Annual Report 2019/12

(Fiscal year ended 31st December, 2019)

Contents

Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	December 2019	March 2019	March 2018	March 2017	March 2016	December 2019
Net sales	**288,187**	350,270	353,432	353,217	338,437	**2,630,403**
Profit before income taxes	**20,183**	18,798	22,473	26,492	20,962	**184,218**
Profit attributable to owners of the parent	**12,047**	11,844	15,216	18,147	13,903	**109,958**
	Yen					
Per share of common stock:						
Profit *	**185.31**	180.02	231.34	276.20	212.00	**1.69**
Cash dividends	**60.00**	60.00	50.00	50.00	40.00	**0.54**
	Millions of yen					
Balance sheet data:						
Shareholders' equity	**204,169**	201,098	192,694	180,435	163,968	**1,863,535**
Total assets	**343,812**	348,452	341,024	324,118	274,974	**3,138,116**

* Diluted profit per share for the years ended 31st December, 2019, and 31st March, 2019, 2018 and 2017 has not been disclosed because no dilutive potential shares with dilutive effect existed for the years ended 31st December, 2019, and 31st March, 2019, 2018 and 2017, and no dilutive potential shares existed for the year ended 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.

* For the fiscal period ended 31st December, 2019, the period for consolidated accounting of the Company and its consolidated subsidiaries whose fiscal year end was on 31st March is the nine-month period from 1st April, 2019 until 31st December, 2019 following the change of the fiscal year end.

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

Message from the President

The Company changed its fiscal year end from 31st March to 31st December upon the resolution of "Partial Amendment of Articles of Incorporation" at the 114th Annual Shareholders Meeting held on 25th June, 2019. As a result, the fiscal period ended 31st December, 2019, which is a transitional period, will be a nine-month period from 1st April, 2019 until 31st December, 2019. The period for consolidated accounting of the Company and its domestic subsidiaries whose fiscal year end was on 31st March is the nine-month period from 1st April, 2019 until 31st December, 2019. The period for consolidated accounting of overseas subsidiaries whose fiscal year end was on 31st December will be a twelve-month period from 1st January, 2019 until 31st December, 2019. For comparison between the previous consolidated fiscal year, the amount for the previous consolidated fiscal year is adjusted based on a consistent period with the current consolidated fiscal period, and the percentage of increase and decrease is based on the comparison with the adjusted amount for the previous consolidated fiscal period.

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.

Our Dairy and Food Ingredients Divisions posted decreased sales from the previous fiscal year. However, sales of our Confectioneries and Food Products, Ice Cream, Overseas Divisions and other segments including the health business increased from the previous fiscal year. Consequently, consolidated net sales amounted to ¥288,187 million, an increase of 1.2% from the ¥284,830 million total of the previous fiscal year.

Regarding earnings, our overall cost-to-sales ratio remained unchanged from the previous fiscal year due to the decrease in cost-to-sales ratio in Overseas Division despite the increase in the ratio of Confectioneries and Food Products, and Ice Cream Divisions. As for selling, general and administrative (SG&A) expenses, expenses related to improvement of internal infrastructure for enhancing our business base increased.

As a result, operating income amounted to ¥15,605 million, a decrease of ¥332 million from the previous fiscal year (¥15,938 million). Ordinary income was ¥17,002 million, a decrease of ¥1,429 million from the previous fiscal year (¥18,431 million) due to negative factors including the decrease in operating income and loss on foreign exchange, net. Profit attributable to owners of the parent was ¥12,047 million, an increase of ¥161 million from the previous fiscal year (¥11,886 million), due to positive factors including gain on sales of property, plant and equipment and gain on sales of investments in securities.

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.

April 2020

江崎勝久

Katsuhisa Ezaki, President and CEO

1. Operating Results and Financial Position

(1) Operating Results

Results by segment

(Unit: millions of yen, %)

Segment	Net Sales			Operating Income		
	Consolidated fiscal year under review	vs. Previous consolidated fiscal year	YoY (%)	Consolidated fiscal year under review	vs. Previous consolidated fiscal year	YoY (%)
Confectioneries and Food Products	71,789	1,323	1.9	5,236	378	7.8
Ice Cream	73,353	2,305	3.2	6,209	(866)	(12.2)
Dairy	67,032	(2,649)	(3.8)	2,386	(245)	(9.3)
Food Ingredients	8,314	(161)	(1.9)	648	(149)	(18.7)
Overseas	53,200	1,796	3.5	1,260	(88)	(6.6)
Others	14,496	742	5.4	251	206	454.1
Adjusted amount	−	−	−	(388)	432	−
Total	288,187	3,357	1.2	15,605	(332)	(2.1)

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 increased from the previous fiscal year. ‘Pocky,’ ‘Pretz,’ ‘GABA’ and ‘LIBERA’ sales increased from the previous fiscal year. As a result, divisional sales amounted to ¥71,789 million, a 1.9% increase from the previous fiscal year (¥70,465 million).

As for divisional profits, cost-to-sales ratio increased, but ratio of sales promotion expenses and advertising expenses decreased. As a result, operating income was ¥5,236 million, an increase of ¥378 million from the previous fiscal year (¥4,858 million).

[Ice Cream Division]

Sales of mainstay products, including ‘Ice-no-Mi’ and ‘Panapp’ increased from the previous fiscal year while sales of some products, including ‘Papico,’ decreased from the previous fiscal year. Sales in wholesale sales subsidiaries also increased from the previous fiscal year. As a result, divisional sales totaled ¥73,353 million, a 3.2% increase from the previous fiscal year (¥71,048 million).

As for divisional profits, due to the increase in cost-to-sales ratio, operating income was ¥6,209 million, a decrease of ¥866 million from the previous fiscal year (¥7,076 million).

[Dairy Division]

While ‘ICREO,’ ‘Torori Cream-On’ and ‘Putchin Pudding’ sales increased from the previous fiscal year, ‘Café au Lait’ and ‘BifiX Yogurt’ sales decreased from the previous fiscal year. As a result, divisional sales totaled ¥67,032 million, a decrease of 3.8% from the previous fiscal year (¥69,681 million).

As for divisional profits, gross profit decreased due to the decrease in sales. As a result, operating income was ¥2,386 million, a decrease of ¥245 million from the previous fiscal year (¥2,632 million).

[Food Ingredients Division]
While 'E-Starch' and 'Fine Chemical' sales increased from the previous fiscal year, 'A-glu' and 'Starch' sales decreased from the previous fiscal year. As a result, divisional sales were ¥8,314 million, a 1.9% decrease from the previous fiscal year (¥8,476 million).
As for divisional profits, there was an increase in the cost-to-sales ratio. As a result, operating income was ¥648 million, a decrease of ¥149 million from the previous fiscal year (¥798 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 ¥53,200 million, a 3.5% increase over the previous fiscal year (¥51,403 million).
As for divisional profits, while increased sales contributed to factors including an increase in gross profit, selling, general and administrative (SG&A) expenses increased. As a result, operating income was ¥1,260 million, a decrease of ¥88 million from the previous fiscal year (¥1,348 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 ¥14,496 million, a 5.4% increase over the previous fiscal year (¥13,754 million).
As for profits, the increase in gross profit generated from increased sales resulted in an increase of operating income to ¥251 million, an increase of ¥206 million over the previous fiscal year (¥45 million).

(2) Financial Position

Assets
As of 31st December, 2019, current assets were ¥184,352 million, an increase of ¥4,181 million from the end of the previous fiscal year. The main components of this increase were a ¥3,660 million increase in notes and accounts receivable, trade and a ¥4,322 million increase in marketable securities despite a ¥2,175 million decrease in finished goods and commercial goods. Non-current assets were ¥159,460 million, a decrease of ¥8,820 million from the end of the previous fiscal year. The main components of this decrease were a ¥6,497 million decrease in investments in securities and a ¥3,384 million decrease in goodwill as a result of the impairment. Consequently, total assets were ¥343,812 million, a decrease of ¥4,639 million compared to the end of the previous fiscal year.

Liabilities
As of 31st December, 2019, current liabilities were ¥80,689 million, a decrease of ¥1,059 million from the end of the previous fiscal year. The main components of this decrease were a ¥3,623 million decrease in other current liabilities and a ¥1,715 million decrease in accrued expenses despite a ¥2,189 million increase in notes and accounts payable, trade and a ¥1,615 million increase in income taxes payable. Long-term liabilities were ¥42,207 million, a decrease of ¥3,641 million from the end of the previous fiscal year. The main component of this decrease was a ¥2,454 million decrease in liability for retirement benefits. Consequently, total liabilities were ¥122,897 million, a decrease of ¥4,701 million compared to the end of the previous fiscal year.

Net Assets
As of 31st December, 2019, net assets were ¥220,915 million, an increase of ¥61 million compared to the end of the previous fiscal year. Main contributors to this increase included a profit attributable to owners of the parent amounting to ¥12,047 million offset by ¥4,253 million in cash dividends, a ¥3,716 million decrease in net unrealised holding loss on securities, a ¥2,378 million decrease in treasury stock and a ¥349 million decrease in translation adjustments. Consequently, shareholders' equity ratio was 62.0%, up 0.6 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	20,324	17,344	−
Cash flows from investing activities	(8,697)	(9,022)	−
Cash flows from financing activities	(4,566)	(9,616)	−
Balance of cash and cash equivalents at beginning of current period	93,017	99,237	6,219
Balance of cash and cash equivalents at end of current period	99,237	98,005	(1,231)

As of 31st December, 2019, cash and cash equivalents totaled ¥98,005 million, a decrease of ¥1,231 million compared to the end of the previous fiscal year. The main reason for this decrease was because net cash used in investing activities and financing activities exceeded net cash provided by operating activities.

The consolidated fiscal year under review is the nine-month period from 1st April, 2019 until 31st December, 2019 due to the change of the fiscal year end.

Therefore, the percentages indicating year-on-year changes are not presented. 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 ¥17,344 million. The main components of cash inflows included profit before income taxes amounting to ¥20,183 million recorded during the fiscal year under review, and depreciation and amortisation of ¥10,845 million, while cash outflows occurred mainly with income taxes paid amounting to ¥5,506 million.

Cash flows from investing activities

Net cash used in investing activities totaled ¥9,022 million. The main component of cash outflow was ¥16,274 million spent for purchases of property, plant and equipment, partially offset by cash inflow from proceeds from sales and redemption of investments in securities amounting to ¥9,951 million.

Cash flows from financing activities

Net cash used in financing activities totaled ¥9,616 million. The main components of cash outflows included ¥4,253 million spent for cash dividends paid and acquisition of treasury stock amounting to ¥5,002 million.

Reference: Cash flow indicator trends

	Mar. 2018	Mar. 2019	Dec. 2019
Shareholders’ equity ratio (%)	61.1	61.4	62.0
Shareholders’ equity ratio on market value basis (%)	106.7	109.9	91.9
Debt-to-cash flow ratio	0.0	0.0	0.0
Interest coverage ratio (times)	616.6	607.7	1,501.4

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

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

(4) Outlook for the Next Fiscal Year

It is expected that the Japanese and the global economy will continuously show 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 the impact of trade friction, the effects of the novel coronavirus whose worldwide spread of infection has become a concern, 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 ¥366,000 million in the next fiscal year (a twelve-month period from 1st January, 2020 until 31st December, 2020). Our profit targets are: an operating income of ¥18,000 million, ordinary income of ¥18,500 million and a profit attributable to owners of the parent of ¥12,500 million.

Divisional consolidated sales forecasts for the next fiscal year

Divisional sales projections are as follows: Confectioneries and Food Products Division sales of ¥97,000 million, Ice Cream Division sales of ¥91,200 million, Dairy Division sales of ¥83,700 million, Food Ingredients Division sales of ¥10,800 million, Overseas Division sales of ¥63,100 million and other segment sales of ¥20,200 million.

The consolidated fiscal year under review is the nine-month period from 1st April, 2019 until 31st December, 2019 due to the change of the fiscal year end. Therefore, the description about year-on-year changes comparing the outlook for the year ended 31st December, 2020 is omitted.

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

Nine months ended 31st December, 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 December, 2019, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the nine months 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 December, 2019, and their consolidated financial performance and cash flows for the nine months then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

24th March, 2020
Osaka, Japan

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

31st December, 2019

	31st December, 2019	31st March, 2019	**31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Assets			
Current assets:			
Cash and deposits *(Notes 7 and 8)*	**¥ 99,640**	¥ 103,601	**$ 909,456**
Marketable securities *(Notes 7, 8 and 10)*	**5,968**	1,645	**54,472**
Notes and accounts receivable, trade *(Note 8)*	**43,788**	40,128	**399,671**
Inventories *(Note 11)*	**29,873**	31,112	**272,663**
Other current assets	**5,132**	3,733	**46,841**
Less allowance for doubtful accounts	**(50)**	(50)	**(456)**
Total current assets	**184,352**	180,171	**1,682,657**
Property, plant and equipment *(Notes 12, 13, 14, 18 and 24)*:			
Land	**15,259**	15,584	**139,275**
Buildings and structures	**80,573**	73,062	**735,423**
Machinery and vehicles	**123,428**	118,992	**1,126,579**
Tools, furniture and fixtures	**24,799**	24,340	**226,350**
Leased assets	**1,385**	1,720	**12,641**
Construction in progress	**3,774**	12,421	**34,446**
	249,219	246,121	**2,274,726**
Less accumulated depreciation	**(149,412)**	(146,655)	**(1,363,745)**
Property, plant and equipment, net	**99,807**	99,465	**910,980**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates *(Note 8)*	**5,187**	2,830	**47,343**
Investments in securities *(Notes 8 and 10)*	**30,114**	38,969	**274,863**
Long-term loans receivable	**72**	917	**657**
Deferred tax assets *(Notes 4 and 21)*	**798**	939	**7,283**
Asset for retirement benefits *(Note 16)*	**1,901**	1,336	**17,351**
Real estate for investment, net *(Note 23)*	**12,240**	12,296	**111,719**
Software	**4,776**	4,688	**43,592**
Goodwill *(Notes 13 and 24)*	**489**	3,874	**4,463**
Other assets	**4,124**	3,015	**37,641**
Less allowance for doubtful accounts	**(53)**	(53)	**(483)**
Total investments and other assets	**59,652**	68,815	**544,468**
Total assets *(Note 24)*	**¥ 343,812**	¥ 348,452	**$ 3,138,116**

	31st December, 2019	31st March, 2019	**31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable, trade *(Note 8)*	**¥ 36,020**	¥ 33,831	**$ 328,769**
Short-term loans payable *(Notes 8 and 15)*	**29**	229	**2,227**
Current portion of long-term debt *(Note 15)*	**474**	445	**2,364**
Accrued expenses	**28,413**	30,128	**259,337**
Income taxes payable *(Note 21)*	**4,266**	2,651	**38,937**
Provision for bonuses of directors and audit and supervisory board members	**36**	38	**328**
Provision for sales promotion expenses	**2,977**	2,448	**27,172**
Provision for stock-based compensation	**30**	44	**273**
Provision for loss on guarantees	**134**	–	**1,223**
Other current liabilities *(Note 16)*	**8,306**	11,931	**75,812**
Total current liabilities	**80,689**	81,749	**736,482**
Long-term liabilities:			
Convertible bonds *(Notes 8, 15 and 25)*	**30,087**	30,103	**274,616**
Long-term debt *(Notes 8 and 15)*	**319**	654	**2,911**
Liability for retirement benefits *(Note 16)*	**2,831**	5,286	**25,839**
Deferred tax liabilities *(Notes 4 and 21)*	**4,186**	5,098	**38,207**
Other long-term liabilities *(Note 16)*	**4,782**	4,706	**43,647**
Total long-term liabilities	**42,207**	45,849	**385,240**
Net assets:			
Shareholders' equity *(Note 17)*:			
Common stock:			
Authorised – 270,000,000 shares at 31st December, 2019 and 31st March, 2019			
Issued – 68,468,569 shares at 31st December, 2019 and 69,414,469 shares 31st March, 2019	**7,773**	7,773	**70,947**
Capital surplus	**7,459**	8,999	**68,081**
Retained earnings	**197,881**	190,892	**1,806,142**
Treasury stock – 3,557,196 shares at 31st December, 2019 and 3,602,394 shares 31st March, 2019	**(8,944)**	(6,566)	**(81,635)**
Total shareholders' equity	**204,169**	201,098	**1,863,535**
Accumulated other comprehensive income:			
Net unrealised holding gain on securities	**8,835**	12,551	**80,640**
Deferred gain on hedges	**73**	73	**666**
Translation adjustments	**45**	395	**410**
Retirement benefits liability adjustments	**56**	(225)	**511**
Total accumulated other comprehensive income	**9,011**	12,794	**82,247**
Non-controlling interests	**7,733**	6,960	**70,582**
Total net assets *(Note 25)*	**220,915**	220,853	**2,016,383**
Total liabilities and net assets	**¥ 343,812**	¥ 348,452	**$ 3,138,116**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income

Nine months ended 31st December, 2019

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales *(Note 24)*	**¥ 288,187**	¥ 350,270	**$ 2,630,403**
Cost of sales *(Note 11)*	**150,127**	184,167	**1,370,271**
Gross profit	**138,060**	166,103	**1,260,131**
Selling, general and administrative expenses *(Notes 19 and 20)*	**122,454**	149,357	**1,117,688**
Operating income *(Note 24)*	**15,605**	16,746	**142,433**
Other income (expenses):			
Interest and dividend income	**1,155**	1,274	**10,542**
Interest expense	**(11)**	(33)	**(100)**
Gain on sales of property, plant and equipment (*Note 12*)	**1,621**	379	**14,795**
Loss on impairment of fixed assets *(Notes 13 and 24)*	**(3,249)**	(307)	**(29,654)**
Business structure improvement expenses *(Note 14)*	**(75)**	(516)	**(684)**
Gain on sales of investments in securities *(Note 10)*	**5,647**	425	**51,542**
Rental income on real estate *(Note 23)*	**602**	757	**5,494**
Subsidy income	**534**	489	**4,874**
(Loss) gain on foreign exchange, net	**(315)**	176	**(2,875)**
Loss on termination of retirement benefit plans *(Note 16)*	**–**	(292)	**–**
Depreciation of inactive fixed assets	**(211)**	(265)	**(1,925)**
Provision for loss on guarantees	**(134)**	–	**(1,223)**
Donation	**(113)**	(71)	**(1,031)**
Special retirement payment *(Note 16)*	**(18)**	(85)	**(164)**
Loss on disposal of property, plant and equipment	**(473)**	(486)	**(4,317)**
Loss on devaluation of investments in securities *(Note 10)*	**(650)**	–	**(5,932)**
Other, net	**270**	608	**2,464**
Other income, net	**4,577**	2,052	**41,776**
Profit before income taxes	**20,183**	18,798	**184,218**
Income taxes *(Note 21)*:			
Current	**6,909**	5,911	**63,061**
Deferred	**862**	470	**7,867**
	7,771	6,381	**70,929**
Profit	**12,411**	12,417	**113,280**
Other comprehensive loss *(Note 22)*:			
Net unrealised holding loss on securities	**(3,716)**	(1,035)	**(33,917)**
Deferred gain on hedges	**0**	73	**0**
Translation adjustments	**231**	(1,435)	**2,108**
Retirement benefits liability adjustments	**281**	(314)	**2,564**
Share of other comprehensive loss of affiliates accounted for by the equity method	**(153)**	(184)	**(1,396)**
Total other comprehensive loss	**(3,354)**	(2,896)	**(30,613)**
Comprehensive income	**¥ 9,057**	¥ 9,520	**$ 82,667**

Consolidated Statement of Income and Comprehensive Income (continued)

Nine months ended 31st December, 2019

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Profit attributable to:			
Owners of the parent *(Note 25)*	**¥ 12,047**	¥ 11,844	**$ 109,958**
Non-controlling interests	**364**	572	**3,322**
Total	**¥ 12,411**	¥ 12,417	**$ 113,280**
Comprehensive income attributable to:			
Owners of the parent	**¥ 8,263**	¥ 9,039	**$ 75,419**
Non-controlling interests	**793**	481	**7,238**
Total	**¥ 9,057**	¥ 9,520	**$ 82,667**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Nine months ended 31st December, 2019

		Shareholders' equity					Accumulated other comprehensive income					
	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
							(Millions of yen)					
Balance at 1st April, 2018	¥ 7,773	¥ 9,095	¥ 182,627	¥ (6,802)	¥ 192,694	¥ 13,587	¥ –	¥ 1,922	¥ 91	¥ 15,600	¥ 6,493	¥ 214,788
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)
Balance at 1st April, 2019	**7,773**	**8,999**	**190,892**	**(6,566)**	**201,098**	**12,551**	**73**	**395**	**(225)**	**12,794**	**6,960**	**220,853**
Cash dividends	**–**	**–**	**(4,253)**	**–**	**(4,253)**	**–**	**–**	**–**	**–**	**–**	**–**	**(4,253)**
Profit attributable to owners of the parent	**–**	**–**	**12,047**	**–**	**12,047**	**–**	**–**	**–**	**–**	**–**	**–**	**12,047**
Acquisition of treasury stock	**–**	**–**	**–**	**(5,002)**	**(5,002)**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,002)**
Disposition of treasury stock	**–**	**16**	**–**	**262**	**279**	**–**	**–**	**–**	**–**	**–**	**–**	**279**
Cancellation of treasury stock	**–**	**(1,556)**	**(805)**	**2,361**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Net changes in items other than those in shareholders' equity	**–**	**–**	**–**	**–**	**–**	**(3,716)**	**0**	**(349)**	**281**	**(3,783)**	**773**	**(3,009)**
Balance at 31st December, 2019	**¥ 7,773**	**¥ 7,459**	**¥ 197,881**	**¥ (8,944)**	**¥ 204,169**	**¥ 8,835**	**¥ 73**	**¥ 45**	**¥ 56**	**¥ 9,011**	**¥ 7,733**	**¥ 220,915**

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Nine months ended 31st December, 2019

		Shareholders' equity					Accumulated other comprehensive income					
	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
						(Thousands of U.S. dollars) (Note 1)						
Balance at 1st April, 2019	**$ 70,947**	**$ 82,137**	**$ 1,742,351**	**$ (59,930)**	**$ 1,835,505**	**$ 114,558**	**$ 666**	**$ 3,605**	**$ (2,053)**	**$ 116,776**	**$ 63,526**	**$2,015,817**
Cash dividends	–	–	**(38,818)**	–	**(38,818)**	–	–	–	–	–	–	**(38,818)**
Profit attributable to owners of the parent	–	–	**109,958**	–	**109,958**	–	–	–	–	–	–	**109,958**
Acquisition of treasury stock	–	–	–	**(45,655)**	**(45,655)**	–	–	–	–	–	–	**(45,655)**
Disposition of treasury stock	–	**146**	–	**2,391**	**2,546**	–	–	–	–	–	–	**2,546**
Cancellation of treasury stock	–	**(14,202)**	**(7,347)**	**21,549**	–	–	–	–	–	–	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	–	**(33,917)**	**0**	**(3,185)**	**2,564**	**(34,529)**	**7,055**	**(27,464)**
Balance at 31st December, 2019	**$ 70,947**	**$ 68,081**	**$ 1,806,142**	**$ (81,635)**	**$ 1,863,535**	**$ 80,640**	**$ 666**	**$ 410**	**$ 511**	**$ 82,247**	**$ 70,582**	**$2,016,383**

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Nine months ended 31st December, 2019

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from operating activities:			
Profit before income taxes	**¥ 20,183**	¥ 18,798	**$ 184,218**
Adjustments:			
Depreciation and amortisation	**10,845**	13,175	**98,986**
Loss on impairment of fixed assets	**3,249**	307	**29,654**
Net changes in asset and liability for retirement benefits	**(2,614)**	(1,298)	**(23,859)**
Decrease in provision for stock-based compensation of board incentive plan	**–**	(75)	**–**
Decrease in provision for bonuses of directors and audit and supervisory board members	**(1)**	–	**(9)**
(Decrease) increase in provision for stock-based compensation	**(14)**	44	**(127)**
Increase in provision for sales promotion expenses	**528**	561	**4,819**
Increase in provision for loss on guarantees	**134**	–	**1,223**
(Decrease) increase in allowance for doubtful accounts	**(1)**	24	**(9)**
Interest and dividend income	**(1,155)**	(1,274)	**(10,542)**
Interest expense	**11**	33	**100**
Loss (gain) on foreign exchange, net	**211**	(275)	**1,925**
Gain on sales of property, plant and equipment	**(1,621)**	(379)	**(14,795)**
Loss on disposal of property, plant and equipment	**473**	486	**4,317**
Gain on sales of investments in securities	**(5,647)**	(425)	**(51,542)**
Loss on valuation of investments in securities	**650**	–	**5,932**
(Increase) decrease in notes and accounts receivable, trade	**(3,601)**	903	**(32,867)**
Decrease (increase) in inventories	**1,240**	(3,761)	**11,317**
Increase in notes and accounts payable, trade	**2,205**	140	**20,125**
Other, net	**(2,226)**	(36)	**(20,317)**
Subtotal	**22,851**	26,950	**208,570**
Income taxes paid	**(5,506)**	(6,626)	**(50,255)**
Net cash provided by operating activities	**17,344**	20,324	**158,305**
Cash flows from investing activities:			
Increase in time deposits	**(6,000)**	(7,170)	**(54,764)**
Decrease in time deposits	**7,000**	13,970	**63,891**
Purchases of marketable securities	**(2,500)**	–	**(22,818)**
Proceeds from sales of marketable securities	**–**	600	**–**
Purchases of investments in securities	**(4,458)**	(1,355)	**(40,690)**
Proceeds from sales and redemption of investments in securities	**9,951**	1,104	**90,826**
Purchases of property, plant and equipment	**(16,274)**	(16,890)	**(148,539)**
Proceeds from sales of property, plant and equipment	**2,837**	930	**25,894**
Purchases of intangible assets	**(2,104)**	(1,587)	**(19,204)**
Proceeds from rental of real estate for investment	**557**	687	**5,083**
Increase in loans receivable	**–**	(5)	**–**
Collection of loans receivable	**850**	51	**7,758**
Interest and dividends received	**1,180**	1,354	**10,770**
Other, net	**(62)**	(386)	**(565)**
Net cash used in investing activities	**(9,022)**	(8,697)	**(82,347)**

Consolidated Statement of Cash Flows (continued)

Nine months ended 31st December, 2019

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from financing activities:			
Decrease in short-term loans payable, net	**(189)**	(496)	**(1,725)**
Repayment of long-term bank loans	**(193)**	(222)	**(1,761)**
Interest paid	**(11)**	(33)	**(100)**
Cash dividends paid	**(4,253)**	(3,623)	**(38,818)**
Cash dividends paid to non-controlling shareholders	**(19)**	(15)	**(173)**
Acquisition of treasury stock	**(5,002)**	(150)	**(45,655)**
Proceeds from sales of treasury stock	**244**	252	**2,227**
Other, net	**(190)**	(276)	**(1,734)**
Net cash used in financing activities	**(9,616)**	(4,566)	**(87,769)**
Effect of exchange rate changes on cash and cash equivalents	**62**	(840)	**565**
Net (decrease) increase in cash and cash equivalents	**(1,231)**	6,219	**(11,235)**
Cash and cash equivalents at beginning of the period	**99,237**	93,017	**905,777**
Cash and cash equivalents at end of the period *(Note 7)*	**¥ 98,005**	¥ 99,237	**$ 894,532**

See accompanying notes to the consolidated financial statements.

Notes to Consolidated Financial Statements

31st December, 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 ("IFRS"), 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, 2019 to the nine months ended 31st December, 2019 presentation. Such reclassification had no effect on consolidated profit.

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 ¥109.56 = U.S. $1.00, the approximate rate of exchange in effect on 31st December, 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.

2. Summary of Significant Accounting Policies

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

The accompanying consolidated financial statements include the accounts of the Company and its 34 and 35 significant subsidiaries at 31st December, 2019 and 31st March, 2019, 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 Company) on the accompanying consolidated financial statements are not significant.

The number of affiliates accounted for by the equity method was 2 at 31st December, 2019 and 31st March, 2019, 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 Company) on the accompanying consolidated financial statements are not significant individually or in the aggregate.

From the current fiscal period, the Company and its consolidated subsidiaries whose fiscal year end was 31st March changed their fiscal year end from 31st March to 31st December. These changes have been made with the expectation that by unifying the fiscal year end between the Company and overseas subsidiaries, the Company will be able to further promote the integrated operations of a global business and to increase the transparency of management by timely and appropriate disclosure of management information, as well as to align the fiscal year of the parent and its subsidiaries as required by IFRS, which the Company is considering to adopt in the future.

As a result of this change, in preparing the consolidated financial statements, the current fiscal period ended 31st December, 2019 is a transitional nine-month period from 1st April, 2019 to 31st December, 2019 for the Company and domestic subsidiaries whose fiscal year end was previously 31st March, as well as a twelve-month fiscal year from 1st January, 2019 to 31st December, 2019 for overseas subsidiaries whose fiscal year end is already 31st December.

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

(a) Principles of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates (continued)

The operating results from 1st January, 2019 until 31st March 2019 for the overseas subsidiaries whose fiscal year end is already 31st December were adjusted on the consolidated statement of income and comprehensive income. For the corresponding period, the adjusted amount of net sales was ¥13,081 million ($119,395 thousand), operating income was ¥682 million ($6,224 thousand), profit before income taxes was ¥1,329 million ($12,130 thousand), and the change in translation adjustments was ¥662 million ($6,042 thousand).

(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 average exchange rate in effect during the period. 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 average exchange rate in effect during the period. 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.

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

(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.

(f) Inventories

Inventories are stated at the lower of cost, determined principally by the gross average method, or net realisable 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) 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 income or cost savings. Such expenditures are capitalised and amortised by the straight-line method over an estimated useful life of five years.

2. Summary of Significant Accounting Policies (continued)

(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 fiscal period.

(l) Provision for sales promotion expenses

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

(m) Provision for stock-based compensation

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 rule of the Company.

(n) Provision for loss on guarantees

Provision for loss on guarantees is provided at the estimated amount of loss in case there is remaining debt balance related to the trust assets at the termination of the Trust Type Employee Shareholding Incentive Plan.

(o) Research and development costs

Research and development costs are expensed as incurred.

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

(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 period 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").

(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.

2. Summary of Significant Accounting Policies (continued)

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

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)

(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. Summary of Significant Accounting Policies (continued)

(2) Scheduled date of adoption

The Group 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 Accounting Policies

The revenue and expense accounts of the foreign subsidiaries had previously been translated into yen at the exchange rates in effect at the balance sheet date. However, effective from the current fiscal period, the Company has changed the conversion method and applied the average exchange rate in effect during the period to translate the revenue and expense accounts of the foreign subsidiaries into yen. This change has been made in order to mitigate the impacts on profit or loss for the period from temporary fluctuations of exchange rates as at the balance sheet date and to more appropriately reflect the operating results of the foreign subsidiaries, in consideration of growing significance of overseas sales and other factors related to the foreign subsidiaries following the acceleration of overseas development. As the effect of this change was immaterial, no adjustments have been made retrospectively.

4. Change in Presentation

Applying "Partial Amendments to Accounting Standard for Tax Effect Accounting"

Effective from the current fiscal period, the Group has applied "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on 16th February, 2018), and in accordance with paragraphs 3 to 5, under which disclosure requirements stated in the explanatory notes 8 (excluding total amounts of valuation allowance) and 9 of Accounting Standard for Tax Effect Accounting were revised, the Group discloses additional information in Note 21 "Income Tax" related to tax loss carryforwards. To reflect this change in presentation, the corresponding notes for the previous fiscal year have been disclosed.

As a result, ¥3,060 million in "Valuation allowance" as of 31st March, 2019 has been reclassified into "Valuation allowance for tax loss carryforwards" of ¥667 million and "Valuation allowance for total deductible temporary differences and others" of ¥2,393 million in the table in Note 21 "Income Taxes."

5. Additional Information

Trust Type Employee Shareholding Incentive Plan (E-Ship®)

The Company has introduced a Trust Type Employee Shareholding Incentive Plan (E-Ship®) for the purpose of granting incentives to employees to contribute to enhancing corporate value of the Company in the mid and long term. The Company applied "Practical Solution on Transactions on Delivering the Company's Own Stock to Employees, etc. through Trusts" (ASBJ Practical Issues Task Force ("PITF") No. 30, revised on 26th March, 2015).

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

Under the plan, the Company, as the trustor, set up the Ezaki Glico Shareholding Association Trust (the "E-Ship Trust") at a trust bank, as the trustee. The E-Ship Trust purchases the number of shares of the Company in advance that the Shareholding Association expects to purchase over the next five years and subsequently sells the shares to the Shareholding Association periodically.

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

5. 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 December, 2019 and 31st March, 2019 were as follows:

	31st December, 2019	31st March, 2019	**31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Book value	**¥ 103**	¥ 348	**$ 940**

	31st December, 2019	31st March, 2019
	(Thousands of shares)	
Number of treasury stock	**16**	54

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

	31st December, 2019	31st March, 2019	**31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Book value	**¥ 215**	¥ 409	**$ 1,962**

5. Additional Information (continued)

Establishment of a specified subsidiary

The Company resolved at the Board of Directors' meeting on 18th December, 2019 that Glico Asia Pacific Pte. Ltd., a wholly owned company (specified subsidiary) will establish a new subsidiary in Indonesia. This new subsidiary will be a second-tier subsidiary to the Company. The procedures for its establishment will be completed by the end of March 2020. This new subsidiary will qualify as a specified subsidiary since its capital amount is expected to be 10% or more of the Company's capital amount.

(1) Purpose of establishment

The establishment of PT Glico Indonesia Manufacturing aims to boost production capacity for ASEAN and potentially other regional markets, in light of business expansion in the ASEAN region.

(2) Details of new (second-tier) specified subsidiary

1)	Corporate name	PT Glico Manufacturing Indonesia
2)	Business description	Manufacturing confectionery products and sales of its own products
3)	Representative	Hideaki Nagahisa
4)	Location	South Jakarta city, Republic of Indonesia
5)	Date of establishment	End of March 2020 (expected)
6)	Capital amount	USD 50 million
7)	Composition of major shareholders and shareholding ratio	100% owned by the Group (99.998% owned by Glico Asia Pacific Pte. Ltd., and 0.002% owned by the Company

(3) Method of investment

Glico Asia Pacific Pte. Ltd., a wholly owned subsidiary of the Company (a specified subsidiary), will establish a second-tier subsidiary in Indonesia. Glico Asia Pacific Pte. Ltd. and the Company will own 99.998% and 0.002%, respectively, of the subsidiary's shares.

6. Changes in Scope of Consolidation

Ezaki Glico Vietnam Co., Ltd. was newly established by the Company in the current fiscal period. As a result, the accounts of Ezaki Glico Vietnam Co., Ltd. were included in the scope of consolidation in preparing the consolidated financial statements for the nine months ended 31st December, 2019. The accounts of both Kyushu Glico Co., Ltd., which was liquidated in the current fiscal period, and the accounts of Shojikiyanyuuhan Co., Ltd., which was absorbed by a consolidated subsidiary of the Company, Kansai Frozen Distribution Co., Ltd., were excluded from the scope of consolidation for the nine months ended 31st December, 2019.

7. Cash and Cash Equivalents

The balances of cash and deposits in the consolidated balance sheet at 31st December, 2019 and 31st March, 2019 are reconciled to the balances of cash and cash equivalents as presented in the consolidated statement of cash flows for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 as follows:

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	**¥ 99,640**	¥ 103,601	**$ 909,456**
Time deposits with original maturities in excess of three months included in cash and deposits	**(5,000)**	(6,000)	**(45,637)**
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	**3,365**	1,635	**30,713**
Cash and cash equivalents	**¥ 98,005**	¥ 99,237	**$ 894,532**

8. 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.

8. 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.

8. 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 December, 2019 and 31st March, 2019 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.

	31st December, 2019		
	Carrying value	Estimated fair value	Difference
		(Millions of yen)	
Assets:			
Cash and deposits	**¥ 99,640**	**¥ 99,640**	**¥ –**
Notes and accounts receivable, trade	**43,788**	**43,788**	**–**
Marketable securities and investments in securities	**31,014**	**31,014**	**–**
Total assets	**¥ 174,443**	**¥ 174,443**	**¥ –**
Liabilities:			
Notes and accounts payable, trade	**¥ 36,020**	**¥ 36,020**	**¥ –**
Short-term loans payable	**244**	**244**	**–**
Convertible bonds	**30,087**	**30,045**	**(42)**
Total liabilities	**¥ 66,352**	**¥ 66,310**	**¥ (42)**
Derivative financial instruments (*)	**¥ 106**	**¥ 106**	**¥ –**

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

8. Financial Instruments (continued)

	31st March, 2019		
	Carrying value	Estimated fair value	Difference
		(Millions of yen)	
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	–
Total assets	¥ 182,946	¥ 182,946	¥ –
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)
Total liabilities	¥ 64,573	¥ 65,219	¥ 646
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.

	31st December, 2019		
	Carrying value	Estimated fair value	Difference
		(Thousands of U.S. dollars)	
Assets:			
Cash and deposits	**$ 909,456**	**$ 909,456**	**$ –**
Notes and accounts receivable, trade	**399,671**	**399,671**	**–**
Marketable securities and investments in securities	**283,077**	**283,077**	**–**
Total assets	**$ 1,592,214**	**$ 1,592,214**	**$ –**
Liabilities:			
Notes and accounts payable, trade	**$ 328,769**	**$ 328,769**	**$ –**
Short-term loans payable	**2,227**	**2,227**	**–**
Convertible bonds	**274,616**	**274,233**	**(383)**
Total liabilities	**$ 605,622**	**$ 605,239**	**$ (383)**
Derivative financial instruments (*)	**$ 967**	**$ 967**	**$ –**

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

8. 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 10 "Marketable Securities and Investments in Securities" for the information on securities by holding purposes).

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 9 "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.

	31st December, 2019	31st March, 2019	**31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted stocks	**¥ 10,256**	¥ 4,229	**$ 93,610**

8. Financial Instruments (continued)

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

	31st December, 2019			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
		(Millions of yen)		
Deposits	**¥ 99,571**	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	**43,788**	–	–	–
Marketable securities and investments in securities:				
Other securities	**5,120**	**20**	**2,346**	–
Total	**¥ 148,480**	**¥ 20**	**¥ 2,346**	**¥ –**

	31st December, 2019			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
		(Thousands of U.S. dollars)		
Deposits	**$ 908,826**	**$** –	**$** –	**$** –
Notes and accounts receivable, trade	**399,671**	–	–	–
Marketable securities and investments in securities:				
Other securities	**46,732**	**182**	**21,412**	–
Total	**$1,355,239**	**$ 182**	**$ 21,412**	**$ –**

9. Derivative Financial Instruments

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

For the nine months ended 31st December, 2019

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	**¥ 8,836** **($ 80,649)**	**¥ –**	**¥ 106** **($ 967)**

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

For the year ended 31st March, 2019

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

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 not applied for the nine months ended 31st December, 2019 and the year ended 31st March, 2019, respectively.

10. Marketable Securities and Investments in Securities

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

	31st December, 2019		
	Carrying value	Acquisition cost	Difference
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost:			
Stock	**¥ 23,055**	**¥ 11,020**	**¥ 12,035**
Bonds	–	–	–
Subtotal	**23,055**	**11,020**	**12,035**
Securities whose carrying value does not exceed their acquisition cost:			
Stock	**2,093**	**2,132**	**(39)**
Other	**5,865**	**5,865**	–
Subtotal	**7,958**	**7,998**	**(39)**
Total	**¥ 31,014**	**¥ 19,018**	**¥ 11,996**

	31st March, 2019		
	Carrying value	Acquisition cost	Difference
		(Millions of yen)	
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 33,444	¥ 15,277	¥ 18,166
Other	1,835	1,756	79
Subtotal	35,280	17,033	18,246
Securities whose carrying value does not exceed their acquisition cost:			
Stock	2,279	2,745	(465)
Other	1,656	1,658	(2)
Subtotal	3,936	4,403	(467)
Total	¥ 39,216	¥ 21,437	¥ 17,778

10. Marketable Securities and Investments in Securities (continued)

	31st December, 2019		
	Carrying value	Acquisition cost	Difference
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Stock	**$ 210,432**	**$ 100,584**	**$ 109,848**
Bonds	**–**	**–**	**–**
Subtotal	**210,432**	**100,584**	**109,848**
Securities whose carrying value does not exceed their acquisition cost:			
Stock	**19,103**	**19,459**	**(355)**
Other	**53,532**	**53,532**	**–**
Subtotal	**72,635**	**73,001**	**(355)**
Total	**$ 283,077**	**$ 173,585**	**$ 109,492**

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

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales:			
Stock	**¥ 9,946**	¥ 1,105	**$ 90,781**
Bonds	**–**	600	**–**
Total	**¥ 9,946**	¥ 1,705	**$ 90,781**
Gross realised gain:			
Stock	**¥ 5,647**	¥ 425	**$ 51,542**
Bonds	**–**	–	**–**
Total	**¥ 5,647**	¥ 425	**$ 51,542**

10. Marketable Securities and Investments in Securities (continued)

The Company and its consolidated subsidiaries recognised ¥650 million ($5,932 thousand) of loss on devaluation of investment in securities classified as other securities for the nine months ended 31st December, 2019.

There were no losses on devaluation of investments in securities for the year ended 31st March, 2019.

The Company and its consolidated subsidiaries recognise loss on devaluation of investment securities in cases where the fair value at the balance sheet date 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 balance sheet date declines by more than 30% and less than 50% from its carrying value.

11. Inventories

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

	31st December, 2019	31st March, 2019	**31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Finished goods and commercial goods	**¥ 14,061**	¥ 16,237	**$ 128,340**
Work in process	**795**	768	**7,256**
Raw materials and supplies	**15,016**	14,106	**137,057**
	¥ 29,873	¥ 31,112	**$ 272,663**

Cost of sales included loss on devaluation of inventories of ¥223 million ($2,035 thousand) and ¥266 million for the nine months ended 31st December, 2019 and the year ended 31st March, 2019, respectively.

12. Gain on Sales of Property, Plant and Equipment

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

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land, buildings and structures	**¥ 1,621**	¥ 358	**$ 14,795**

13. Loss on Impairment of Fixed Assets

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

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. For goodwill, loss on impairment is recognised and measured based on each company.

The Group recognised loss on impairment of ¥3,249 million ($29,654 thousand) for the nine months ended 31st December, 2019 as follows:

- 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 ¥118 million ($1,077 thousand) and machinery, vehicles and others of ¥15 million ($136 thousand).

- Chiba Ice Cream Co., Ltd. and Others
  For business assets and idle assets at Chiba Ice Cream Co., Ltd. and Others not expected to be utilised in the future, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of buildings and structures of ¥8 million ($73 thousand) and machinery, vehicles and others of ¥106 million ($967 thousand). These recoverable amounts were measured at net realisable value. Net realisable value was measured at zero.

- 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 ¥10 million ($91 thousand) and tools, furniture and fixtures of ¥73 million ($666 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.

- TCHO Ventures, Inc.
  For goodwill attributable to TCHO Ventures, Inc., the Company recognised impairment loss of ¥2,916 million ($26,615 thousand), which was the entire amount of the unamortised balance, in other expenses in the consolidated statement of income and comprehensive income since the excess profitability initially assumed was no longer expected. The value in use was measured at zero.

13. Loss on Impairment of Fixed Assets (continued)

The Group recognised loss on impairment of ¥307 million 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 and others of ¥7 million.

- 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.

- 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 and tools, furniture and fixtures of ¥1 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.

14. Business Structure Improvement Expenses

The Company recorded business structure improvement expenses of ¥75 million ($684 thousand) and ¥516 million for the nine months ended 31st December, 2019 and the year ended 31st March, 2019, respectively, 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 others for the nine months ended 31st December, 2019 and of loss on sales of machinery and various restructuring expenses for the year ended 31st March, 2019.

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

Short-term loans payable principally represent bank loans of the consolidated subsidiary. The average interest rates on outstanding loans at 31st December, 2019 and 31st March, 2019 were 0.43% and 1.633%, respectively.

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

	31st December, 2019	31st March, 2019	**31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unsecured bank loans at average interest rates of 0.099%, due within 2020	**¥ 215**	¥ 409	**$ 1,962**
Lease obligations	**579**	690	**5,284**
	794	1,100	**7,247**
Less current portion	**(474)**	(445)	**(1,962)**
Long-term debt	**¥ 319**	¥ 654	**$ 2,911**

The aggregate annual maturities of lease obligations subsequent to 31st December, 2019 are summarised below:

Year ending 31st December,	Bank loans		Lease obligations	
	(Millions of yen)	*(Thousands of U.S. dollars)*	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2020	**¥ 215**	**$ 1,962**	**¥ 259**	**$ 2,364**
2021	–	–	**206**	**1,880**
2022	–	–	**59**	**538**
2023	–	–	**37**	**337**
2024	–	–	**15**	**136**
2025 and thereafter	–	–	**0**	**0**
	¥ –	**$ –**	**¥ 579**	**$ 5,284**

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

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

	31st December, 2019	31st March, 2019	**31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	**¥ 30,087**	¥ 30,103	**$ 274,616**

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	¥8,033.0 ($73.32) per share
Total issue price	¥30,000 million ($273,822 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 ¥8,033.0 ($73.32) to ¥8,000.7 ($73.02) from 1st January, 2020.

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

Year ending 31st December,	Convertible bonds	
	(Millions of yen)	*(Thousands of U.S. dollars)*
2020	¥ –	$ –
2021	–	–
2022	–	–
2023	–	–
2024	**30,087**	**274,616**
	¥ 30,087	**$ 274,616**

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 since the subsidiary's portion of pension assets held by this multi-employer pension plan cannot be reasonably calculated.

The retirement benefits trust has been set up for lump-sum payment plans for the nine months ended 31st December, 2019.

The changes in the retirement benefit obligation for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 are as follows:

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Beginning balance of retirement benefit obligation	**¥ 21,081**	¥ 22,443	**$ 192,415**
Service cost	**776**	1,065	**7,082**
Interest cost	**61**	104	**556**
Actuarial loss	**49**	101	**447**
Benefits paid	**(1,201)**	(2,399)	**(10,962)**
Decrease due to transfer to defined contribution pension plans	–	(203)	–
Others	**104**	(30)	**949**
Ending balance of retirement benefit obligation	**¥ 20,872**	¥ 21,081	**$ 190,507**

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

16. Retirement Benefits (continued)

The changes in plan assets at fair value for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 are as follows:

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Beginning balance of plan assets at fair value	**¥ 17,131**	¥ 17,647	**$ 156,361**
Expected return on plan assets	**332**	440	**3,030**
Actuarial gain (loss)	**409**	(233)	**3,733**
Contributions by the employers	**255**	337	**2,327**
Contribution to retirement benefit trust	**2,700**	–	**24,644**
Retirement benefits paid	**(886)**	(1,045)	**(8,086)**
Others	**(0)**	(15)	**(3)**
Ending balance of plan assets at fair value	**¥ 19,942**	¥ 17,131	**$ 182,018**

The Company has set up the retirement benefits trust from the current fiscal period.

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 December, 2019 and 31st March, 2019 is as follows:

	31st December, 2019	31st March, 2019	**31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Funded retirement benefit obligation	**¥ 18,091**	¥ 15,805	**$ 165,124**
Plan assets at fair value	**(19,942)**	(17,131)	**(182,018)**
	(1,850)	(1,325)	**(16,885)**
Unfunded retirement benefit obligations	**2,780**	5,275	**25,374**
Net liability for retirement benefits	**929**	3,950	**8,479**
Liability for retirement benefits	**2,831**	5,286	**25,839**
Asset for retirement benefits	**(1,901)**	(1,336)	**(17,351)**
Net liability for retirement benefits	**¥ 929**	¥ 3,950	**$ 8,479**

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

16. Retirement Benefits (continued)

The components of retirement benefit expenses for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 are as follows:

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	**¥ 776**	¥ 1,065	**$ 7,082**
Interest cost	**61**	104	**556**
Expected return on plan assets	**(332)**	(440)	**(3,030)**
Amortisation:			
Actuarial loss (gain)	**60**	(89)	**547**
Prior service cost	**(15)**	(20)	**(136)**
Others	**253**	(14)	**2,309**
Retirement benefit expenses	**¥ 804**	¥ 604	**$ 7,338**
Special retirement payment	**¥ 18**	¥ 85	**$ 164**
Loss resulting from transfer to defined contribution pension plans	**¥ –**	¥ 292	**$ –**

(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 resulting from transfer to defined contribution pension plans” is included in “Other expense” as “Loss on termination of retirement benefit plans.”

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

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Prior service cost	**¥ (15)**	¥ (20)	**$ (136)**
Actuarial gain (loss)	**421**	(432)	**3,842**
Total	**¥ 405**	¥ (453)	**$ 3,696**

16. Retirement Benefits (continued)

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

	31st December, 2019	31st March, 2019	**31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrecognised prior service cost	**¥ 36**	¥ 51	**$ 328**
Unrecognised actuarial gain (loss)	**44**	(377)	**401**
Total	**¥ 80**	¥ (325)	**$ 730**

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

	31st December, 2019	31st March, 2019
Bonds	**42%**	40%
Equities	**30**	30
General accounts at life insurance companies	**7**	5
Other	**21**	25
Total	**100%**	100%

The total amount of plan assets include 13.6% of the retirement benefit trust for lump-sum payment plans for the current fiscal period.

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

	31st December, 2019	31st March, 2019
Discount rates	**0.0%～0.8%**	0.0%～0.8%
Expected long-term rate of return on plan assets	**2.5%**	2.5%
Expected rates of future salary increase	**7.4%～14.0%**	7.4%～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.

16. Retirement Benefits (continued)

The contributions to the multi-employer plan were ¥3 million ($27 thousand) and ¥11 million for the nine months ended 31st December, 2019 and the year ended 31st March, 2019, respectively, and are accounted for in the same manner as contributions to the defined contribution plans. As the amount of the fund has not been finalised yet at this point, the status of the multi-employer pension plan, the contribution ratio of the consolidated subsidiaries to the multi-employer pension plan, and supplemental explanation for the current fiscal period are omitted.

The following table sets forth the status of the multi-employer pension plan as of 31st March, 2019.

	31st March, 2019
	(Millions of yen)
Plan assets	¥ 531,843
Total of amount of the pension obligation based on the calculation of pension financing in the scheme and minimum reserve amount	512,770
Difference	¥ 19,073

The contribution ratio of the consolidated subsidiaries to the multi-employer pension plan for the year ended 31st March, 2019 was 0.05%.

The main reasons behind the difference in the above table are due to unrecognised prior service cost of ¥23,254 million and net of surplus of ¥42,328 million as of 31st March, 2019. The contribution ratio noted outlined above does not equal to 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 ¥3,629 million ($33,123 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 December, 2019 in the amount of ¥358 million ($3,267 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 ¥181 million ($1,652 thousand) and ¥212 million for the nine months ended 31st December, 2019 and the year ended 31st March, 2019, respectively.

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 ($17,734 thousand) at 31st December, 2019 and 31st March, 2019, respectively.

Movements in issued shares of common stock and treasury stock during the nine months ended 31st December, 2019 and the year ended 31st March, 2019 are summarised as follows:

For the nine months ended 31st December, 2019

	Number of Shares			
	Nine months ended 31st December, 2019			
	1st April, 2019	Increase	Decrease	31st December, 2019
Issued shares:				
Common stock	**69,414,469**	**–**	**945,900**	**68,468,569**
Treasury stock	**3,602,394**	**946,577**	**991,775**	**3,557,196**

The decrease in common stock of 945,900 shares was due to the cancellation of treasury stock.

The increase in treasury stock of 946,577 shares was due to the acquisition of treasury stock of 945,900 shares and the acquisition of fractional shares of less than one voting unit of 677 shares. The decrease in treasury stock of 991,775 shares was due to the sales of fractional shares of less than one voting unit of 75 shares, issuance of treasury stock through the E-Ship Trust of 38,600 shares, granting from the Restricted Stock Unit Plan to Directors of 7,200 shares and cancellation of treasury stock of 945,900 shares.

Treasury stock at 31st December, 2019 includes 16,300 shares held by the E-ship Trust.

17. Shareholders' Equity (continued)

For the year ended 31st March, 2019

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

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.

Information on stock acquisition rights and treasury stock acquisition rights during the nine months ended 31st December, 2019 and the year ended 31st March, 2019 is as follows:

For the nine months ended 31st December, 2019

Company name	Details	Type of stock subject to stock acquisition rights	Number of shares subject to stock acquisition rights: 1st April, 2019	Increase	Decrease	31st December, 2019	31st December, 2019 (*Millions of yen / Thousands of U.S. dollars*)
The Company	Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	Common stock	**3,721,068**	(Note 1) **13,526**	–	**3,734,594**	(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.

17. Shareholders' Equity (continued)

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 1st April, 2018	Increase	Decrease	31st March, 2019	31st March, 2019 (*Millions of yen*)
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.

Information on dividend payments and the effective date for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 is as follows:

For the nine months ended 31st December, 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 13th May, 2019	Common stock	**¥ 2,305 ($ 21,038)**	**¥ 35 ($ 0.31)**	31st March, 2019	6th June, 2019
Board of Directors' meeting held on 31st October, 2019	Common stock	**¥ 1,947 ($ 17,771)**	**¥ 30 ($ 0.27)**	30th September, 2019	6th December, 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.

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 31st October, 2019 included ¥0 million ($0 thousand) of cash dividends applicable to shares held by the E-Ship Trust.

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 14th February, 2020	Common stock	**¥ 1,947 ($ 17,771)**	Retained earnings	**¥ 30 ($ 0.27)**	31st December, 2019	6th March, 2020

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 14th February, 2020 included ¥0 million ($0 thousand) of cash dividends applicable to shares held by the E-Ship Trust.

<u>For the year ended 31st March, 2019</u>

Dividend payment:

Resolution	Type of shares	Dividends paid *(Millions of yen)*	Dividend per share *(Yen)*	Record date	Effective date
Board of Directors' meeting held on 14th May, 2018	Common stock	¥ 1,977	¥ 30	31st March, 2018	6th June, 2018
Board of Directors' meeting held on 31st October, 2018	Common stock	¥ 1,646	¥ 25	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 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 of cash dividends applicable to shares held by the E-Ship Trust.

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 December, 2019 for operating leases are summarised as follows:

Year ending 31st December,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2020	**¥ 223**	**$ 2,035**
2021 and thereafter	**54**	**492**
Total	**¥ 278**	**$ 2,537**

19. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 were as follows:

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Freight and warehouse expenses	**¥ 24,855**	¥ 30,617	**$ 226,861**
Sales promotion expenses	**42,776**	53,243	**390,434**
Provision for sales promotion expenses	**2,977**	2,448	**27,172**
Advertising expenses	**11,717**	14,408	**106,945**
Salaries	**14,182**	17,200	**129,445**
Bonuses	**4,069**	5,615	**37,139**
Welfare expenses	**4,127**	5,158	**37,668**
Retirement benefit expenses	**723**	492	**6,599**
(Reversal) provision of allowance for doubtful accounts	**(0)**	22	**(0)**
Provision for bonuses of directors and audit and supervisory board members	**36**	38	**328**
Provision for stock-based compensation	**30**	44	**273**
Depreciation and amortisation	**2,354**	2,635	**21,485**
Other	**14,602**	17,430	**133,278**
Total	**¥ 122,454**	¥ 149,357	**$ 1,117,688**

20. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 amounted to ¥4,071 million ($37,157 thousand) and ¥5,520 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 a statutory tax rate of approximately 30.6% for the nine months ended 31st December, 2019 and the year ended 31st March, 2019. 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 nine months ended 31st December, 2019 and the year ended 31st March, 2019 is as follows:

	Nine months ended 31st December, 2019	Year ended 31st March, 2019
Statutory tax rate	**30.6%**	30.6%
Permanent non-deductible expenses	**1.6**	1.8
Permanent non-taxable dividend income	**(0.4)**	(0.7)
Inhabitants' per capita taxes	**0.3**	0.4
Change in valuation allowance	**6.8**	1.7
Tax credits	**(0.6)**	(1.5)
Other	**0.2**	1.7
Effective tax rate	**38.5%**	34.0%

21. Income Taxes (continued)

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

	31st December, 2019	31st March, 2019	**31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Deferred tax assets:			
Accrued bonuses	**¥ 587**	¥ 964	**$ 5,357**
Accrued expenses	**1,212**	1,029	**11,062**
Liability for retirement benefits	**1,132**	1,233	**10,332**
Loss on fixed assets	**1,999**	1,998	**18,245**
Loss on devaluation of investments in securities	**568**	372	**5,184**
Tax loss carryforwards	**2,092**	773	**19,094**
Depreciation	**391**	335	**3,568**
Other	**1,093**	1,408	**9,976**
Total deferred tax assets	**9,078**	8,113	**82,858**
Less valuation allowance for tax loss carryforwards	**(2,016)**	(667)	**(18,400)**
Less valuation allowance for total deductible temporary differences and others	**(2,454)**	(2,393)	**(22,398)**
Total valuation allowance	**(4,470)**	(3,060)	**(40,799)**
Offset by deferred tax liabilities	**(3,808)**	(4,113)	**(34,757)**
Net deferred tax assets	**¥ 798**	¥ 939	**$ 7,283**
Deferred tax liabilities:			
Net unrealised holding gain on securities	**¥ (3,473)**	¥ (5,227)	**$ (31,699)**
Reserve for special depreciation for tax purposes	**(0)**	(1)	**(0)**
Reserve for deferred gain on property for tax purposes	**(2,704)**	(2,416)	**(24,680)**
Deferred gains on hedges	**(32)**	(32)	**(292)**
Other	**(1,784)**	(1,535)	**(16,283)**
Total deferred tax liabilities	**(7,995)**	(9,212)	**(72,973)**
Offset by deferred tax assets	**3,808**	4,113	**34,757**
Net deferred tax liabilities	**¥ (4,186)**	¥ (5,098)	**$ (38,207)**

Total valuation allowance increased by ¥1,410 million ($12,869 thousand). The main reason for the increase is due to the increase in the valuation allowance for tax loss carryforwards of the Company's consolidated subsidiaries by ¥1,349 million ($12,312 thousand).

21. Income Taxes (continued)

Tax loss carryforwards and the related deferred tax assets expire as follows:

At 31st December, 2019

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
				(Millions of yen)			
Tax loss carryforwards (Note (a))	**¥ 11**	**¥ 55**	**¥ 121**	**¥ 152**	**¥ 180**	**¥ 1,571**	**¥ 2,092**
Less valuation allowance for tax loss carryforwards	**(11)**	**(54)**	**(120)**	**(150)**	**(163)**	**(1,515)**	**(2,016)**
Net deferred tax assets related to tax loss carryforwards	**¥ –**	**¥ 0**	**¥ 0**	**¥ 1**	**¥ 17**	**¥ 56**	**¥ 75**
							(Note (b))

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
				(Thousands of U.S. dollars)			
Tax loss carryforwards (Note (a))	**$ 100**	**$ 502**	**$ 1,104**	**$ 1,387**	**$ 1,642**	**$ 14,339**	**$ 19,094**
Less valuation allowance for tax loss carryforwards	**(100)**	**(492)**	**(1,095)**	**(1,369)**	**(1,487)**	**(13,828)**	**(18,400)**
Net deferred tax assets related to tax loss carryforwards	**$ –**	**$ 0**	**$ 0**	**$ 9**	**$ 155**	**$ 511**	**$ 684**
							(Note (b))

21. Income Taxes (continued)

(Notes) (a) The tax loss carryforwards in the table above are measured by multiplying the corresponding tax loss carryforwards by the statutory tax rate.

(b) Net deferred tax assets related to tax loss carryforwards of ¥75 million ($684 thousand) were recorded on tax loss carryforwards of ¥2,092 million ($19,094 thousand) (the amount multiplied by the statutory tax rate). Net deferred tax assets related to tax loss carryforwards of ¥75 million ($684 thousand) were recognised for part of the balance of ¥144 million ($1,314 thousand) of tax loss carryforwards (the amount multiplied by the statutory tax rate), on the Company and its 10 consolidated subsidiaries. The Company does not recognise a valuation allowance for part of the tax loss carryforwards that the Company considers recoverable in light of future taxable income.

At 31st March, 2019

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
	(Millions of yen)						
Tax loss carryforwards (Note (a))	¥ –	¥ 17	¥ 1	¥ 28	¥ 12	¥ 713	¥ 773
Less valuation allowance	–	–	(0)	(6)	(2)	(658)	(667)
Deferred tax assets	¥ –	¥ 17	¥ 0	¥ 22	¥ 9	¥ 55	¥ 106
							(Note (b))

(Notes) (a) The tax loss carryforwards in the table above are measured by multiplying the corresponding tax loss carryforwards by the statutory tax rate.

(b) Net deferred tax assets related to tax loss carryforwards of ¥106 million were recorded on tax loss carryforwards of ¥773 million (the amount multiplied by the statutory tax rate). Net deferred tax assets related to tax loss carryforwards of ¥106 million were recognised for part of the balance of ¥168 million of tax loss carryforwards (the amount multiplied by the statutory tax rate), on the Company and its 8 consolidated subsidiaries. The Company does not recognise a valuation allowance for part of the tax loss carryforwards that the Company considers recoverable in light of future taxable income.

22. Other Comprehensive Loss

Other comprehensive loss related to reclassification adjustments and tax effects allocated to each comprehensive loss for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 are summarised as follows:

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net unrealised holding loss on securities:			
Amount arising during the year	**¥ (173)**	¥ (1,006)	**$ (1,579)**
Reclassification adjustments	**(5,296)**	(425)	**(48,338)**
Amount before income tax effect	**(5,469)**	(1,432)	**(49,917)**
Income tax effect	**1,753**	396	**16,000**
Total	**(3,716)**	(1,035)	**(33,917)**
Deferred gain on hedges:			
Amount arising during the year	**15**	200	**136**
Reclassification adjustments	**(14)**	(95)	**(127)**
Amount before income tax effect	**1**	105	**9**
Income tax effect	**(0)**	(32)	**(0)**
Total	**0**	73	**0**
Translation adjustments:			
Amount arising during the year	**231**	(1,435)	**2,108**
Retirement benefits liability adjustments:			
Amount arising during the year	**360**	(335)	**3,285**
Reclassification adjustments	**45**	(118)	**410**
Amount before income tax effect	**405**	(453)	**3,696**
Income tax effect	**(124)**	138	**(1,131)**
Total	**281**	(314)	**2,564**
Share of other comprehensive loss of affiliates accounted for by the equity method:			
Adjustments arising during the year	**(153)**	(184)	**(1,396)**
Total other comprehensive loss	**¥ (3,354)**	¥ (2,896)	**$ (30,613)**

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 nine months ended 31st December, 2019 and the year ended 31st March, 2019. Net rental income, net of rental cost, for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 was ¥364 million ($3,322 thousand) and ¥507 million, respectively.

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

	Carrying value			*Fair value*
	1st April, 2019	Net change	31st December, 2019	31st December, 2019
	(Millions of yen)			
Investment and rental property	**¥ 12,444**	**¥ 302**	**¥ 12,746**	**¥ 18,940**

	Carrying value			*Fair value*
	1st April, 2018	Net change	31st March, 2019	31st March, 2019
	(Millions of yen)			
Investment and rental property	¥ 12,764	¥ (319)	¥ 12,444	¥ 16,987

	Carrying value			*Fair value*
	1st April, 2019	Net change	31st December, 2019	31st December, 2019
	(Thousands of U.S. dollars)			
Investment and rental property	**$ 113,581**	**$ 2,756**	**$ 116,338**	**$ 172,873**

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

23. Investment and Rental Property (continued)

The main component of net change in the carrying value during the nine months ended 31st December, 2019 was the increase in the idle property of the Company's subsidiary liquidated during the nine months ended 31st December, 2019 in the amount of ¥358 million ($3,267 thousand).

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 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.

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, cookies, gum, 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, western-style fresh confectioneries, baby formula 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.

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 realisable 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.

24. Segment Information (continued)

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

	Nine months ended 31st December, 2019					
	Reportable segments					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal
	(Millions of yen)					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	**¥ 71,789**	**¥ 73,353**	**¥67,032**	**¥ 8,314**	**¥ 53,200**	**¥ 273,690**
Inter-segment sales and transfers	**598**	**84**	**8**	**164**	**–**	**855**
Total	**¥ 72,388**	**¥ 73,437**	**¥67,040**	**¥ 8,479**	**¥ 53,200**	**¥ 274,546**
Segment income	**¥ 5,236**	**¥ 6,209**	**¥ 2,386**	**¥ 648**	**¥ 1,260**	**¥ 15,742**
Segment assets	**49,584**	**39,138**	**29,574**	**5,650**	**26,993**	**150,941**
Other items:						
Depreciation and amortisation	**2,742**	**3,062**	**1,213**	**105**	**1,583**	**8,707**
Increase in property, plant and equipment and intangible assets	**3,200**	**1,799**	**1,824**	**225**	**1,395**	**8,445**

	Nine months ended 31st December, 2019			
	Others	Total	Adjustments and eliminations	Consolidated
	(Millions of yen)			
Sales, income or loss and assets by reportable segment:				
Net sales:				
Sales to third parties	**¥ 14,496**	**¥ 288,187**	**¥ –**	**¥ 288,187**
Inter-segment sales and transfers	**4,531**	**5,386**	**(5,386)**	**–**
Total	**¥ 19,028**	**¥ 293,574**	**¥ (5,386)**	**¥ 288,187**
Segment income	**¥ 251**	**¥ 15,993**	**¥ (388)**	**¥ 15,605**
Segment assets	**1,390**	**152,331**	**191,480**	**343,812**
Other items:				
Depreciation and amortisation	**200**	**8,907**	**1,937**	**10,845**
Increase in property, plant and equipment and intangible assets	**98**	**8,543**	**5,152**	**13,696**

24. Segment Information (continued)

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

	Year ended 31st March, 2019					
	Reportable segments					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal
	(Millions of yen)					
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

	Year ended 31st March, 2019			
	Others	Total	Adjustments and eliminations	Consolidated
	(Millions of yen)			
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

24. Segment Information (continued)

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

	Nine months ended 31st December, 2019					
	Reportable segments					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal
	(Thousands of U.S. dollars)					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	$ 655,248	$ 669,523	$ 611,829	$ 75,885	$ 485,578	$ 2,498,083
Inter-segment sales and transfers	5,458	766	73	1,496	–	7,803
Total	$ 660,715	$ 670,290	$ 611,902	$ 77,391	$ 485,578	$ 2,505,896
Segment income	$ 47,791	$ 56,672	$ 21,778	$ 5,914	$ 11,500	$ 143,683
Segment assets	452,573	357,228	269,934	51,569	246,376	1,377,701
Other items:						
Depreciation and amortisation	25,027	27,948	11,071	958	14,448	79,472
Increase in property, plant and equipment and intangible assets	29,207	16,420	16,648	2,053	12,732	77,081

	Nine months ended 31st December, 2019			
	Others	Total	Adjustments and eliminations	Consolidated
	(Thousands of U.S. dollars)			
Sales, income or loss and assets by reportable segment:				
Net sales:				
Sales to third parties	$ 132,311	$ 2,630,403	$ –	$ 2,630,403
Inter-segment sales and transfers	41,356	49,160	(49,160)	–
Total	$ 173,676	$ 2,679,572	$ (49,160)	$ 2,630,403
Segment income	$ 2,290	$ 145,974	$ (3,541)	$ 142,433
Segment assets	12,687	1,390,388	1,747,718	3,138,116
Other items:				
Depreciation and amortisation	1,825	81,297	17,679	98,986
Increase in property, plant and equipment and intangible assets	894	77,975	47,024	125,009

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 ¥388 million ($3,541 thousand) and ¥1,735 million consisted of the elimination of inter-segment transactions and other adjustments of ¥1,740 million ($15,881 thousand) and ¥1,290 million and corporate expenses not allocated to each reportable segment of ¥2,128 million ($19,423 thousand) and ¥3,026 million for the nine months ended 31st December, 2019 and the year ended 31st March, 2019, respectively.

Corporate expenses were mainly related to selling, general and administrative expenses not attributable to reportable segments for the nine months ended 31st December, 2019 and the year ended 31st March, 2019. The adjustments and eliminations for segment assets in the amount of ¥191,480 million ($1,747,718 thousand) and ¥191,395 million at 31st December, 2019 and 31st March, 2019, respectively, consisted of corporate assets not attributable to reportable segments.

The adjustments and eliminations for depreciation and amortisation of ¥1,937 million ($17,679 thousand) and ¥2,078 million and increase in property, plant and equipment and intangible assets of ¥5,152 million ($47,024 thousand) and ¥7,172 million for the nine months ended 31st December, 2019 and the year ended 31st March, 2019, 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.

24. Segment Information (continued)

Related information

Information by products and services

Sales to third parties categorised by products and services for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 are summarised as follows:

Nine months ended 31st December, 2019						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
			(Millions of yen)			
¥ 71,789	**¥ 73,353**	**¥ 67,032**	**¥ 8,314**	**¥ 53,200**	**¥ 14,496**	**¥ 288,187**

Year ended 31st March, 2019						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
			(Millions of yen)			
¥ 94,905	¥ 85,037	¥ 90,149	¥ 10,768	¥ 51,572	¥ 17,836	¥ 350,270

Nine months ended 31st December, 2019						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
			(Thousands of U.S. dollars)			
$ 655,248	**$ 669,523**	**$ 611,829**	**$ 75,885**	**$ 485,578**	**$ 132,311**	**$ 2,630,403**

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 nine months ended 31st December, 2019 and the year ended 31st March, 2019 are summarised as follows:

Nine months ended 31st December, 2019				
Japan	China	Southeast Asia	Others	Total
		(Millions of yen)		
¥ 234,987	**¥ 26,774**	**¥ 16,625**	**¥ 9,800**	**¥ 288,187**

Year ended 31st March, 2019				
Japan	China	Southeast Asia	Others	Total
		(Millions of yen)		
¥ 298,698	¥ 27,215	¥ 15,053	¥ 9,303	¥ 350,270

Nine months ended 31st December, 2019				
Japan	China	Southeast Asia	Others	Total
		(Thousands of U.S. dollars)		
$ 2,144,824	**$ 244,377**	**$ 151,743**	**$ 89,448**	**$ 2,630,403**

(2) Property, plant and equipment

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

31st December, 2019				
Japan	China	Southeast Asia	Others	Total
		(Millions of yen)		
¥ 87,875	**¥ 5,886**	**¥ 5,265**	**¥ 779**	**¥ 99,807**

31st March, 2019				
Japan	China	Southeast Asia	Others	Total
		(Millions of yen)		
¥ 86,910	¥ 5,881	¥ 5,839	¥ 834	¥ 99,465

31st December, 2019				
Japan	China	Southeast Asia	Others	Total
		(Thousands of U.S. dollars)		
$ 802,071	**$ 53,723**	**$ 48,055**	**$ 7,110**	**$ 910,980**

24. Segment Information (continued)

Related information (continued)

Information on loss on impairment of fixed assets

	Nine months ended 31st December, 2019						
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
	(Millions of yen)						
Loss on impairment of fixed assets	**¥ 10**	**¥ 102**	**¥ 3**	**¥ –**	**¥ 3,000**	**¥ 133**	**¥ 3,249**

	Year ended 31st March, 2019						
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
	(Millions of yen)						
Loss on impairment of fixed assets	¥ 12	¥ 0	¥ 33	¥ –	¥ 136	¥ 125	¥ 307

	Nine months ended 31st December, 2019						
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
	(Thousands of U.S. dollars)						
Loss on impairment of fixed assets	**$ 91**	**$ 930**	**$ 27**	**$ –**	**$ 27,382**	**$ 1,213**	**$ 29,654**

24. Segment Information (continued)

Related information (continued)

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

	Nine months ended 31st December, 2019						
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
				(Millions of yen)			
Amortisation for the year	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ 433**	**¥ –**	**¥ 433**
Remaining unamortised balance	**¥ –**	**¥ –**	**¥ –**	**¥ –**	**¥ 489**	**¥ –**	**¥ 489**

	Year ended 31st March, 2019						
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
				(Millions of yen)			
Amortisation for the year	¥ –	¥ –	¥ –	¥ –	¥ 423	¥ –	¥ 423
Remaining unamortised balance	¥ –	¥ –	¥ –	¥ –	¥ 3,874	¥ –	¥ 3,874

	Nine months ended 31st December, 2019						
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
				(Thousands of U.S. dollars)			
Amortisation for the year	**$ –**	**$ –**	**$ –**	**$ –**	**$ 3,952**	**$ –**	**$ 3,952**
Remaining unamortised balance	**$ –**	**$ –**	**$ –**	**$ –**	**$ 4,463**	**$ –**	**$ 4,463**

25. Amounts per Share

Amounts per share at 31st December, 2019 and 31st March, 2019 and for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 were as follows:

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Yen)		*(U.S. dollars)*
Profit attributable to owners of the parent	**¥ 185.31**	¥ 180.02	**$ 1.69**
Cash dividends	**60.00**	60.00	**0.54**
Net assets	**3,284.19**	3,250.07	**29.97**

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 16 thousand shares and 54 thousand shares at 31st December, 2019 and 31st March, 2019, respectively were excluded from the number of shares of common stock used in the computation of net assets per share.

The weighted-average number of the Company's shares held by the E-Ship Trust of 36 thousand shares and 72 thousand shares for the nine months ended 31st December, 2019 and the year ended 31st March, 2019, respectively, and that held by the BIP Trust of 10 thousand shares for the year ended 31st March, 2019, were excluded from the number of shares of common stock used in the computation of profit attributable to owners of the parent.

Diluted profit per share for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 has not been disclosed because no dilutive potential shares with dilutive effect existed for the nine months ended 31st December, 2019 and the year ended 31st March, 2019, respectively.

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

25. Amounts per Share (continued)

The financial data used in the computation of profit attributable to owners of the parent per share for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 is summarised as follows:

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Profit attributable to owners of the parent	**¥ 12,047**	¥ 11,844	**$ 109,958**

	Nine months ended 31st December, 2019	Year ended 31st March, 2019
	(Thousands of shares)	
Weighted-average number of shares of common stock	**65,013**	65,795

Descriptions of dilutive potential shares that were not included in the computation of diluted profit per share for the nine months ended 31st December, 2019 and the year ended 31st March, 2019 because of no dilutive effect are as follows:

	Nine months ended 31st December, 2019	Year ended 31st March, 2019	**Nine months ended 31st December, 2019**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Euro-Yen denominated convertible bonds due 2024	**¥ 30,000**	¥ 30,000	**$ 273,822**

	31st December, 2019	31st March, 2019
	(Shares)	
Number of stock acquisition rights	**3,000**	3,000

26. Significant Subsequent Event

The Company resolved at the Board of Directors' meeting on 18th March, 2020 that Glico Manufacturing Japan Co., Ltd., a newly established company will conduct an absorption-type merger with the Company's 14 domestic consolidated manufacturing subsidiaries effective 1st July, 2020 (expected date).

(1) Overview of the new company to be established

1)	Corporate name	Glico Manufacturing Japan Co., Ltd.
2)	Location	6-5, Utajima 4-chome, Nishiyodogawa-ku, Osaka
3)	Representative	Koso Shiraishi
4)	Business description	Manufacturing and sales of confectioneries, food products, ice cream and dairy products
5)	Capital amount	¥100 million ($912 thousand)
6)	Date of establishment	1st April, 2020 (succeeding the business of the Company's consolidated manufacturing subsidiaries by way of an absorption-type merger effective 1st July, 2020) (expected)

(2) Outline of the merger

1) Names and business descriptions of the constituent companies

Surviving company in absorption-type merger

Name	Glico Manufacturing Japan Co., Ltd.
Business description	Refer to (1) above

26. Significant Subsequent Event (continued)

(2) Outline of the merger (continued)

1) Names and business descriptions of the constituent companies (continued)

Absorbed companies

Names	Kansai Glico Manufacturing Co., Ltd., Tottori Glico Manufacturing Co., Ltd., Kanto Glico Manufacturing Co., Ltd., Chiba Glico Manufacturing Co., Ltd., Mie Glico Manufacturing Co., Ltd., Hyogo Glico Manufacturing Co., Ltd., Ibaraki Glico Manufacturing Co., Ltd., Sendai Glico Manufacturing Co., Ltd., Tohoku Glico Manufacturing Co., Ltd., Nasu Glico Manufacturing Co., Ltd., Tokyo Glico Manufacturing Co., Ltd., Gifu Glico Manufacturing Co., Ltd., Saga Glico Manufacturing Co., Ltd., Glico Icreo Manufacturing Co., Ltd.
Business descriptions	Manufacturing and sales of confectioneries, food products, ice cream and dairy products

2) Date of the merger (effective date)

1st July, 2020

3) Legal form of the merger

The merger is an absorption-type merger where Glico Manufacturing Japan Co., Ltd. becomes the surviving company and the Company's domestic consolidated manufacturing subsidiaries become absorbed companies.

4) Shares and dividends to be allocated with the merger

Glico Manufacturing Japan Co., Ltd., the surviving company, and the Company's domestic consolidated manufacturing subsidiaries, the absorbed companies, are all wholly owned subsidiaries of the Company. No shares, cash or other assets dividends will be allocated for the merger.

26. Significant Subsequent Event (continued)

(2) Outline of the merger (continued)

5) Purpose of the merger

The purpose of the merger is to improve quality of products by sharing technology and knowledge base, and to increase human resource capabilities and talent by restructuring the training structure, and to realise standardisation of business processes and to enhance productivity by integrating the back-offices by merging the Company's consolidated manufacturing subsidiaries, and optimise the production function within the group as a whole.

(3) Outline of the accounting treatment applied

The merger will be accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on 13th September, 2013) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on 13th September, 2013).

(4) Future outlook

Glico Manufacturing Japan Co., Ltd. is a wholly owned manufacturing subsidiary of the Company. Its absorption-type merger with the domestic consolidated manufacturing subsidiaries will be, therefore, a merger among wholly owned subsidiaries of the Company, therefore, the impact on the Company's consolidated financial performance will be immaterial.

Corporate Information

Board of Directors and Statutory Auditors (as of 31st March, 2020)

President & CEO
Katsuhisa Ezaki

Senior Managing Executive Officer and Representative Director
Etsuro Ezaki

Directors
Takashi Kuriki
Yutaka Honzawa
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 December, 2019)

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

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

Paid-in Capital
¥7,773 million
(U.S. $70,947 thousand)

Number of Employees
1,525

Stock Exchange Listing
Tokyo

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

Established
1922