20,324</u>	<u>31,493</u>	<u>183,115</u>
<b>Cash flows from investing activities:</b>			
Increase in time deposits	(7,170)	(13,453)	(64,600)
Decrease in time deposits	13,970	7,938	125,867
Purchases of marketable securities	–	(8)	–
Proceeds from sales of marketable securities	600	1,533	5,405
Purchases of investments in securities	(1,355)	(241)	(12,208)
Proceeds from sales and redemption of investments in securities	1,104	1,814	9,946
Purchases of shares of a subsidiary resulting in change in scope of consolidation <i>(Note 6)</i>	–	(4,307)	–
Purchases of property, plant and equipment	(16,890)	(18,295)	(152,175)
Proceeds from sales of property, plant and equipment	930	115	8,379
Purchases of intangible assets	(1,587)	(1,282)	(14,298)
Proceeds from rental of real estate for investment	687	672	6,189
Increase in loans receivable	(5)	(1)	(45)
Collection of loans receivable	51	58	459
Interest and dividends received	1,354	1,257	12,199
Other, net	(386)	(845)	(3,477)
Net cash used in investing activities	<u>(8,697)</u>	<u>(25,044)</u>	<u>(78,358)</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended 31st March, 2019

	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
<b>Cash flows from financing activities:</b>			
Decrease in short-term loans payable, net	<b>(496)</b>	(828)	<b>(4,468)</b>
Repayment of long-term bank loans	<b>(222)</b>	(201)	<b>(2,000)</b>
Interest paid	<b>(33)</b>	(51)	<b>(297)</b>
Cash dividends paid	<b>(3,623)</b>	(3,295)	<b>(32,642)</b>
Cash dividends paid to non-controlling shareholders	<b>(15)</b>	(19)	<b>(135)</b>
Acquisition of treasury stock	<b>(150)</b>	(11)	<b>(1,351)</b>
Proceeds from sales of treasury stock	<b>252</b>	213	<b>2,270</b>
Other, net	<b>(276)</b>	(260)	<b>(2,486)</b>
Net cash used in financing activities	<b>(4,566)</b>	(4,454)	<b>(41,138)</b>
Effect of exchange rate changes on cash and cash equivalents	<b>(840)</b>	783	<b>(7,568)</b>
Net increase in cash and cash equivalents	<b>6,219</b>	2,778	<b>56,032</b>
Cash and cash equivalents at beginning of the year	<b>93,017</b>	90,238	<b>838,066</b>
Cash and cash equivalents at end of the year <i>(Note 6)</i>	<b>¥ 99,237</b>	¥ 93,017	<b>\$ 894,107</b>

# Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements

31st March, 2019

### **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, 2018 to the 2019 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 ¥110.99 = U.S. \$1.00, the approximate rate of exchange in effect on 31st March, 2019, 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.

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 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 35 and 34 significant subsidiaries at 31st March, 2019 and 2018, 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, 2019 and 2018, 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.

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**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.

**(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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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

Provision for stock-based compensation of board incentive plan is provided 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) Provision for stock-based compensation**

Provision for stock-based compensation in accordance with the restricted stock unit 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.

**(o) Research and development costs**

Research and development costs are expensed as incurred.

**(p) 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.

**(q) 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”).

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

**(r) *Derivative financial instruments and hedging activities***

The Group enters into derivative transactions to effectively hedge foreign exchange fluctuation risk, in accordance with the Company's internal policies.

Hedging instruments are forward exchange contracts and hedged items are accounts payable denominated in foreign currencies and forecasted transactions denominated in foreign currencies related to the import of raw materials.

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.

Hedge effectiveness is evaluated by comparing the cumulative changes in cash flows or fair value of the hedging instruments and the hedged items.

**(s) *Consumption taxes***

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

**(t) *Adoption of consolidated tax return system***

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

**(u) *Accounting standards issued but not yet effective***

“Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan (“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)



## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

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

##### *(u) Accounting standards issued but not yet effective (continued)*

###### (1) Overview

The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) have jointly developed a comprehensive accounting standard for revenue recognition and issued “Revenue from Contracts with Customers” (IASB’s IFRS 15 and FASB’s Topic 606) in May 2014. Considering that IFRS 15 is effective from fiscal years beginning on or after 1st January, 2018 and Topic 606 is effective from fiscal years beginning after 15th December, 2017, the ASBJ developed a comprehensive accounting standard for revenue recognition and issued it together with the implementation guidance.

In developing accounting standards regarding revenue recognition, the basic policy of the ASBJ was to include the basic principles of IFRS 15 in the accounting standards from a viewpoint of comparability between financial statements, which is one of the benefits of being in conformity with IFRS 15. However, if there is any item that needs particular consideration in light of Japanese business practices, a substitute treatment may be employed to the extent that it does not impair the comparability.

###### (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 December, 2022.

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

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

#### 3. Change in Presentation

##### **(Applying “Partial Amendments to Accounting Standard for Tax Effect Accounting”)**

“Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28 issued on 16th February, 2018), etc. have been applied from the beginning of the fiscal year ended 31st March, 2019. “Deferred tax assets” are now presented under “Investments and other assets” of the consolidated balance sheet, and “Deferred tax liabilities” are now presented under “Long-term liabilities.”

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **3. Change in Presentation (continued)**

As a result, ¥343 million of deferred tax assets in current assets previously presented in the consolidated balance sheet as of 31st March, 2018 have been reclassified and included within ¥849 million of deferred tax assets in investments and other assets. In addition, ¥2,134 million of deferred tax assets in current assets and deferred tax liabilities in long-term liabilities previously presented in the consolidated balance sheet as of 31st March, 2018 have been offset.

#### **4. 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**4. Additional Information (continued)**

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

The book value and number of treasury stock held by the E-Ship Trust at 31st March, 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Book value	¥ 348	¥ 601	\$ 3,135
	<u>2019</u>	<u>2018</u>	
	<i>(Thousands of shares)</i>		
Number of treasury stock	54	94	

The book value of bank loans of the E-Ship Trust recorded in the consolidated balance sheet as of 31st March, 2019 and 2018 were as follows.

	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Book value	¥ 409	¥ 631	\$ 3,685

The Company applied “Practical Solution on Transactions on Delivering the Company’s Own Stock Employee, etc. through Trusts” (ASBJ Practical Issues Task Force (“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; however, the BIP Trust ended in June 2018.

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.

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 4. 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 (\$2,702 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.

As of 31 March, 2019, since all of the above treasury stock held by the BIP Trust was cancelled upon termination of the BIP Trust, there was no treasury stock remaining in the Trust at the year end.

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

	2018
	<hr/>
	<i>(Millions of yen)</i>
Book value	¥ 133
	2018
	<hr/>
	<i>(Thousands of shares)</i>
Number of treasury stock	21

The Company applied ASBJ PITF No. 30, revised on 26th March, 2015 until termination of the BIP Trust.

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 5. Changes in Scope of Consolidation

Glico North America Holdings, Inc., which is a specified subsidiary, and Glico Philippines, Inc. were newly established by the Company. 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, 2019. Hiroshima Glico Dairy Products Co., Ltd., which was a consolidated subsidiary until the year ended 31st March, 2018, was liquidated and excluded from the scope of consolidation for the year ended 31st March, 2019.

#### 6. Cash and Cash Equivalents

(1) The balances of cash and deposits in the consolidated balance sheet at 31st March, 2019 and 2018 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:

	<b>2019</b>	2018	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and deposits	<b>¥ 103,601</b>	¥104,336	<b>\$ 933,426</b>
Time deposits with original maturities in excess of three months included in cash and deposits	<b>(6,000)</b>	(12,958)	<b>(54,058)</b>
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	<b>1,635</b>	1,639	<b>14,731</b>
Cash and cash equivalents	<b>¥ 99,237</b>	¥93,017	<b>\$ 894,107</b>

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 6. Cash and Cash Equivalents

- (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:

	<i>(Millions of yen)</i>
Current assets	¥ 403
Non-current assets	18
Goodwill	3,506
Current liabilities	(131)
Translation adjustments	171
Acquisition cost of shares of the consolidated subsidiary	3,966
Cash and cash equivalents of the consolidated subsidiary	(64)
Purchases of shares of a subsidiary resulting in change in scope of consolidation	¥ 3,902

The amounts above reflect the revision following the (1) Finalisation of the provisional accounting treatment related to business combination under Note 14 “Business Combinations.”

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

There were no assets and liabilities of the entities which became newly consolidated subsidiaries following the purchase of shares during the year ended 31st March, 2019.

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 7. Financial Instruments

##### **Policy for financial instruments**

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

##### **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 exchange contracts are utilised for the purpose of reducing foreign exchange fluctuation risk from transactions denominated in foreign currencies.

##### **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.

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 7. 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 finance 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.



Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. 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, 2019 and 2018 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.

	<b>2019</b>		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
Assets:			
Cash and deposits	¥ 103,601	¥ 103,601	¥ –
Notes and accounts receivable, trade	40,128	40,128	–
Marketable securities and investments in securities	39,216	39,216	–
<b>Total assets</b>	<b>¥ 182,946</b>	<b>¥ 182,946</b>	<b>¥ –</b>
Liabilities:			
Notes and accounts payable, trade	¥ 33,831	¥ 33,831	¥ –
Short-term loans payable	417	417	–
Convertible bonds	30,103	30,750	646
Long-term bank loans	220	220	(0)
<b>Total liabilities</b>	<b>¥ 64,573</b>	<b>¥ 65,219</b>	<b>¥ 646</b>
Derivative financial instruments (*)	¥ 105	¥ 105	¥ –

(\*) Assets and liabilities arising from derivative financial instruments are shown at net value with the amount in parentheses representing net liability position.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Financial Instruments (continued)

	2018		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
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	–
<b>Total assets</b>	<b>¥ 186,575</b>	<b>¥ 186,575</b>	<b>¥ –</b>
Liabilities:			
Notes and accounts payable, trade	¥ 33,872	¥ 33,872	¥ –
Short-term loans payable	842	842	–
Convertible bonds	30,125	30,780	654
Long-term bank loans	443	442	(0)
<b>Total liabilities</b>	<b>¥ 65,282</b>	<b>¥ 65,937</b>	<b>¥ 654</b>
	<b>2019</b>		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
Assets:			
Cash and deposits	\$ 933,426	\$ 933,426	\$ –
Notes and accounts receivable, trade	361,546	361,546	–
Marketable securities and investments in securities	353,329	353,329	–
<b>Total assets</b>	<b>\$ 1,648,310</b>	<b>\$ 1,648,310</b>	<b>\$ –</b>
Liabilities:			
Notes and accounts payable, trade	\$ 304,811	\$ 304,811	\$ –
Short-term loans payable	3,757	3,757	–
Convertible bonds	271,222	277,051	5,820
Long-term bank loans	1,982	1,982	(0)
<b>Total liabilities</b>	<b>\$ 581,791</b>	<b>\$ 587,611</b>	<b>\$ 5,820</b>
Derivative financial instruments (*)	\$ 946	\$ 946	\$ –

(\*) Assets and liabilities arising from derivative financial instruments are shown at net value with the amount in parentheses representing net liability position.

# Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

## Notes to Consolidated Financial Statements (continued)

### 7. Financial Instruments (continued)

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

#### Assets:

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

Marketable securities and investments in securities:  
The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions. (Refer to Note 9 '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.

#### Derivative financial instruments:

The fair value of derivative financial instruments is based on the prices provided by the financial institutions (Refer to Note 8 'Derivative Financial Instruments').

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.

	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unlisted stocks	<b>¥ 4,229</b>	¥ 4,321	<b>\$ 38,102</b>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**7. Financial Instruments (continued)**

The redemption schedule at 31st March, 2019 for deposits, trade receivables and securities with maturity dates is summarised as follows:

	<b>2019</b>			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Millions of yen)</i>			
Deposits	<b>¥ 103,491</b>	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	<b>40,128</b>	–	–	–
Marketable securities and investments in securities:				
Bonds				
(Corporate bonds)	–	–	–	–
Other securities	<b>1,020</b>	<b>120</b>	<b>1,804</b>	–
<b>Total</b>	<b>¥ 144,639</b>	<b>¥ 120</b>	<b>¥ 1,804</b>	<b>¥ –</b>

	<b>2019</b>			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Thousands of U.S. dollars)</i>			
Deposits	<b>\$ 932,435</b>	\$ –	\$ –	\$ –
Notes and accounts receivable, trade	<b>361,546</b>	–	–	–
Marketable securities and investments in securities:				
Bonds				
(Corporate bonds)	–	–	–	–
Other securities	<b>9,190</b>	<b>1,081</b>	<b>16,253</b>	–
<b>Total</b>	<b>\$ 1,303,171</b>	<b>\$ 1,081</b>	<b>\$ 16,253</b>	<b>\$ –</b>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**8. Derivative Financial Instruments**

Derivative financial instruments to which hedge accounting is applied for the year ended 31st March, 2019 are summarised as follows:

Method of hedge accounting	Type of derivative financial instruments	Primary hedged items	Contract amount (Millions of yen / Thousands of U.S. dollars)	Contract amount due after one year (Millions of yen)	Estimated fair value (Millions of yen / Thousands of U.S. dollars)
Deferred hedge accounting	Forward exchange contracts Buying U.S. dollars	Accounts payable	¥ 8,954 (\$ 80,673)	¥ –	¥ 105 (\$ 946)

The fair value of derivative financial instruments is determined based on the prices provided by the financial institutions.

There were no derivative financial instruments to which hedge accounting is applied for the year ended 31st March, 2018.

There were no derivative financial instruments to which hedge accounting is not applied for the years ended 31st March, 2019 and 2018, respectively.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**9. Marketable Securities and Investments in Securities**

Marketable securities classified as other securities at 31st March, 2019 and 2018 are summarised as follows:

	<b>2019</b>		
	Acquisition cost	Carrying value	Unrealised holding gain (loss)
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 15,277	¥ 33,444	¥ 18,166
Bonds	–	–	–
Other	1,756	1,835	79
Subtotal	17,033	35,280	18,246
Securities whose carrying value does not exceed their acquisition cost:			
Stock	2,745	2,279	(465)
Bonds	–	–	–
Other	1,658	1,656	(2)
Subtotal	4,403	3,936	(467)
Total	¥ 21,437	¥ 39,216	¥ 17,778
	<b>2018</b>		
	Acquisition cost	Carrying value	Unrealised holding gain (loss)
	<i>(Millions of yen)</i>		
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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Marketable Securities and Investments in Securities (continued)

	<b>2019</b>		
	Acquisition cost	Carrying value	Unrealised holding gain (loss)
	<i>(Thousands of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$ 137,643	\$ 301,324	\$ 163,672
Bonds	–	–	–
Other	15,821	16,533	711
Subtotal	<u>153,464</u>	<u>317,866</u>	<u>164,393</u>
Securities whose carrying value does not exceed their acquisition cost:			
Stock	24,731	20,533	(4,189)
Bonds	–	–	–
Other	14,938	14,920	(18)
Subtotal	<u>39,670</u>	<u>35,462</u>	<u>(4,207)</u>
Total	<u>\$ 193,143</u>	<u>\$ 353,329</u>	<u>\$ 160,176</u>

The proceeds from sales and gross realised gain on securities classified as other securities for the years ended 31st March, 2019 and 2018 are summarised as follows:

	<b>2019</b>	2018	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Proceeds from sales:			
Stock	¥ 1,105	¥ 992	\$ 9,955
Bonds	600	800	5,405
Other	–	–	–
Total	<u>¥ 1,705</u>	<u>¥ 1,792</u>	<u>\$ 15,361</u>
Gross realised gain:			
Stock	¥ 425	¥ 492	\$ 3,829
Bonds	–	486	–
Other	–	–	–
Total	<u>¥ 425</u>	<u>¥ 978</u>	<u>\$ 3,829</u>

There were no losses on devaluation of investments in securities for the years ended 31st March, 2019 and 2018, respectively.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**9. Marketable Securities and Investments in Securities (continued)**

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.

**10. Inventories**

Inventories at 31st March, 2019 and 2018 consisted of the following:

	<b>2019</b>	2018	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Finished goods and commercial goods	<b>¥ 16,237</b>	¥ 14,009	<b>\$ 146,292</b>
Work in process	<b>768</b>	791	<b>6,919</b>
Raw materials and supplies	<b>14,106</b>	12,704	<b>127,092</b>
	<b>¥ 31,112</b>	¥ 27,505	<b>\$ 280,313</b>

Cost of sales included loss on devaluation of inventories of ¥266 million (\$2,396 thousand) and ¥200 million for the years ended 31st March, 2019 and 2018, respectively.

**11. Gain on Sales of Property, Plant and Equipment**

The main component of gain on sales of property, plant and equipment for the years ended 31st March, 2019 and 2018 is summarised as below.

	<b>2019</b>	2018	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Land	<b>¥ 358</b>	¥ 26	<b>\$ 3,225</b>



## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **12. 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, 2019

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 ¥307 million (\$2,766 thousand) for the year ended 31st March, 2019 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 zero. Loss on impairment consisted of machinery of ¥39 million (\$351 thousand) and others of ¥7 million (\$63 thousand).
- Ezaki Glico Headquarters  
For idle assets at Ezaki Glico Headquarters not expected to be utilised following the reorganisation of the Tsukamoto district, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of buildings and structures of ¥124 million (\$1,117 thousand).
- 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 and vehicles of ¥134 million (\$1,207 thousand) and tools, furniture and fixtures of ¥1 million (\$9 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.

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **12. Loss on Impairment of Property, Plant and Equipment (continued)**

##### 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 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 zero. Loss on impairment consisted of buildings and structures of ¥76 million and machinery of ¥86 million.
- **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 and tools, furniture and fixtures of ¥220 million. 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.

#### **13. Business Structure Improvement Expenses**

The Company recorded ¥516 million (\$4,649 thousand) of business structure improvement expenses for the year ended 31st March, 2019 as the Company dissolved a production subsidiary, following the reorganisation and redeployment of domestic production facilities aiming at increasing operational efficiency. Business structure improvement expenses primarily consist of loss on sales of machinery and various restructuring expenses.

There were no business structure improvement expenses recorded for the year ended 31st March, 2018.

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 14. Business Combinations

##### Business combination through acquisition

###### (1) Finalisation of the provisional accounting treatment related to business combination

Regarding the acquisition of TCHO Ventures, Inc. on 28th February, 2018, a provisional accounting treatment related to the business combination applied for the year ended 31st March, 2018 was finalised during the year ended 31st March, 2019.

The current of revised amount of goodwill as of 31st March, 2019 due to the finalisation of the corresponding amount is as follows:

	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Goodwill (before revision)	¥ 3,311	\$ 29,831
Current assets	233	2,099
Current liabilities	(38)	(342)
Total of revised amount	<u>195</u>	<u>1,756</u>
Goodwill (final)	<u>¥ 3,506</u>	<u>\$ 31,588</u>

The Company has reflected the above revision of purchase price allocation following the finalisation of the provisional accounting treatment to the consolidated financial statements for the year ended 31st March, 2018.

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

###### (a) Amount of goodwill recognised

¥3,506 million (\$31,588 thousand)

###### (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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**15. 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, 2019 and 2018 were 1.633% and 2.801%, respectively.

Long-term debt at 31st March, 2019 and 2018 consisted of the following:

	<u>2019</u>	2018	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unsecured bank loans at average interest rates of 0.099%, due within 2020 and 2021	¥ 220	¥ 443	\$ 1,982
Lease obligations	<b>690</b>	846	<b>6,216</b>
	<b>911</b>	1,289	<b>8,207</b>
Less current portion:			
Lease obligations	<b>(257)</b>	(272)	<b>(2,315)</b>
Long-term debt	<b>¥ 654</b>	¥ 1,016	<b>\$ 5,892</b>

The aggregate annual maturities of unsecured bank loans and lease obligations subsequent to 31st March, 2019 are summarised below:

Year ending 31st March,	Bank loans		Lease obligations	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2020	¥ –	\$ –	¥ 257	\$ 2,315
2021	188	1,693	230	2,072
2022	32	288	156	1,405
2023	–	–	33	297
2024	–	–	12	108
2025 and thereafter	–	–	0	0
	<b>¥ 220</b>	<b>\$ 1,982</b>	<b>¥ 690</b>	<b>\$ 6,216</b>

Convertible bonds at 31st March, 2019 and 2018 consisted of the following:

	<u>2019</u>	2018	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	¥ 30,103	¥ 30,125	\$ 271,222

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

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	¥8,062.2 (\$72.63) per share
Total issue price	¥30,000 million (\$270,294 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 ¥8,062.2 (\$72.63) to ¥8,033.0 (\$72.37) from 1st April, 2019.

The repayment schedule of convertible bonds due within five years subsequent to 31st March, 2019 is as follows:

Year ending 31st March,	Convertible bonds	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2020	¥ —	\$ —
2021	—	—
2022	—	—
2023	—	—
2024	<b>30,103</b>	<b>271,222</b>
	<b>¥ 30,103</b>	<b>\$ 271,222</b>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**16. 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 consolidated subsidiaries only have lump-sum payment plans as defined benefit plans. The Company and 16 domestic consolidated subsidiaries have defined contribution pension 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, 2019 and 2018 since the subsidiary's portion of pension assets held by this multi-employer pension plan cannot be reasonably calculated.

The changes in the retirement benefit obligation for the years ended 31st March, 2019, and 2018 are as follows:

	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Beginning balance of retirement benefit obligation	¥ 22,443	¥ 22,485	\$ 202,207
Service cost	1,065	779	9,595
Interest cost	104	119	937
Actuarial loss	101	380	909
Benefits paid	(2,399)	(1,373)	(21,614)
Decrease due to transfer to defined contribution pension plans	(203)	(141)	(1,828)
Others	(30)	193	(270)
Ending balance of retirement benefit obligation	<u>¥ 21,081</u>	<u>¥ 22,443</u>	<u>\$ 189,936</u>

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

The changes in plan assets at fair value for the years ended 31st March, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Beginning balance of plan assets at fair value	¥ 17,647	¥ 17,172	\$ 158,996
Expected return on plan assets	440	429	3,964
Actuarial (loss) gain	(233)	581	(2,099)
Contributions by the employers	337	378	3,036
Retirement benefits paid	(1,045)	(914)	(9,415)
Others	(15)	-	(135)
Ending balance of plan assets at fair value	<u>¥ 17,131</u>	<u>¥ 17,647</u>	<u>\$ 154,347</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**16. Retirement Benefits (continued)**

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, 2019 and 2018 is as follows:

	<b>2019</b>	2018	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	<b>¥ 15,805</b>	¥ 16,239	<b>\$ 142,400</b>
Plan assets at fair value	<b>(17,131)</b>	(17,647)	<b>(154,347)</b>
	<b>(1,325)</b>	(1,408)	<b>(11,938)</b>
Unfunded retirement benefit obligations	<b>5,275</b>	6,204	<b>47,526</b>
Net liability for retirement benefits	<b>3,950</b>	4,795	<b>35,588</b>
Liability for retirement benefits	<b>5,286</b>	6,215	<b>47,625</b>
Asset for retirement benefits	<b>(1,336)</b>	(1,420)	<b>(12,037)</b>
Net liability for retirement benefits	<b>¥ 3,950</b>	¥ 4,795	<b>\$ 35,588</b>

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

The components of retirement benefit expenses for the years ended 31st March, 2019 and 2018 are as follows:

	<b>2019</b>	2018	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	<b>¥1,065</b>	¥ 779	<b>\$ 9,595</b>
Interest cost	<b>104</b>	119	<b>937</b>
Expected return on plan assets	<b>(440)</b>	(429)	<b>(3,964)</b>
Amortisation:			
Actuarial (gain) loss	<b>(89)</b>	228	<b>(801)</b>
Prior service cost	<b>(20)</b>	(20)	<b>(180)</b>
Others	<b>(14)</b>	(2)	<b>(126)</b>
Retirement benefit expenses	<b>¥ 604</b>	¥ 674	<b>\$ 5,441</b>
Special retirement payment	<b>¥ 85</b>	¥ 197	<b>\$ 765</b>
Loss (gain) resulting from transfer to defined contribution pension plans	<b>¥ 292</b>	¥ (34)	<b>\$ 2,630</b>

(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. "Loss (gain) resulting from transfer to defined contribution pension plans" is included in "Other income (expenses)" as "(Loss) gain on termination of retirement benefit plans."

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**16. Retirement Benefits (continued)**

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

	<u>2019</u>	2018	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ (20)	¥ (20)	\$ (180)
Actuarial (loss) gain	(432)	442	(3,892)
Total	<u>¥(453)</u>	<u>¥ 421</u>	<u>\$ (4,081)</u>

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

	<u>2019</u>	2018	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognised prior service cost	¥ 51	¥ 72	\$ 459
Unrecognised actuarial (loss) gain	(377)	55	(3,396)
Total	<u>¥ (325)</u>	<u>¥ 128</u>	<u>\$ (2,928)</u>

The fair value of plan assets, by major category, as a percentage of total plan assets as of 31st March, 2019 and 2018 are as follows:

	<u>2019</u>	2018
Bonds	40%	48%
Equities	30	31
General accounts at life insurance companies	5	5
Other	25	16
Total	<u>100%</u>	<u>100%</u>

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

	<u>2019</u>	2018
Discount rates	0.0%~0.8%	0.1%~1.1%
Expected long-term rate of return on plan assets	2.5%	2.5%
Expected rates of future salary increase	7.4%~14.0%	8.0%~14.0%

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.



Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**16. Retirement Benefits (continued)**

The contributions to the multi-employer plan were ¥11 million (\$99 thousand) and ¥14 million for the years ended 31st March, 2019 and 2018, 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, 2019 and 2018.

	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Plan assets	<b>¥ 531,843</b>	¥ 549,912	<b>\$ 4,791,810</b>
Total of amount of the pension obligation based on the calculation of pension financing in the scheme and minimum reserve amount	<b>512,770</b>	547,838	<b>4,619,965</b>
Difference	<b>¥ 19,073</b>	¥ 2,074	<b>\$ 171,844</b>

The contribution ratios of the consolidated subsidiary to the multi-employer pension plan for the years ended 31st March, 2019 and 2018 were 0.05% and 0.17%, respectively.

The main reasons behind the difference in the above table are due to unrecognised prior service costs of ¥23,254 million (\$209,514 thousand) and ¥28,872 million and, net of surplus of ¥42,328 million (\$381,367 thousand) and ¥30,947 million as of 31st March, 2019 and 2018, 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, 2018 was 4 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 ¥3,515 million (\$31,669 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, 2019 in the amount of ¥1,088 million (\$9,802 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 ¥212 million (\$1,910 thousand) and ¥180 million for the years ended 31st March, 2019 and 2018, respectively.

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 17. Shareholders' Equity

The Corporation Law of Japan provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the common stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

The legal reserve of the Company, which is included in retained earnings, amounted to ¥1,943 million (\$17,506 thousand) at 31st March, 2019 and 2018, respectively.

Movements in issued shares of common stock and treasury stock during the years ended 31st March, 2019 and 2018 are summarised as follows:

For the year ended 31st March, 2019

	<b>Number of Shares</b>			
	<b>2019</b>			
	1st April, 2018	Increase	Decrease	31st March, 2019
Issued shares:				
Common stock	<b>69,430,069</b>	–	<b>15,600</b>	<b>69,414,469</b>
Treasury stock	<b>3,636,411</b>	<b>27,530</b>	<b>61,547</b>	<b>3,602,394</b>

The decrease in common stock of 15,600 shares was due to the cancellation of treasury stock.

The increase in treasury stock of 27,530 shares was due to the acquisition of fractional shares of less than one voting unit. The decrease in treasury stock of 61,547 shares was due to the sales of fractional shares of less than one voting unit of 147 shares, issuance of treasury stock through the E-Ship Trust of 39,900 shares, shares granted from the BIP Trust to Directors of 5,900 shares and cancellation of treasury stock of 15,600 shares held by the BIP Trust as a result of termination of the BIP Trust.

Treasury stock at 31st March, 2019 includes 54,900 shares held by the E-ship Trust.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**17. Shareholders' Equity (continued)**

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.

Information on stock acquisition rights and treasury stock acquisition rights during the years ended 31st March, 2019 and 2018 is as follows:

For the year ended 31st March, 2019

Company name	Details	Type of stock subject to stock acquisition rights	Number of shares subject to stock acquisition rights			31st March, 2019	31st March, 2019 (Millions of yen / Thousands of U.S. dollars)
			1st April, 2018	Increase	Decrease		
The Company	Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	Common stock	3,713,882	(Note 1) 7,186	–	3,721,068	(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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**17. Shareholders' Equity (continued)**

For the year ended 31st March, 2018

Company name	Details	Type of stock subject to stock acquisition rights	Number of shares subject to stock acquisition rights			31st March, 2018	31st March, 2018 (Millions of yen / Thousands of U.S. dollars)
			1st April, 2017	Increase	Decrease		
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.

Information on dividend payments and the effective date for the years ended 31st March, 2019 and 2018 is as follows:

For the year ended 31st March, 2019

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 14th May, 2018	Common stock	¥ 1,977 (\$ 17,812)	¥ 30 (\$ 0.27)	31st March, 2018	6th June, 2018
Board of Directors' meeting held on 31st October, 2018	Common stock	¥ 1,646 (\$ 14,830)	¥ 25 (\$ 0.22)	30th September, 2018	10th December, 2018

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 14th May, 2018 included ¥3 million (\$27 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, 2018 included ¥1 million (\$9 thousand) of cash dividends applicable to shares held by the E-Ship Trust.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**17. 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 13th May, 2019	Common stock	¥ <b>2,305</b> (\$ <b>20,767</b> )	Retained earnings	¥ <b>35</b> (\$ <b>0.31</b> )	31st March, 2019	6th June, 2019

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 13th May, 2019 included ¥1 million (\$9 thousand) of cash dividends applicable to shares held by the E-Ship Trust.

For the year ended 31st March, 2018

Dividend payment:

Resolution	Type of shares	Dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on 15th May, 2017	Common stock	¥ 1,977	¥ 30	31st March, 2017	6th June, 2017
Board of Directors' meeting held on 31st October, 2017	Common stock	¥ 1,318	¥ 20	30th September, 2017	10th December, 2017

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

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 18. 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, 2019 for operating leases are summarised as follows:

Year ending 31st March,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2020	<b>¥ 266</b>	<b>\$ 2,396</b>
2021 and thereafter	<b>152</b>	<b>1,369</b>
Total	<b>¥ 418</b>	<b>\$ 3,766</b>

#### 19. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended 31st March, 2019 and 2018 were as follows:

	<b>2019</b>	2018	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Freight and warehouse expenses	<b>¥ 30,617</b>	¥ 29,965	<b>\$ 275,853</b>
Sales promotion expenses	<b>53,243</b>	53,597	<b>479,709</b>
Provision for sales promotion expenses	<b>2,448</b>	1,887	<b>22,056</b>
Advertising expenses	<b>14,408</b>	13,621	<b>129,813</b>
Salaries	<b>17,200</b>	16,549	<b>154,968</b>
Bonuses	<b>5,615</b>	5,509	<b>50,590</b>
Welfare expenses	<b>5,158</b>	5,100	<b>46,472</b>
Retirement benefit expenses	<b>492</b>	817	<b>4,432</b>
Provision (reversal) of allowance for doubtful accounts	<b>22</b>	(5)	<b>198</b>
Provision for bonuses of directors and audit and supervisory board members	<b>38</b>	38	<b>342</b>
Provision for stock-based compensation of board incentive plan	–	75	–
Provision for stock-based compensation	<b>44</b>	–	<b>396</b>
Depreciation and amortisation	<b>2,635</b>	2,503	<b>23,740</b>
Other	<b>17,430</b>	16,200	<b>157,041</b>
Total	<b>¥149,357</b>	¥ 145,860	<b>\$ 1,345,679</b>

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 20. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st March, 2019 and 2018 amounted to ¥5,520 million (\$49,734 thousand) and ¥6,148 million, respectively.

#### 21. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to several types of taxes: corporate taxes, local inhabitants taxes and enterprise taxes, which in aggregate resulted in statutory tax rates of approximately 30.6% and 30.9% for the years ended 31st March, 2019 and 2018, respectively. Overseas subsidiaries are subject to the income and other taxes of the respective countries in which they operate.

The reconciliation between effective tax rate and the statutory tax rate for the year ended 31st March, 2019 is as follows:

	2019
Statutory tax rate	30.6%
Permanent non-deductible expenses	1.8
Permanent non-taxable dividend income	(0.7)
Inhabitants' per capita taxes	0.4
Change in valuation allowance	1.7
Tax credits	(1.5)
Other	1.7
Effective tax rate	<u>34.0%</u>

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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**21. Income Taxes (continued)**

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at 31st March, 2019 and 2018 are summarised as follows:

	<b>2019</b>	2018	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued bonuses	¥ 964	¥ 946	\$ 8,685
Accrued expenses	1,029	896	9,271
Liability for retirement benefits	1,233	1,534	11,109
Loss on impairment of property, plant and equipment	1,998	1,823	18,001
Loss on devaluation of investments in securities	372	372	3,351
Tax loss carryforwards	773	232	6,964
Depreciation	335	420	3,018
Other	1,408	1,311	12,685
Total deferred tax assets	<b>8,113</b>	7,537	<b>73,696</b>
Less valuation allowance	<b>(3,060)</b>	(2,252)	<b>(27,570)</b>
Offset by deferred tax liabilities	<b>(4,113)</b>	(4,435)	<b>(37,057)</b>
Net deferred tax assets	<b>¥ 939</b>	¥ 849	<b>\$ 8,460</b>
Deferred tax liabilities:			
Net unrealised holding gain on securities	¥ (5,227)	¥ (5,623)	\$ (47,094)
Reserve for special depreciation for tax purposes	(1)	(3)	(9)
Reserve for deferred gain on property for tax purposes	(2,416)	(2,423)	(21,767)
Deferred gains on hedges	(32)	-	(288)
Other	(1,535)	(1,455)	(13,830)
Total deferred tax liabilities	<b>(9,212)</b>	(9,505)	<b>(82,998)</b>
Offset by deferred tax assets	<b>4,113</b>	4,435	<b>37,057</b>
Net deferred tax liabilities	<b>¥ (5,098)</b>	¥ (5,070)	<b>\$ (45,932)</b>



Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**22. 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, 2019 and 2018 are summarised as follows:

	<b>2019</b>	2018	<b>2019</b>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net unrealised holding (loss) gain on securities:			
Amount arising during the year	<b>¥(1,006)</b>	¥ 4,469	<b>\$ (9,063)</b>
Reclassification adjustments	<b>(425)</b>	(892)	<b>(3,829)</b>
Amount before income tax effect	<b>(1,432)</b>	3,576	<b>(12,902)</b>
Income tax effect	<b>396</b>	(1,307)	<b>3,567</b>
Total	<b>(1,035)</b>	2,269	<b>(9,325)</b>
Deferred gain on hedges:			
Amount arising during the year	<b>200</b>	–	<b>1,801</b>
Reclassification adjustments	<b>(95)</b>	–	<b>(855)</b>
Amount before income tax effect	<b>105</b>	–	<b>946</b>
Income tax effect	<b>(32)</b>	–	<b>(288)</b>
Total	<b>73</b>	–	<b>657</b>
Translation adjustments:			
Amount arising during the year	<b>(1,435)</b>	1,366	<b>(12,929)</b>
Retirement benefits liability adjustments:			
Amount arising during the year	<b>(335)</b>	201	<b>(3,018)</b>
Reclassification adjustments	<b>(118)</b>	220	<b>(1,063)</b>
Amount before income tax effect	<b>(453)</b>	421	<b>(4,081)</b>
Income tax effect	<b>138</b>	(129)	<b>1,243</b>
Total	<b>(314)</b>	292	<b>(2,829)</b>
Share of other comprehensive (loss) income of affiliates accounted for by the equity method:			
Adjustments arising during the year	<b>(184)</b>	55	<b>(1,657)</b>
Total other comprehensive (loss) income	<b>¥(2,896)</b>	¥ 3,983	<b>\$(26,092)</b>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**23. 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, 2019 and 2018. Net rental income, net of rental cost, for the years ended 31st March, 2019 and 2018 was ¥507 million (\$4,567 thousand) and ¥516 million, respectively.

The carrying value in the consolidated balance sheet and corresponding fair value of investment and rental properties as of 31st March, 2019 and 2018 are as follows:

	<i>Carrying value</i>		<i>Fair value</i>
	1st April, 2018	Net change	31st March, 2019
	<i>(Millions of yen)</i>		
Investment and rental property	<b>¥ 12,764</b>	<b>¥(319)</b>	<b>¥ 12,444</b>
			<b>¥ 16,987</b>
	<i>Carrying value</i>		<i>Fair value</i>
	1st April, 2017	Net change	31st March, 2018
	<i>(Millions of yen)</i>		
Investment and rental property	¥ 12,875	¥(111)	¥ 12,764
			¥ 16,234
	<i>Carrying value</i>		<i>Fair value</i>
	1st April, 2018	Net change	31st March, 2019
	<i>(Thousands of U.S. dollars)</i>		
Investment and rental property	<b>\$ 115,001</b>	<b>\$(2,874)</b>	<b>\$ 112,118</b>
			<b>\$ 153,049</b>

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

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **23. Investment and Rental Property (continued)**

The main components of net change in the carrying value during the year ended 31st March, 2019 were the decrease due to sales of idle property in the amount of ¥279 million (\$2,513 thousand) and the decrease due to depreciation in the amount of ¥26 million (\$234 thousand).

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 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.

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### **24. 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 and Food Products Division, Ice Cream Division, Dairy Division, Food Ingredients Division, and Overseas Division.

The Confectioneries and Food Products Division mainly produces and sells chocolate, gum, cookies, snacks, curry roux, retort-packed food and others.

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

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

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

The Overseas Division mainly produces and sells snacks, ice cream and others overseas.

From the year ended 31st March, 2019, the previous “Confectioneries Division” and “Food Products Division” have merged to become “Confectioneries and Food Products Division.” Overseas businesses included in the “Confectioneries Division,” “Ice Cream Division,” “Milk and Dairy Products Division” have been separated to form “Overseas Division.” These changes were made in connection with the change in corporate management structure including the establishment of the ASEAN regional headquarters. In addition, the conventional “Milk and Dairy Products Division” has been renamed to “Dairy Division.” The segment information for the previous fiscal year is based on the classification of reportable segments of the current fiscal year.

##### **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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

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

	2019					
	Reportable segments					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal
	<i>(Millions of yen)</i>					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	¥ 94,905	¥ 85,037	¥ 90,149	¥ 10,768	¥ 51,572	¥ 332,434
Inter-segment sales and transfers	965	120	177	204	1	1,469
Total	¥ 95,871	¥ 85,157	¥ 90,327	¥ 10,973	¥ 51,573	¥ 333,904
Segment income	¥ 6,134	¥ 6,864	¥ 2,821	¥ 915	¥ 1,409	¥ 18,145
Segment assets	48,685	42,911	28,687	5,996	29,377	155,657
Other items:						
Depreciation and amortisation	3,050	4,196	1,706	133	1,731	10,819
Increase in property, plant and equipment and intangible assets	6,584	5,131	1,386	156	1,981	15,240

	2019			
	Others	Total	Adjustments and eliminations	Consolidated
		<i>(Millions of yen)</i>		
Sales, income or loss and assets by reportable segment:				
Net sales:				
Sales to third parties	¥ 17,836	¥ 350,270	¥ -	¥ 350,270
Inter-segment sales and transfers	4,855	6,325	(6,325)	-
Total	¥ 22,692	¥ 356,596	¥ (6,325)	¥ 350,270
Segment income	¥ 336	¥ 18,481	¥ (1,735)	¥ 16,746
Segment assets	1,398	157,056	191,395	348,452
Other items:				
Depreciation and amortisation	277	11,096	2,078	13,175
Increase in property, plant and equipment and intangible assets	92	15,332	7,172	22,505

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

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

	2018					
	Reportable segments					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal
	<i>(Millions of yen)</i>					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	¥ 99,301	¥ 87,106	¥ 93,566	¥ 10,747	¥ 47,683	¥ 338,406
Inter-segment sales and transfers	1,094	146	22	165	–	1,429
Total	<u>¥ 100,396</u>	<u>¥ 87,253</u>	<u>¥ 93,588</u>	<u>¥ 10,913</u>	<u>¥ 47,683</u>	<u>¥ 339,835</u>
Segment income	¥ 8,131	¥ 6,602	¥ 3,844	¥ 1,157	¥ 2,081	¥ 21,817
Segment assets	44,754	41,371	28,517	5,368	28,347	148,359
Other items:						
Depreciation and amortisation	2,728	3,621	1,469	118	1,983	9,921
Increase in property, plant and equipment and intangible assets	4,995	3,071	1,578	245	5,393	15,284
	2018					
	Others	Total	Adjustments and eliminations		Consolidated	
	<i>(Millions of yen)</i>					
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	<u>¥ 19,319</u>	<u>¥ 359,154</u>	<u>¥</u>	<u>(5,722)</u>	<u>¥ 353,432</u>	
Segment income	¥ 246	¥ 22,063	¥	(1,685)	¥ 20,377	
Segment assets	1,518	149,878		191,146	341,024	
Other items:						
Depreciation and amortisation	268	10,190		3,414	13,604	
Increase in property, plant and equipment and intangible assets	688	15,973		4,728	20,701	

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

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

	<b>2019</b>					Subtotal
	Reportable segments					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	
	<i>(Thousands of U.S. dollars)</i>					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	\$ 855,077	\$ 766,168	\$ 812,226	\$ 97,017	\$ 464,654	\$ 2,995,170
Inter-segment sales and transfers	8,694	1,081	1,594	1,838	9	13,235
Total	<u>\$ 863,780</u>	<u>\$ 767,249</u>	<u>\$ 813,830</u>	<u>\$ 98,864</u>	<u>\$ 464,663</u>	<u>\$ 3,008,415</u>
Segment income	\$ 55,266	\$ 61,843	\$ 25,416	\$ 8,243	\$ 12,694	\$ 163,483
Segment assets	438,643	386,620	258,464	54,022	264,681	1,402,441
Other items:						
Depreciation and amortisation	27,479	37,805	15,370	1,198	15,595	97,477
Increase in property, plant and equipment and intangible assets	59,320	46,229	12,487	1,405	17,848	137,309

	<b>2019</b>			
	Others	Total	Adjustments and eliminations	Consolidated
	<i>(Thousands of U.S. dollars)</i>			
Sales, income or loss and assets by reportable segment:				
Net sales:				
Sales to third parties	\$ 160,699	\$ 3,155,869	\$ -	\$ 3,155,869
Inter-segment sales and transfers	43,742	56,987	(56,987)	-
Total	<u>\$ 204,450</u>	<u>\$ 3,212,866</u>	<u>\$ (56,987)</u>	<u>\$ 3,155,869</u>
Segment income	\$ 3,027	\$ 166,510	\$ (15,632)	\$ 150,878
Segment assets	12,595	1,415,046	1,724,434	3,139,490
Other items:				
Depreciation and amortisation	2,495	99,972	18,722	118,704
Increase in property, plant and equipment and intangible assets	828	138,138	64,618	202,766

## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 24. 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 and the System Maintenance and Development Division.

The adjustments and eliminations for segment income in the amounts of ¥(1,735) million (\$15,632 thousand) and ¥(1,685) million consisted of the elimination of inter-segment transactions and other adjustments of ¥1,290 million (\$11,622 thousand) and ¥1,158 million and corporate expenses not allocated to each reportable segment of ¥(3,026) million (\$27,263 thousand) and ¥(2,843) million for the years ended 31st March, 2019 and 2018, respectively.

Corporate expenses were mainly related to selling, general and administrative expenses not attributable to reportable segments for the years ended 31st March, 2019 and 2018. The adjustments and eliminations for segment assets in the amount of ¥191,395 million (\$1,724,434 thousand) and ¥191,146 million at 31st March, 2019 and 2018, respectively, consisted of corporate assets not attributable to reportable segments.

The adjustments and eliminations for depreciation and amortisation of ¥2,078 million (\$18,722 thousand) and ¥3,414 million and increase in property, plant and equipment and intangible assets of ¥7,172 million (\$64,618 thousand) and ¥4,728 million for the years ended 31st March, 2019 and 2018, 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.



Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**24. 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, 2019 and 2018 are summarised as follows:

<b>2019</b>						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Millions of yen)</i>						
<b>¥ 94,905</b>	<b>¥ 85,037</b>	<b>¥ 90,149</b>	<b>¥ 10,768</b>	<b>¥ 51,572</b>	<b>¥ 17,836</b>	<b>¥ 350,270</b>
<b>2018</b>						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Millions of yen)</i>						
¥ 99,301	¥ 87,106	¥ 93,566	¥ 10,747	¥ 47,683	¥ 15,026	¥ 353,432
<b>2019</b>						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Thousands of U.S. dollars)</i>						
<b>\$ 855,077</b>	<b>\$ 766,168</b>	<b>\$ 812,226</b>	<b>\$ 97,017</b>	<b>\$ 464,654</b>	<b>\$ 160,699</b>	<b>\$ 3,155,869</b>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**24. 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, 2019 and 2018 are summarised as follows:

<b>2019</b>				
Japan	China	Southeast Asia	Others	Total
<i>(Millions of yen)</i>				
<b>¥ 298,698</b>	<b>¥ 27,215</b>	<b>¥ 15,053</b>	<b>¥ 9,303</b>	<b>¥ 350,270</b>
<b>2018</b>				
Japan	China	Southeast Asia	Others	Total
<i>(Millions of yen)</i>				
¥ 305,749	¥ 26,118	¥ 13,551	¥ 8,013	¥ 353,432
<b>2019</b>				
Japan	China	Southeast Asia	Others	Total
<i>(Thousands of U.S. dollars)</i>				
<b>\$ 2,691,215</b>	<b>\$ 245,202</b>	<b>\$ 135,624</b>	<b>\$ 83,818</b>	<b>\$ 3,155,869</b>

(2) Property, plant and equipment

Property, plant and equipment categorised by countries and regions as of 31st March, 2019 and 2018 are summarised as follows:

<b>2019</b>				
Japan	China	Southeast Asia	Others	Total
<i>(Millions of yen)</i>				
<b>¥ 86,910</b>	<b>¥ 5,881</b>	<b>¥ 5,839</b>	<b>¥ 834</b>	<b>¥ 99,465</b>
<b>2018</b>				
Japan	China	Southeast Asia	Others	Total
<i>(Millions of yen)</i>				
¥ 78,710	¥ 6,880	¥ 5,714	¥ 508	¥ 91,814
<b>2019</b>				
Japan	China	Southeast Asia	Others	Total
<i>(Thousands of U.S. dollars)</i>				
<b>\$ 783,043</b>	<b>\$ 52,986</b>	<b>\$ 52,608</b>	<b>\$ 7,514</b>	<b>\$ 896,161</b>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Segment Information (continued)

Related information (continued)

Information on loss on impairment of property, plant equipment

		2019						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Loss on impairment of property, plant and equipment		¥12	¥ 0	¥33	¥ –	¥136	¥125	¥307
		2018						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Loss on impairment of property, plant and equipment		¥43	¥ 0	¥43	¥ –	¥675	¥69	¥833
		2019						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Thousands of U.S. dollars)</i>						
Loss on impairment of property, plant and equipment		\$ 108	\$ 0	\$ 297	\$ –	\$ 1,225	\$ 1,126	\$ 2,766

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**24. Segment Information (continued)**

**Related information (continued)**

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

		<b>2019</b>						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Amortisation for the year		¥ –	¥ –	¥ –	¥ –	¥ 423	¥ –	¥ 423
Remaining unamortised balance		¥ –	¥ –	¥ –	¥ –	¥ 3,874	¥ –	¥ 3,874
		<b>2018</b>						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Amortisation for the year		¥ –	¥ –	¥ –	¥ –	¥ 75	¥ –	¥ 75
Remaining unamortised balance		¥ –	¥ –	¥ –	¥ –	¥ 4,246	¥ –	¥ 4,246
		<b>2019</b>						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Thousands of U.S. dollars)</i>						
Amortisation for the year		\$ –	\$ –	\$ –	\$ –	\$ 3,811	\$ –	\$ 3,811
Remaining unamortised balance		\$ –	\$ –	\$ –	\$ –	\$34,904	\$ –	\$ 34,904

**Information on gain on recognition of negative goodwill by reportable segment**

Gain on recognition of negative goodwill was nil for the years ended 31st March, 2019 and 2018.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**25. Amounts per Share**

Amounts per share at 31st March, 2019 and 2018 and for the years then ended were as follows:

	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Profit attributable to owners of the parent	¥ <b>180.02</b>	¥ 231.34	\$ <b>1.62</b>
Cash dividends	<b>60.00</b>	50.00	<b>0.54</b>
Net assets	<b>3,250.07</b>	3,165.88	<b>29.28</b>

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 54 thousand shares and 94 thousand shares at 31st March, 2019 and 2018, respectively, and that held by the BIP Trust of 21 thousand shares at 31st March, 2018, 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, 2019 and 2018 has not been disclosed because no dilutive potential shares with dilutive effect existed for the years ended 31st March, 2019 and 2018, 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**25. 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, 2019 and 2018 is summarised as follows:

	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Profit attributable to owners of the parent	<b>¥ 11,844</b>	¥ 15,216	<b>\$ 106,712</b>
	<u>2019</u>	<u>2018</u>	
	<i>(Thousands of shares)</i>		
Weighted-average number of shares of common stock	<b>65,795</b>	65,776	

The weighted-average number of the Company's shares held by the E-Ship Trust of 72 thousand shares and 110 thousand shares for the years ended 31st March, 2019 and 2018, respectively, and that held by the BIP Trust of 10 thousand shares and 23 thousand shares for the years ended 31st March, 2019 and 2018, 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, 2019 and 2018 because of their anti-dilutive effect are as follows:

	<u>2019</u>	<u>2018</u>	<u>2019</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Euro-Yen denominated convertible bonds due 2024	<b>¥ 30,000</b>	¥ 30,000	<b>\$ 270,294</b>
	<u>2019</u>	<u>2018</u>	
	<i>(Shares)</i>		
Number of stock acquisition rights	<b>3,000</b>	3,000	

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**26. Related-Party Transactions**

Principal transactions and balances between the Company and related parties as of and for the year ended 31st March, 2018 were summarised as follows:

Name of related parties	<i>Transactions</i>	
	Type of transaction	2018
		<i>(Millions of yen)</i>
	Insurance expense	¥ 67 (Note)
	<i>Balances</i>	
OSAKA EIKEN CO., LTD.	Account name	2018
		<i>(Millions of yen)</i>
	Prepaid expenses	¥ –
	Long-term prepaid expenses	–

(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	<i>Transactions</i>	
	Type of transaction	2018
		<i>(Millions of yen)</i>
Katsuhisa Ezaki	Acquisition of shares of OSAKA EIKEN CO., LTD.	¥ 546
Etsuro Ezaki	Acquisition of shares of OSAKA EIKEN CO., LTD.	¥ 28

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.

There were no transactions and balances between the Company and related parties as of and for the year ended 31st March, 2019.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

**26. Related-Party Transactions (continued)**

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

Name of related parties	<i>Transactions</i>	
	Type of transaction	2018
		<i>(Millions of yen)</i>
	Insurance expense	¥ 42
		(Note)
	<i>Balances</i>	
OSAKA EIKEN CO., LTD.	Account name	2018
		<i>(Millions of yen)</i>
	Prepaid expenses	¥ –
	Long-term prepaid expenses	–

(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 at 31st March, 2018.

There were no transactions and balances between the Company's consolidated subsidiaries and related parties as of and for the year ended 31st March, 2019.



## Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

### Notes to Consolidated Financial Statements (continued)

#### 27. Significant Subsequent Event

##### Acquisition and cancellation of treasury stock

At the Board of Directors' meeting held on 13th May, 2019, the Company resolved to acquire treasury stock in accordance with the stipulation in its articles of incorporation based on the provisions of Article 459, Paragraph 1 of the Companies Act as well as to cancel treasury stock in accordance with the provisions of Article 178 of the Companies Act.

##### (1) Reason for acquisition of treasury stock

The Company will acquire treasury stock in order to enhance its corporate value by increasing returns to shareholders and improving capital efficiency.

##### (2) Details of the acquisition

- (a) Class of shares: Common stock of the Company
- (b) Total number of shares to be acquired: 1,000,000 shares (upper limit)  
Ratio against the total number of issued shares outstanding (excluding treasury stock):1.5%
- (c) Total acquisition price: ¥5,000 million (\$45,049 thousand) (upper limit)
- (d) Period for acquisition: From 14th May, 2019 to 30th August, 2019
- (e) Method of acquisition: Acquisition through the Tokyo Stock Exchange

##### (3) Details of the cancellation

- (a) Class of shares: Common stock of the Company
- (b) Number of shares to be cancelled: All shares of treasury stock acquired as per (2) above
- (c) Planned date for cancellation: 19th September, 2019

# Corporate Information

## Board of Directors and Statutory Auditors (as of 30th June, 2019)

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### President & CEO

Katsuhisa Ezaki

### Senior Managing Executive Officer and

### Representative Director

Etsuro Ezaki

### Directors

Takashi Kuriki

Tetsuo Masuda

Takatoshi Kato

Kanoko Oishi

George Hara

### Standing Corporate Auditors

Toshiaki Yoshida

Akira Onuki

### Corporate Auditors

Shintaro Iwai

Matao Miyamoto

Minoru Kudo

## Corporate Data (as of 31st March, 2019)

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### Head Office

6-5, Utajima, 4-chome,  
Nishiyodogawa-ku, Osaka 555-8502, Japan

Tel : (06)6477-8352

Fax : (06)6477-8250

### Number of Employee

1,514

### Stock Exchanges Listed

Tokyo

### Tokyo Branch

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

### Transfer Agents

Sumitomo Mitsui Trust Bank, Limited.

5-33, Kitahama, 4-chome, Chuo-ku,

Osaka 541-0041, Japan

### Capital Paid

¥7,773 Million

(U.S. \$70,033 Thousand)

### Established

1922

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