おいしさと健康
Glico

Annual Report 2016

(Fiscal year ended 31st March, 2016)

Contents

Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	2016	2015	2014	2013	2012	2016
Net sales	**338,437**	319,393	315,399	293,002	289,980	**3,003,531**
Income before income taxes and non-controlling interests	**20,962**	31,113	17,370	5,027	4,677	**186,036**
Net income attributable to owners of parent	**13,903**	21,068	11,033	3,287	242	**123,385**
	Yen					
Per share of common stock:						
Net income *	**212.00**	321.35	178.19	28.91	2.13	**1.88**
Cash dividends	**40.00**	35.00	15.00	15.00	15.00	**0.35**
	Millions of yen					
Balance sheet data:						
Shareholders' equity	**163,968**	153,198	132,700	109,211	107,473	**1,455,166**
Total assets	**274,974**	275,302	243,244	219,363	207,292	**2,440,311**

* Ezaki Glico Corporation implemented a share consolidation on its common stock with a ratio of two shares to one share on October 1, 2014.　Net income per share is calculated based on the assumption that consolidation of shares had been carried out at the beginning of the April 1, 2015.

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

Message from the President

In the consolidated fiscal year under review, it was reported that the Japanese economy was back on course for mild recovery, with an upward trend in corporate earnings as well as improvements in employment and income. However, the slowdown in emerging economies including the Chinese economy, combined with the effects of US financial policy, led to concerns for a downturn in the Japanese economy. This caused continued uncertainty over the course of the economy. The food industry continued to face increasing challenges, with the weaker yen leading to soaring prices of raw materials.

In light of this situation, our corporate group has proactively implemented various measures. These include expanding the sales of our mainstay products and launching new products and products of affiliates. In addition, we have implemented aggressive sales promotion strategies at mass merchandisers and convenience stores. These efforts, based on Glico Group Action Guidelines, reflect our commitment to business operations that continuously earn the trust and respect of stakeholders. To further sharpen our competitive edge, Ezaki Glico Co., Ltd. merged with Glico Dairy Products Co., Ltd., its fully owned subsidiary, on October 1, 2015.

Although our food products posted decreased sales from the previous fiscal year, our confectioneries, ice cream, milk and dairy products, food ingredients and other segments recorded increased sales. Consequently, consolidated net sales amounted to ¥338,437 million, an increase of 6.0% from the ¥319,393 million total of the previous fiscal year.

Regarding earnings, our overall cost-to-sales ratio decreased, with changes in our product portfolio and increased sales revenue resulting in a decrease in our fixed cost-to-sales ratio. As for selling, general and administrative (SG&A) expenses, however, there was a rise in the ratio of transportation and storage costs against sales, caused by an increase in products in stock and changes in the product portfolio. Sales promotion and advertising expenses also grew due to the implementation of sales promotion measures at the storefront of mass merchandisers and placement of TV commercials.

As a result, operating income amounted to ¥17,110 million, an increase of ¥2,863 million from the previous fiscal year (¥14,247 million). Ordinary income was ¥19,229 million, an increase of ¥1,618 million from the previous fiscal year (¥17,610 million). Net income attributable to owners of the parent was ¥13,903 million, a decrease of ¥7,165 million from the previous fiscal year (¥21,068 million). During the previous fiscal year, a gain on the sale of fixed assets resulting from the transfer of our old factory site in Tokyo was posted as extraordinary income.

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.

June 2016

Katsuhisa Ezaki, President and CEO

1. Operating Results and Financial Status

(1) Operating Results

Results by segment

(Unit: millions of yen, %)

Segment	Net Sales			Operating Income		
	Fiscal year under review	vs. Previous fiscal year	YoY (%)	Fiscal year under review	vs. Previous fiscal year	YoY (%)
Confectioneries	121,157	7,400	106.5	9,206	1,036	112.7
Ice Cream	81,004	7,195	109.7	5,478	2,438	180.2
Food Products	20,183	(2,130)	90.5	112	(556)	16.9
Milk and Dairy Products	97,821	3,431	103.6	4,516	2,215	196.3
Food Ingredients	10,242	778	108.2	492	224	184.0
Other	8,029	2,369	141.9	(41)	(305)	−
Adjustment	−	−	−	(2,654)	(2,189)	−
Total	338,437	19,044	106.0	17,110	2,863	120.1

[Confectioneries Division]

In Japan, sales of ‘Bisco,’ the ‘Pocky’ group, ‘Van Houten Chocolate’ and ‘Kobe Roasted Chocolat’ increased from the previous fiscal year. Outside Japan, the Chinese subsidiary marked significant growth in sales revenue. As a result, divisional sales amounted to ¥121,157 million, a 6.5% increase over the previous fiscal year (¥113,757 million).

As for divisional profits, operating income was ¥9,206 million, an increase of ¥1,036 million from the previous fiscal year (¥8,170 million). This was mainly caused by increased sales revenue in Japan and the improvement of overall cost-to-sales ratio. These were more than enough to absorb the increase in sales promotion expenses incurred at subsidiaries.

[Ice Cream Division]

Sales of mainstay products, including ‘Papico,’ ‘Ice no Mi’ and ‘Giant Cone’ increased from the previous fiscal year. Moreover, wholesales subsidiaries posted sales increases. As a result, divisional sales totaled ¥81,004 million, a 9.7% increase from the previous fiscal year (¥73,808 million).

As for divisional profits, despite the increase in transportation and storage costs-to-sales ratio, increased sales revenue and changes in the product portfolio resulted in a lower cost-to-sales ratio. Consequently, operating income was ¥5,478 million, an increase of ¥2,438 million from the previous fiscal year (¥ 3,039 million).

[Food Products Division]

While ‘Aunt Claire’s Stew’ sales increased from the previous fiscal year, ‘Juku Curry’ and ‘Curry Shokunin’ posted sales decreases. As a result, divisional sales totaled ¥20,183 million, a 9.5% decrease from the previous fiscal year (¥22,313 million).

As for divisional profits, efforts were concentrated on increasing the efficiency of rebate implementation. However, changes in the product portfolio pushed up the cost-to-sales ratio and there was an increase in advertising expenses. As a result, operating income amounted to ¥112 million, a ¥556 million decrease from the previous fiscal year (¥669 million).

[Milk and Dairy Products Division]

‘Breakfast BifiX Yogurt’ and ‘Pucchin Pudding’ enjoyed sales increases over the previous fiscal year, as did ‘Tropicana Essentials’ available from Kirin Beverage Co., Ltd. ‘Powdered Milk’ also marked impressive sales growth based on demand from inbound travelers. As a result, divisional sales totaled ¥97,821 million, a 3.6% increase from the previous fiscal year (¥94,389 million).

As for divisional profits, despite the increased sales promotion expenses, the increased sales revenue caused the cost-to-sales ratio to decline and there also was a decrease in advertising expenses. As a result, operating income was ¥4,516 million, an increase of ¥2,215 million over the previous fiscal year (¥2,300 million).

[Food Ingredients Division]

'A-glu' and fine chemicals enjoyed sales increases over the previous fiscal year.

As a result, divisional sales were ¥10,242 million, an 8.2% increase from the previous fiscal year (¥9,463 million).

As for divisional profits, although the transportation and storage costs-to-sales ratio increased, a revision of sales prices caused an improvement of the cost-to-sales ratio, and there was a decline in general expenses. As a result, operating income was ¥492 million, an increase of ¥224 million over the previous fiscal year (¥267 million).

[Other]

Office Glico and Health Division (including former Sports Foods Division) both enjoyed sales increases from the previous fiscal year. As a result, sales in this segment totaled ¥8,029 million, a 41.9% increase over the previous fiscal year (¥5,659 million).

As for profits, the increased cost-to-sales ratio caused by changes in the product portfolio and an increase in sales promotion expenses related to the release of new products in the health category resulted in an operating loss of ¥41 million, a decrease of ¥305 million from the operating income of ¥264 million recorded in the previous fiscal year.

General consolidated performance forecasts including production, sales, profits and losses for the next fiscal year

As for the outlook for the next fiscal year, the future of the Japanese economy is projected to remain uncertain, due to concerns about adverse effects of the Kumamoto Earthquake that occurred in April 2016. The consumption tax hike planned for April of 2017 is also projected to have a negative impact. Moreover, the downturn of economies in the U.S. and China is a risk factor that may drag down the Japanese economy. For the food industry, changes in raw material prices and fluctuations in exchange rates are expected to have a negative impact on corporate performance. Moreover, the application of a reduced tax rate for food products accompanying the scheduled increase in the consumption tax is also expected to be an increasing burden, causing the environment surrounding the food industry to continuously face challenges.

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

By adopting these measures, we aim to achieve net sales of ¥370,000 million in the next fiscal year, a 9.3% increase from the fiscal year under review. Our profit targets are: an operating income of ¥20,000 million (up 16.9% from the fiscal year under review), ordinary income of ¥21,000 million (up 9.2%) and a net income attributable to the owners of the parent of ¥14,000 million.

Divisional consolidated sales forecasts for the next fiscal year

Divisional sales projections are as follows: Confectioneries Division sales of ¥129,500 million (up 6.9% from the fiscal year under review), Ice Cream Division sales of ¥90,400 million (up 11.6%), Food Products Division sales of ¥20,500 million (up 1.6%), Milk and Dairy Products Division sales of ¥104,800 million (up 7.1%), Food Ingredients Division sales of ¥11,800 million (up 15.2%), and other segment sales of ¥13,000 million (up 61.9%).

(2) Financial Conditions

Assets, liabilities and net assets

As of March 31, 2016, total assets were ¥274,974 million, a decrease of ¥328 million compared to the end of the previous fiscal year. Current assets were ¥131,335 million, a decrease of ¥987 million from the end of the previous fiscal year. The main component of this decrease was a decrease in investments in securities. Fixed assets were ¥143,639 million, an increase of ¥659 million from the end of the previous fiscal year. The main contributor to this increase was an increase in construction in progress.

Total liabilities were ¥95,822 million, a decrease of ¥4,641 million compared to the end of the previous fiscal year. The main components of this decrease were decreases in current portion of long-term debt and accrued income taxes.

Net assets were ¥179,151 million, an increase of ¥4,313 million compared to the end of the previous fiscal year. Main contributors to this increase included an increase in retained earnings. Consequently, net worth ratio was 63.1%, up 1.6 percentage points from the end of the previous fiscal year.

Cash flows for the fiscal year under review

(Unit: millions of yen)

	Previous fiscal year (consolidated)	Fiscal year under review (consolidated)	Increase (Decrease)
Cash flow – operating activities	24,520	17,658	(6,862)
Cash flow – investing activities	(7,876)	(13,773)	(5,896)
Cash flow – financing activities	(13,202)	(10,061)	3,141
Balance of cash and cash equivalents at beginning of term	54,225	59,406	5,180
Balance of cash and cash equivalents at end of term	59,406	52,010	(7,395)

Free cash flow during the fiscal year under review, calculated by subtracting net cash used for investing activities from net cash provided by operating activities, totaled ¥3,884 million, a decrease of ¥12,758 million from the free cash flow of ¥16,643 million posted during the previous fiscal year. This decrease was mainly due to the decrease in proceeds from sale of property, plants and equipment.

Net cash used in financing activities was ¥10,061 million, a decrease of ¥3,141 million from the previous fiscal year, due to the repayment of a short-term debt.

As a result, the balance of cash and cash equivalents at the end of the fiscal year under review totaled ¥52,010 million, a decrease of ¥7,395 million from the ¥59,406 million at the end of the previous fiscal year.

Cash flow indicator trends

	Mar. 2014	Mar. 2015	Mar. 2016
Net worth ratio (%)	58.1	61.5	63.1
Net worth ratio on market value basis (%)	73.7	115.8	137.6
Debt coverage ratio (years)	1.0	0.5	0.4
Interest coverage ratio (times)	76.7	90.7	101.8

Notes:
Net worth ratio: Net worth / Total assets
Net worth ratio on market value basis: Market capitalization / Total assets
Debt coverage ratio: Interest-bearing liabilities / Amount of cash provided by operating activities
Interest coverage ratio: Amount of cash provided by 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 flow—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.

(3) Basic Policy for the Distribution of Profits, and Dividends for the Current and Next Fiscal Years

Considering returns of earnings to our shareholders as one of our most important management objectives, our corporate group's basic policy prioritizes achieving a stable dividend level while at the same time making sure to secure internal capital resources necessary for strengthening the corporate structure and assuring aggressive business development. In the future, from a medium- to long-term perspective we intend to continue with our efforts to maintain sustained growth, improve corporate value and augment shareholder value through the proactive investment of management resources into business fields with high growth potential.

At the meeting of the Company's Board of Directors held on May 13, 2016, we resolved to pay a year-end dividend of ¥20 per share. In addition to an interim dividend of ¥20 per share already paid out on December 10, 2015, this will add up to a full-year dividend of ¥40 per share. As of today, our plan is to pay a full-year dividend of ¥40 per share for the next fiscal year.

2. Management Policies

(1) Group Management Basic Policy

Our corporate philosophy is to offer “a wholesome life in the best of taste.” Based on this corporate philosophy, we strive to offer high value-added products and services that meet the needs of our customers in all markets throughout the world. By so doing, we aim to contribute to society through the development of the food business. It is our hope that this policy will lead to stable growth and will meet shareholder expectations. We will also continue to share our prosperity with all our stakeholders, including customers, business partners, employees and local communities.

(2) Targeted Performance Indicators

Target (1): Secure a stable return on sales (ROS) both inside and outside of Japan.
Japan: ROS of 5% or higher, Overseas: ROS of 10% or higher
Target (2): Continuously achieve return on equity (ROE) of 10% or higher (excluding extraordinary income and loss).

(3) Medium- and Long-term Corporate Strategies and Future Challenges

As the social situations and economic environment surrounding our business change at an amazing pace on a global scale, and a further rise is predicted for energy resource and raw material costs, our corporate group is determined to boost our corporate value, while flexibly responding to these environmental changes.

The key requirements for attaining our medium- to long-term goals are: 1) creation of powerful product categories and development of new health-related business; 2) promotion of global business, with focus on Asia; and 3) enhancement of competitive strength through concentration of management resources. As we specify these three main objectives, we will implement specific action plans.

1) Creation of powerful product categories and development of new health-related business

We will concentrate our corporate resources on product categories to be strengthened, in order to build a strong brand that is highly competitive in the global market. At the same time, we will seek to lay the foundation for our health-related business.

2) Promotion of global business, with focus on Asia

Our investment of corporate resources will be focused in Vietnam, Indonesia and other Asian regions in addition to China and Thailand, our current mainstay markets. We will also seek to expand our confectionery business globally with ‘Pocky’ as the core product line. At the same time, we will work on building a foundation for the global development of new non-confectionery business areas, such as sales of ice cream products.

3) Enhancement of competitive strength through concentration of management resources

We will strive to enhance governance functions through unified group operations, while also reinforcing our competitive strengths by concentrating our total group resources. We will also work to address compliance and environmental issues, promote development and proper deployment of human resources, and facilitate interactions among the research, development, production and sales departments, in order to put our group’s unified comprehensive strengths to full use.

3. 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.

4. Significant Subsequent Events

None applicable.

5. Others

(1) Change of Executives (as of June 29, 2016)

1) Change of representative directors

A. A candidate for new representative director (additional appointment)

Senior Managing Executive Officer and Representative Director Etsuro Ezaki (currently Senior Managing Executive Officer and Director)

2) Changes of other directors

A. A candidate for new director

Director Akira Onuki (currently Executive Officer)

B. Retiring director

Director Masahiro Azumi (to be appointed corporate advisor)

Note: The appointment of a new representative director listed above was already announced in the press release of May 13, 2016 entitled “Notice regarding Change of Representative Directors (Additional Appointment).”

Consolidated Financial Statements

Ezaki Glico Co., Ltd. and
Consolidated Subsidiaries

Fiscal years ended 31st March, 2016 and 2015

Consolidated Balance Sheets

31st March, 2016 and 2015

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Assets			
Current assets:			
Cash and deposits *(Note 4,5)*	**¥ 50,941**	¥ 37,110	**$ 452,094**
Marketable securities *(Note5,6)*	**11,395**	29,248	**101,135**
Notes and accounts receivable *(Note 5)*	**35,113**	33,078	**311,617**
Inventories *(Note 7)*	**26,895**	25,065	**238,692**
Deferred income taxes *(Note 17)*	**2,563**	2,246	**22,751**
Other current assets	**4,478**	5,651	**39,748**
Less allowance for doubtful accounts	**(54)**	(78)	**(479)**
Total current assets	**131,335**	132,322	**1,165,559**
Property, plant and equipment *(Note 9, 19)*:			
Land	**15,711**	13,933	**139,430**
Buildings and structures	**61,765**	69,042	**548,153**
Machinery and vehicles	**102,204**	128,512	**907,036**
Tools, furniture and fixtures	**23,660**	23,732	**209,979**
Lease	**1,180**	1,089	**10,476**
Construction in progress	**12,025**	3,771	**106,719**
	216,547	240,081	**1,921,795**
Less accumulated depreciation	**(133,970)**	(167,373)	**(1,188,943)**
Property, plant and equipment, net	**82,577**	72,707	**732,851**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**2,971**	3,202	**26,367**
Investments in securities *(Note 5,6)*	**34,951**	44,332	**310,180**
Long-term loans receivable	**1,142**	334	**10,139**
Deferred income taxes *(Note 17)*	**406**	810	**3,611**
Asset for retirement benefits *(Note 11)*	**1,963**	2,746	**17,426**
Real estate for investment *(Notes 19)*	**12,402**	12,402	**110,067**
Software	**2,365**	1,939	**20,990**
Software in progress	**989**	397	**8,781**
Other assets *(Notes 9)*	**3,920**	4,163	**34,796**
Less allowance for doubtful accounts	**(52)**	(57)	**(461)**
Total investments and other assets	**61,061**	70,272	**541,900**
Total assets	**¥ 274,974**	¥ 275,302	**$ 2,440,311**

See accompanying notes to the consolidated financial statements.

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	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable *(Note 5)*	**¥ 28,396**	¥ 29,564	**$ 252,005**
Short-term loans *(Note 5,10)*	**5,218**	7,621	**46,314**
Current portion of long-term debts *(Note 5,10)*	**501**	4,000	**4,446**
Accrued expenses	**25,107**	22,121	**222,825**
Accrued income taxes *(Note 17)*	**2,179**	5,401	**19,340**
Provision for directors and corporate auditors bonuses	**41**	44	**367**
Provision for sales promotion	**1,675**	1,509	**14,865**
Provision for stock payments of board incentive plan*(Note 3)*	**56**	-	**497**
Provision for employee stock ownership plan*(Note 3)*	**1,366**	-	**12,122**
Other current liabilities	**12,253**	8,468	**108,749**
Total current liabilities	**76,795**	78,729	**681,534**
Long-term liabilities:			
Long-term debts *(Note 10)*	**501**	1,343	**4,446**
Liability for retirement benefits *(Note 11)*	**10,927**	10,281	**96,980**
Provision for business structure improvement	**-**	105	**-**
Deferred tax liabilities *(Note 17)*	**3,104**	5,176	**27,549**
Other long-term liabilities	**4,494**	4,828	**39,884**
Total long-term liabilities	**19,027**	21,734	**168,859**
Net assets:			
Shareholders' equity *(Note 12)*:			
Common stock:			
Authorized – 270,000,000 shares in 2016 and 2015			
Issued – 69,430,069 shares in 2016 and 2015	**7,773**	7,773	**68,989**
Capital surplus	**7,816**	7,484	**69,364**
Retained earnings *(Notes 12, 22)*	**155,190**	144,566	**1,377,263**
Treasury stock, at cost – 3,836,000 shares in 2016, and 3,860,644 shares in 2015	**(6,811)**	(6,626)	**(60,450)**
Total shareholders' equity	**163,968**	153,198	**1,455,166**
Other comprehensive income:			
Net unrealized holding gain on securities	**7,949**	11,875	**70,550**
Translation adjustments	**2,646**	4,281	**23,489**
Retirement benefits liability adjustments	**(973)**	(42)	**(8,638)**
Total other comprehensive income	**9,623**	16,114	**85,401**
Non-controlling interests	**5,560**	5,526	**49,349**
Total net assets	**179,151**	174,838	**1,589,917**
Total liabilities and net assets	**¥ 274,974**	¥ 275,302	**$ 2,440,311**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income and Comprehensive Income

Fiscal years ended 31st March, 2016 and 2015

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales	**¥ 338,437**	¥ 319,393	**$ 3,003,531**
Cost of sales	**183,904**	177,782	**1,632,095**
Gross profit	**154,533**	141,610	**1,371,436**
Selling, general and administrative expenses *(Note 16)*	**137,422**	127,363	**1,219,585**
Operating income	**17,110**	14,247	**151,850**
Other income (expenses):			
Interest and dividend income	**2,137**	1,054	**18,969**
Interest expense	**(170)**	(240)	**(1,513)**
Loss on disposal of property, plant and equipment	**(259)**	(234)	**(2,301)**
Gain on sales of property, plant and equipment *(Note 8)*	**-**	11,948	**-**
Loss on impairment of fixed assets *(Note 9)*	**(83)**	(15)	**(738)**
Gain on sales of investment in securities	**1,414**	1,052	**12,549**
Gain on redemption of investment securities	**402**	425	**3,570**
Real estate rent	**476**	181	**4,226**
Gain from foreign exchange	**-**	1,435	**-**
Loss from foreign exchange	**(653)**	-	**(5,798)**
Other, net	**588**	1,257	**5,220**
Income before income taxes and non-controlling interests	**20,962**	31,113	**186,036**
Income taxes *(Note 17)*:			
Current	**6,272**	7,312	**55,665**
Deferred	**325**	1,825	**2,892**
	6,598	9,137	**58,557**
Net income	**14,364**	21,975	**127,478**
Total Net income attributable to:			
Owners of parent	**13,903**	21,068	**123,385**
Non-controlling interests	**461**	907	**4,092**

See accompanying notes to the consolidated financial statements.

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Other comprehensive income*(Note 18)*			
Net unrealized holding gain(loss) on securities	**(3,925)**	4,397	**(34,839)**
Translation adjustments	**(1,736)**	2,604	**(15,413)**
Remeasurements of defined benefit plans, net of tax	**(930)**	780	**(8,256)**
Share of other comprehensive income of entities accounted for using equity method	**(308)**	212	**(2,739)**
Total other comprehensive income	**(6,901)**	7,993	**(61,249)**
Comprehensive Income	**¥ 7,462**	¥ 29,969	**$ 66,228**
Total comprehensive income attributable to:			
Owners of parent	**¥ 7,411**	¥ 28,488	**$ 65,777**
Non-controlling interests	**¥ 50**	¥ 1,480	**$ 450**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Fiscal years ended 31st March, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Shareholders' equity:			
Common stock			
Balance at beginning of year	¥ 7,773	¥ 7,773	$ 68,989
Balance at end of year	¥ 7,773	¥ 7,773	$ 68,989
Capital surplus			
Balance at beginning of year	¥ 7,484	¥ 7,413	$ 66,419
Disposition of treasury stock	118	70	1,048
Transfer of treasury stock to trust	213	-	1,895
Balance at end of year	¥ 7,816	¥ 7,484	$ 69,364
Retained earnings			
Balance at beginning of year	¥ 144,566	¥ 124,123	$ 1,282,984
Cumulative effects of changes in accounting policies	-	115	-
Restated balance	144,566	124,239	1,282,984
Cash dividends	(1,967)	(1,311)	(17,457)
Interim cash dividends	(1,312)	(656)	(11,648)
Net income	13,903	21,068	123,385
Change of scope of equity method	-	1,225	-
Balance at end of year	¥ 155,190	¥ 144,566	$ 1,377,263
Treasury stock			
Balance at beginning of year	¥ (6,626)	¥ (6,610)	$ (58,806)
Acquisition of treasury stock	(19)	(77)	(173)
Disposition of treasury stock	47	61	424
Transfer of treasury stock to trust	81	-	722
Transfer of treasury stock from trust	(295)	-	(2,618)
Balance at end of year	¥ (6,811)	¥ (6,626)	$ (60,450)
Other comprehensive income:			
Net unrealized holding gain on securities			
Balance at beginning of year	¥ 11,875	¥ 7,478	$ 105,390
Net changes during the year	(3,925)	4,397	(34,840)
Balance at end of year	¥ 7,949	¥ 11,875	$ 70,550
Translation adjustments			
Balance at beginning of year	¥ 4,281	¥ 2,087	$ 37,997
Net changes during the year	(1,634)	2,194	(14,508)
Balance at end of year	¥ 2,646	¥ 4,281	$ 23,489

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Retirement benefits liability adjustments			
Balance at beginning of year	¥ **(42)**	¥ (824)	$ **(379)**
Net changes during the year	**(930)**	782	**(8,259)**
Balance at end of year	¥ **(973)**	¥ (42)	$ **(8,638)**
Non-controlling interests:			
Balance at beginning of year	¥ **5,526**	¥ 4,062	$ **49,044**
Cumulative effects of changes in accounting policies	**-**	0	**-**
Restated balance	**5,526**	4,062	**49,044**
Net changes during the year	**34**	1,463	**305**
Balance at end of year	¥ **5,560**	¥ 5,526	$ **49,349**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Fiscal years ended 31st March, 2016 and 2015

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from operating activities:			
Income before income taxes and non-controlling interests	**¥ 20,962**	¥ 31,113	**$ 186,036**
Depreciation and amortization	**10,795**	11,017	**95,806**
Loss on impairment of fixed assets	**83**	15	**738**
Decrease in provision for business structure improvement	**(105)**	-	**(931)**
Increase (decrease) in net defined benefit asset and liability	**90**	(541)	**799**
Increase (decrease) in provision for directors and corporate auditors bonuses	**(2)**	(0)	**(23)**
Increase (decrease) in provision for sales promotion	**166**	(75)	**1,473**
Increase in provision for stock payments of board incentive plan	**56**	-	**497**
Increase in provision for employee stock ownership plan	**1,366**	-	**12,122**
Decrease in provision for doubtful accounts	**(27)**	(129)	**(246)**
Interest and dividend income	**(2,137)**	(1,054)	**(18,969)**
Interest expense	**170**	240	**1,513**
Exchange loss (gain)	**865**	(1,242)	**7,679**
Gain on sales of property, plant and equipment	**(10)**	(11,975)	**(91)**
Loss on disposal of property, plant and equipment	**259**	234	**2,301**
Gain on sales of investment securities	**(1,414)**	(1,052)	**(12,549)**
Gain on redemption of investment securities	**(402)**	(425)	**(3,570)**
Decrease (increase) in notes and accounts receivable	**(2,490)**	(1,637)	**(22,106)**
Increase in inventories	**(1,963)**	(4,450)	**(17,429)**
Increase (decrease) in notes and accounts payable	**(971)**	3,368	**(8,622)**
Other	**1,887**	5,086	**16,748**
Subtotal	**27,175**	28,490	**241,177**
Income taxes paid	**(9,517)**	(3,969)	**(84,465)**
Net cash provided by operating activities	**17,658**	24,520	**156,712**
Cash flows from investing activities:			
Increase in time deposits	**(8,395)**	(4,528)	**(74,508)**
Decrease in time deposits	**4,049**	3,261	**35,941**
Purchases of marketable securities	**(2,900)**	(3,107)	**(25,736)**
Proceeds from sales of marketable securities	**4,811**	507	**42,702**
Purchase of trust beneficiary right	**(2,000)**	(2,075)	**(17,749)**
Proceeds from redemption of trust beneficiary right	**3,075**	1,000	**27,289**
Purchases of investments in securities	**(11)**	(511)	**(100)**
Proceeds from sales and redemption of investments in securities	**4,313**	3,568	**38,284**
Purchases of property, plant and equipment	**(16,605)**	(10,210)	**(147,372)**
Proceeds from sales of property, plant and equipment	**31**	12,836	**280**
Purchases of intangible assets	**(1,847)**	(833)	**(16,393)**
Proceeds from sales of real estate for investment	**-**	1,126	**-**
Purchase of real estate for investment	**-**	(10,115)	**-**
Proceeds from rental of real estate for investment	**413**	-	**3,669**
Increase in loans receivable	**(951)**	(1,035)	**(8,442)**
Collection of loans receivable	**125**	1,073	**1,117**
Interest and dividends received	**2,188**	1,069	**19,420**
Other	**(71)**	97	**(638)**
Net cash used in investing activities	**(13,773)**	(7,876)	**(122,235)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	**(2,368)**	(650)	**(21,019)**
Repayment of long-term loans payable	**(4,159)**	(10,129)	**(36,910)**
Interest and dividends paid	**(3,453)**	(2,236)	**(30,645)**
Cash dividends paid to non-controlling interests	**(16)**	(16)	**(144)**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Acquisition of treasury stock	**(19)**	(77)	**(173)**
Proceeds from sales of treasury stock	**166**	131	**1,473**
Other	**(210)**	(224)	**(1,872)**
Net cash provided (used in) by financing activities	**(10,061)**	(13,202)	**(89,291)**
Effect of exchange rate changes on cash and cash equivalents	**(1,218)**	1,740	**(10,817)**
Net increase (decrease) in cash and cash equivalents	**(7,395)**	5,180	**(65,631)**
Cash and cash equivalents at beginning of the year	**59,406**	54,225	**527,210**
Cash and cash equivalents at end of the year *(Note 4)*	**¥ 52,010**	¥ 59,406	**$461,579**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

31st March, 2016

1. Basis of Presentation

Ezaki Glico Co., Ltd. (the "Company") and its domestic subsidiaries maintain their books of account in conformity with accounting principles generally accepted in Japan, and its overseas subsidiaries maintain their books of account in conformity with those of their respective countries of domicile.

The accompanying consolidated financial statements are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

Certain reclassifications of previously reported amounts have been made to the consolidated financial statements for the fiscal year ended 31st March, 2015 to conform them to the 2016 presentation. Such reclassifications had no effect on consolidated net income or net assets.

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥112.68 = U.S. $1.00, the approximate rate of exchange in effect prevailing on 31st March, 2016, has been utilized. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

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

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 any significant companies which it controls directly or indirectly. All significant intercompany balances and transactions have been eliminated in consolidation.

Investments in subsidiaries and affiliates which are not consolidated or accounted for by the equity method are carried at cost.

Differences between the cost and the underlying net equity at fair value of investments in consolidated subsidiaries have been amortized principally by the straight-line method over 5 years. Minor differences are charged or credited to income in the year of acquisition.

The balance sheet date of the overseas consolidated subsidiaries is 31st December. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from 1st January through 31st March have been adjusted, if necessary.

(b) Foreign currency translation

Revenue and expense items arising from transactions denominated in foreign currencies are generally translated into yen at the rates in effect at the respective transaction dates. Gain or loss on foreign exchange is credited or charged to income in the period in which the gain or loss is recognized for financial reporting purposes.

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date and gain or loss on each translation is credited or charged to income.

The financial statements of the overseas consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date except that the components of shareholders' equity are translated at their historical exchange rates. Translation adjustments are presented as a component of net assets in the accompanying consolidated balance sheets.

2. Summary of Significant Accounting Policies (continued)

(c) Cash and cash equivalents

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

(d) Allowance for doubtful accounts

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

(e) Marketable securities and investments in securities

The accounting standard applicable to financial instruments requires that securities be classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities are carried at fair value, and gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized 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. Compound financial instruments inclusive of derivative components are in aggregate carried at fair value.

(f) Inventories

Inventories are stated at the lower of cost, determined principally by the weighted-average method, or market. Inventories with lower profitability are written down to the amount of its net selling value and differential would be charged to income.

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

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

(h) Computer software (except for leases)

Expenditures relating to the cost of computer software intended for internal use are charged to income as incurred, except if these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalized and amortized by the straight-line method over an estimated useful life of 5 years.

2. Summary of Significant Accounting Policies (continued)

(i) Leases

Leases are depreciated by the straight-line method over serviceable life with residual value zero.

(j) Provision for directors and corporate auditors bonuses

Accrued bonuses for directors and corporate auditors are provided at the estimated amount of bonuses to be paid.

(k) Provision for stock payments of board incentive plan

Accrued expense for stock payments of board incentive plan are provided at the estimated amounts of stocks to be paid based on stock payment rule.

(l) Provision for employee stock ownership plan

Accrued expense for employee stock ownership plan are provided at the estimated amounts of distribution when employee stock ownership plan ends.

(m) Liability for retirement benefits

Liability for retirement benefits have been provided mainly 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 straight-line method over the estimated remaining years of service of the eligible employees.

Prior service cost is amortized in the year in which the gain or loss is recognized primarily by the straight-line method over a period of 5 years, which is within the estimated average remaining years of service of the eligible employees.

Net unrecognized actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized primarily by the straight-line method over a period of 5 years, which is within the estimated average remaining years of service of the eligible employees.

(n) Provision for sales promotion

Accrued sales promotion costs are provided at the estimated amount of sales promotion costs to be paid.

2. Summary of Significant Accounting Policies (continued)

(o) Derivative financial instruments and hedging activities

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

3. Additional Information

(Application of accounting standards related to business combination)

The Company and its domestic subsidiaries adopted “Revised Accounting Standard for Business Combinations”(Accounting Standards Board of Japan(“ASBJ”) Statement No. 21 of September 13, 2013) “Revised Accounting Standard for Consolidated Financial Statements”(ASBJ Statement No.22 of September 13, 2013) “Revised Accounting Standard for Business Divestitures” (ASBJ Statement No.7 of September 13, 2013) and other standards. These revised accounting standards are applied from the fiscal year ended March 31 2016. Accordingly, differences resulting from changes in ownership interest in subsidiaries when control over the subsidiaries is retained are recognized under capital surplus, and acquisition-related costs are recorded as expenses for the period in which they arise. For business combinations conducted on or after the beginning of the year ended March 31, 2016, the accounting method has been changed to reflect adjustments of the allocation of acquisition costs on the finalization of provisional accounting treatments in the consolidated financial statements for the year in which the business combination occurs. In addition, the presentation method of net income was amended, and “minority interests” were changed to “non-controlling interests”. Certain reclassifications were made to the previous year’s consolidated financial statements to reflect these changes in presentation.

From April 1, 2015, these revised standards are applied prospectively in accordance with the transitional treatment provided in Article 58-2(4) of ASBJ Statement No.21, Article 44-5(4) of ASBJ Statement No.22 and Article 57-4(4) of ASBJ Statement No.7 is applied from the beginning of the year ended March 31,2016.

This change had no impact on Consolidated Financial Statements.

(Transactions to transfer the Company shares to the employees through the trust)

The Company has introduced the "Employee Stock Ownership Plan (ESOP) Trust" (the "Plan"), in order to provide the Company group's employees with incentives to promote the benefit and welfare of the employees of the Company group and others and to increase the enterprise value of the Company.

(a) Outline of the transactions

The Plan is an incentive plan, in which all employees of the Company group who are members of the "Ezaki Glico Share Holding Association" ("Share Holding Association") may participate. The Company creates a trust with those of the employee member of the Share Holding Association who meet certain requirements as its beneficiaries, and during a predetermined period, the trust acquires the number of Ezaki Glico's shares that the Association is expected to acquire over the next five years. Afterwards, the trust sells off our stocks to the Share Holding Association in accordance with certain plan. The remaining funds will be distributed according to employee's contribution ratio when there are the trust earnings resulting from an upward swing in stock price when the trust ends. There is no additional burden on the employee as we will pay back the loan based our guarantee clause of the loan agreement when a loss is caused by a drop on stock prices.

(b) Although the Company applied Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (ASBJ Practical Issues Task Force (PITF) No. 30, issued on 26th March, 2015), the accounting for those transactions has been conducted according to the conventional method.

(c) The items relating to the Company shares owned by the Trust

1. Book value of the Company shares owned by the Trust
   As of 31st March, 2016: ¥482 million
   As of 31st March, 2015: ¥513 million

2. The Company shares owned by the Trust are accounted for as treasury stock.

3. Number of the Company shares owned by the Trust at the end of the last fiscal year and the average number of shares owned by the Trust
   Number of the Company shares owned by the Trust at the end of the fiscal year
   As of 31st March, 2016: 271 thousand shares
   As of 31st March, 2015: 299 thousand shares*
   Average number of shares owned by the Trust
   As of 31st March, 2016: 284 thousand shares
   As of 31st March, 2015: 314 thousand shares*
   *Ezaki Glico Corporation implemented a share consolidation on its common stock with a ratio of two shares to one share on October 1, 2014. These are calculated based on the assumption that consolidation of shares had been carried out at the beginning of the previous fiscal year.

4. The number of the Company shares mentioned in part 3. was included in the treasury stock to be deducted in terms of calculating relevant per share indicators.

(Performance-based remunerations)

The company has introduced the Board Incentive Plan (BIP) for Board Directors (excluding External Board Directors), Executive Officers ("Board Directors, etc."),in order to raise motivation to contribute to improvement of financial results and aim to share common interest with our shareholders.

(a)Outline of the BIP

The BIP adopts the structure used for the Board Incentive Plan Trust (the "Trust"). The Trust is also a stock-based officer remuneration plan that offers Board Directors, etc. payment of the Company's shares according to their individual rank and the level of attainment of performance targets. The Plan will be for the three fiscal years starting from the fiscal year that ends on March 31,2016 up to the fiscal year that ends on March 31, 2018

(b)Number and book value of the Company Shares owned by the Trust at the end of the fiscal year

As of 31st March,2016:47 thousand shares, ¥295million

The Company recorded the book value of the company shares owned by the trust as the book value in the trust.

4. Cash and Cash Equivalents

The balances of cash and deposits reflected in the consolidated balance sheets at 31st March, 2016 and 2015 are reconciled to the balances of cash and cash equivalents as presented in the consolidated statements of cash flows for the fiscal years then ended as follows:

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	**¥ 50,941**	¥ 37,110	**$452,094**
Time deposits with original maturities in excess of three months included in cash and deposits	**(7,426)**	(3,080)	**(65,907)**
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	**8,495**	25,376	**75,392**
Cash and cash equivalents	**¥ 52,010**	¥ 59,406	**$461,579**

5. Financial Instruments

For the fiscal year ended 31st March, 2016 and 2015

・Overview

a) Action policy for financial instruments

The Group raise funds mainly through bank borrowings and bond issue according to capital investments plan and other long-term capital needs. The Group raises the short-term operating funds through bank borrowings. The Group manages cash surpluses through liquid, highly stable financial instruments and stocks of other companies with which the Group has business relationships. Derivative financial instruments are utilized to reduce risk and the Group does not hold or issue derivative financial instruments for speculative trading purposes.

b) Contents of financial instruments and related risk

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

Business liabilities such as notes and accounts payable are, mostly due within six months. Among debt payable, short-term loans are related with business, and the long-term debts are taken out mainly for the purpose of making capital investments. Among these, the floating rate loan is exposed to interest rate risk.

As for derivative financial instruments, forward exchange contracts and currency swap transactions are used for the purpose of reducing exchange rate risk of foreign currency bond and debt, and interest rate swap transactions are utilized for the purpose of reducing interest rate risk in a future market of investment in securities.

c) Risk management for financial instruments

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

The Group manages, according to the credit management official rules of each company, the due date and the balance of operating receivables from business partners, and regularly monitors the status of major counterparties to quickly identify and reduce concerns of repayment resulting from the weakening of the counterparties' financial situation. In addition, the Group utilizes business credit insurance for some operating receivables.

Because the securities and investment in securities are limited to the financial institutions with high credit ratings, the Group assumes that the credit risk is insignificant.

The Group deals with only highly rated financial institutions to reduce counterparty risk in conducting derivative transactions.

5. Financial Instruments (continued)

(2) Monitoring of market risk (the risks arising from fluctuations in foreign exchange rates or interest rates)
For securities and investments in securities, the Group periodically reviews the fair values of such financial instruments 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 relationships with the issuers.
In conducting derivative transactions, the division in charge of each derivative transaction follows the internal policies, which set forth delegation of authority. Reports including actual transaction data are submitted to top management for their review.

(3) Monitoring of liquidity risk (the risk that the Company cannot meet its obligations on scheduled due dates)
The Company introduces a cash management system for the main domestic companies in the Group. Based on the business plan of the Group companies, accounting department makes a fund raising plan and updates the plan timely while taking the results into consideration.

d) Supplementary explanation of the estimated fair value of financial instruments
The 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. In addition, the notional amounts of derivatives in Note.14 Derivatives are not necessarily indicative of the actual market risk involved in derivative transactions.

・Estimated fair value of financial instruments
Carrying value of financial instruments on the consolidated balance sheet as of 31st March, 2016, 2015 and estimated fair value are as follows. Financial instruments for which it is extremely difficult to determine the fair value are not included (please refer to Note.2 below).

5. Financial Instruments (continued)

	2016			2015		
	Carrying Value	**Estimated fair value**	**Difference**	**Carrying Value**	**Estimated fair value**	**Difference**
	(Millions of yen)			*(Millions of yen)*		
Assets:						
Cash and deposits	**¥ 50,941**	**¥ 50,941**	―	¥ 37,110	¥ 37,110	―
Notes and accounts receivable	**35,113**	**35,113**	―	33,078	33,078	―
Marketable securities and investments in securities	**45,195**	**45,195**	―	72,431	72,431	―
Total assets	**131,250**	**131,250**	―	142,620	142,620	―
Liabilities:						
Notes and accounts payable	**¥28,396**	**¥28,396**	―	¥29,564	¥29,564	―
Short-term loans and current portion of long-term debt	**5,719**	**5,719**	―	11,621	11,621	―
Long-term debt	**501**	**498**	**(2)**	1,343	1,369	26
Total liabilities	**34,616**	**34,614**	**(2)**	42,529	42,555	26
Derivatives*	―	―	―	―	―	―

	2016		
	Carrying Value	**Estimated fair value**	**Difference**
	(Thousands of U.S. dollars)		
Assets:			
Cash and deposits	**$ 452,094**	**$ 452,094**	―
Notes and accounts receivable	**311,617**	**311,617**	―
Marketable securities and investments in securities	**401,096**	**401,096**	―
Total assets	**1,164,807**	**1,164,807**	―
Liabilities:			
Notes and accounts payable	**$252,005**	**$252,005**	―
Short-term loans and current portion of long-term debt	**50,760**	**50,760**	―
Long-term debt	**4,446**	**4,428**	**(17)**
Total liabilities	**307,211**	**307,193**	**(17)**
Derivatives*	―	―	―

*The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability portion.

5. Financial Instruments (continued)

notes:

1. The methods to determine the estimated fair value of financial instruments and the matters about securities and derivative financial instruments

Assets

Cash and deposits, Notes and accounts receivable

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 making markets in these securities. In addition, please refer to Note.6 "Marketable Securities and Investments in Securities" for the matter about the possession purpose of securities.

Liabilities

Notes and accounts payable, Short-term loans and current portion of long-term debt

Because these items are settled in a short term, their carrying value approximates the fair value.

Long-term debt

The fair value of long-term debt is determined by discounting the sum of principal and interest by the rate which is expected to be applied if same debt were newly financed.

Derivatives

Please refer to Note.14 “Derivatives”

2. Financial instruments for which it is extremely difficult to determine the fair value

	2016	2015	**2016**
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Unlisted stocks	**¥4,122**	¥4,352	**$36,587**

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

5. Financial Instruments (continued)

3. The redemption schedule at 31st March, 2016 for receivables and marketable securities with maturity dates is summarized as follows:

	(Millions of yen)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 50,846	—	—	—
Notes and accounts receivable	35,113	—	—	—
Bonds	2,900	1,600	—	800
Other securities	3,150	320	20	—

	(Thousands of U.S. dollars)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	$ 451,249	—	—	—
Notes and accounts receivable	311,617	—	—	—
Bonds	25,736	14,199	—	7,099
Other securities	27,955	2,839	177	—

6. Marketable Securities and Investments in Securities

a) Marketable securities classified as held-to-maturity debt securities and other securities at 31st March, 2016 and 2015 are summarized as follows:

Held-to-maturity debt securities:

The Company and consolidated subsidiaries had no marketable securities classified as held-to-maturity debt securities at 31st March, 2016 and 2015.

6. Marketable Securities and Investments in Securities (continued)

Other securities:

	2016			2015		
	Acquisition cost	**Carrying value**	**Unrealized holding gain (loss)**	**Acquisition cost**	**Carrying value**	**Unrealized holding gain (loss)**
			(Millions of yen)			
Securities whose carrying value exceeds their acquisition cost:						
Stocks	**¥ 16,457**	**¥27,290**	**¥10,832**	¥ 20,655	¥36,758	¥ 16,103
Bonds	**2,913**	**3,377**	**464**	4,211	5,001	789
Other	**1,573**	**1,602**	**29**	1,562	1,571	9
Subtotal	**20,944**	**32,270**	**11,325**	26,428	43,331	16,902
Securities whose acquisition cost exceeds their carrying value:						
Stocks	**2,868**	**2,469**	**(399)**	627	503	(124)
Bonds	**1,900**	**1,884**	**(15)**	2,601	2,600	(1)
Other	**8,572**	**8,571**	**(1)**	26,026	25,996	(30)
Subtotal	**13,340**	**12,925**	**(415)**	29,255	29,100	(155)
Total	**¥ 34,285**	**¥ 45,195**	**¥ 10,909**	¥ 55,684	¥ 72,431	¥ 16,746

	2016		
	Acquisition cost	**Carrying value**	**Unrealized holding gain (loss)**
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	**$ 146,058**	**$ 242,193**	**$ 96,134**
Bonds	**25,858**	**29,976**	**4,118**
Other	**13,959**	**14,220**	**260**
Subtotal	**185,876**	**286,390**	**100,514**
Securities whose acquisition cost exceeds their carrying value:			
Stocks	**25,459**	**21,912**	**(3,547)**
Bonds	**16,861**	**16,728**	**(134)**
Other	**76,075**	**76,065**	**(10)**
Subtotal	**118,396**	**114,705**	**(3,691)**
Total	**$ 304,273**	**$401,096**	**$ 96,822**

6. Marketable Securities and Investments in Securities (continued)

b) Sales of securities classified as other securities for the fiscal years ended 31st March, 2016 and 2015 are summarized as follows:

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales	**¥ 3,380**	¥ 2,713	**$ 29,997**
Gain on sales	**1,414**	1,052	**12,549**
Loss on sales	—	—	—

c) The carrying value of investments in non-marketable securities at 31st March, 2016 and 2015 was as follows:

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Other securities:			
Free financial funds	**¥ —**	¥ —	**$ —**
Commercial paper	—	—	—
Bonds	—	—	—
Unlisted equity securities (except for shares traded on the over-the-counter market)	**4,122**	4,352	**36,587**
Convertible bonds	—	—	—
Other	—	—	—

d) The securities which was impaired

Loss on devaluation of investment in securities have been recorded ¥0 million ($0 thousand) for the fiscal year ended 31st March, 2016.
In case the fair value in the end of the term falls more than 50% in comparison with historical cost, the asset would be impaired, and in case that falls around 30-50% the asset would be impaired with considering recovery possibility.

7. Inventories

Inventories at 31st March, 2016 and 2015 consisted of the following:

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Finished goods and Commercial goods	**¥12,451**	¥11,060	**$ 110,500**
Work in process	**865**	859	**7,683**
Raw materials and Supplies	**13,578**	13,144	**120,508**
	¥26,895	¥25,065	**$238,692**

The amount of inventory at the end of period is the amount which has been written down to the amount of its net selling value on inventories with lower profitability. The amount of loss from evaluation is ¥621 million ($5,512 thousand).

8. Gain on sales of property, plant and equipment

The breakdown of gain on sales of property, plant and equipment for the fiscal year ended 31st March, 2016 and 2015 are as follows:

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	**¥ −**	¥ 11,948	**$ −**

9. Loss on Impairment of Fixed Assets

Fixed assets of the Company and its domestic consolidated subsidiaries are grouped at each unit which has decision-making authority for investing activities. Idle assets of the Company and its domestic consolidated subsidiaries are also grouped by asset. Consequently, concerning business assets with continuing decreased profitability and facilities with no prospects for use, the Company and its domestic consolidated subsidiaries have written them down to their respective net recoverable value. The related loss on impairment of fixed assets of ¥83 million ($739 thousand) has been recorded in the consolidated statement of income for the fiscal year ended 31st March, 2016. The details of the loss on impairment are as follows:

	2016	**2016**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Facilities held in Nishiyodogawaku-Osaka City, Osaka Prefecture:		
Machinery	**¥ 73**	**$ 655**
Other assets	**9**	**83**
Total	**¥ 83**	**$ 738**

10. Short-Term Loans and Long-Term Debts

Short-term loans principally represent notes issued by the domestic consolidated subsidiaries. The average interest rates on these borrowings were 1.64% and 1.70% at 31st March, 2016 and 2015, respectively.

Long-term debts at 31st March, 2016 and 2015 consisted of the following:

	2016	2015	**2016**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Secured:			
Loans from banks or other	**¥ –**	¥ –	**$ –**
Unsecured:			
Loans from banks	**1,002**	5,343	**8,892**
Lease Obligation	**524**	585	**4,657**
	1,526	5,928	**13,549**
Less current portion:			
Loans from banks	**(501)**	(4,000)	**(4,446)**
Lease Obligation	**(205)**	(212)	**(1,819)**
	(706)	(4,212)	**(6,265)**
	¥ 820	¥ 1,715	**$ 7,283**

The aggregate annual maturities of long-term debts and lease obligation subsequent to 31st March, 2016 are summarized below:

	long-term debts		*lease obligation*	
	(Millions of yen)	*(Thousands of U.S. dollars)*	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Fiscal year ending 31st March,				
2017	¥ 501	$ 4,446	¥ 205	$ 1,819
2018	501	4,446	149	1,323
2019	—	—	93	832
2020	—	—	48	429
2021	—	—	22	201
2022 and thereafter	—	—	5	50
	¥ 1,002	$ 8,992	¥ 524	$4,654

11. Liability for retirement benefits

For the fiscal year ended March 31st, 2016 and 2015

(a) The Company and certain of its domestic consolidated subsidiaries (Glico Nutrition Co., Ltd., and Glico Information System Co., Ltd.) have defined benefit plans, i.e., corporate pension fund plans in addition to lump-sum payment plans. Other domestic consolidated subsidiaries have lump-sum payment plans.
One consolidation subsidiary has adopted a jointly-established employee pension fund plan (multi-employer plan), and record required contribution amounts as retirement benefit expenses.

(b) The adjustments of defined benefit plans are as follows:

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation at the beginning of the period	**¥ 25,118**	¥ 24,996	**$ 222,923**
Cumulative effects of changes in accounting policies	**—**	(180)	**—**
Restated balance	**25,118**	24,816	**222,923**
Service cost	**1,119**	1,092	**9,937**
Interest cost	**210**	274	**1,865**
Actuarial loss	**1,213**	342	**10,765**
Benefits paid	**(1,494)**	(1,426)	**(13,259)**
Others	**(19)**	19	**(173)**
Retirement benefit obligation at the end of the period	**¥ 26,148**	¥ 25,118	**$ 232,058**

(c) The adjustments of Plan assets at fair value are as follows:

	2016	2015	2016
	(Millions of yen)		*(Thousands of U.S. dollars)*
Plan assets at fair value at the beginning of the period	**¥ 17,584**	¥ 15,816	**$ 156,054**
Expected return on plan assets	**439**	395	**3,901**
Actuarial gain	**(430)**	1,266	**(3,824)**
Contributions by the employer	**372**	950	**3,304**
Retirement benefits paid	**(781)**	(844)	**(6,931)**
Others	**—**	—	**—**
Plan assets at fair value at the end of the period	**¥ 17,184**	¥ 17,584	**$ 152,505**

11. Liability for retirement benefits (continued)

(d) The adjustments of related to Retirement benefit obligation and Plan assets at fair value at the end of the period and defined benefit liability and defined asset recorded on the consolidated balance sheets are as follows:

	2016	2015	2016
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Retirement benefit obligations of the saving plan	**¥ 17,126**	¥ 16,446	**$ 151,993**
Plan assets at fair value	**(17,184)**	(17,584)	**(152,505)**
	(57)	(1,137)	**(511)**
Retirement benefit obligations of the non-saving plan	**9,021**	8,672	**80,065**
Net amount of liabilities and assets recognized in the consolidated balance sheets	**8,964**	7,534	**79,553**
Liability for retirement benefits	**10,927**	10,281	**96,980**
Asset for retirement benefits	**(1,963)**	(2,746)	**(17,426)**
Net amount of liabilities and assets recognized in the consolidated balance sheets	**¥ 8,964**	¥ 7,534	**$ 79,553**

(e) Retirement benefit expenses and their breakdown

	2016	2015	2016
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Service cost	**¥ 1,119**	¥ 1,092	**$ 9,937**
Interest cost	**210**	274	**1,865**
Expected return on plan assets	**(439)**	(395)	**(3,901)**
Amortization:			
Actuarial loss	**286**	268	**2,541**
Prior service cost	**18**	20	**163**
Others	**28**	50	**255**
Retirement benefit expenses	**¥ 1,223**	¥ 1,310	**$ 10,862**

11. Liability for retirement benefits (continued)

(f) The breakdown of prior service cost and actuarial loss recognized in other comprehensive income before deduction of tax benefit is as follows:

	2016	2015	2016
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Prior service cost	**¥ 18**	¥ 18	**$ 163**
Actuarial loss	**(1,357)**	1,194	**(12,048)**
Total	**¥ (1,339)**	¥ 1,212	**$ (11,885)**

(g) The breakdown of prior service cost and actuarial loss recognized in accumulated other comprehensive income before deduction of tax benefit is as follows:

	2016	2015	2016
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Unrecognized prior service cost	**¥ (9)**	¥ (27)	**$ (81)**
Unrecognized actuarial loss	**(1,401)**	(44)	**(12,439)**
Total	**¥ (1,410)**	¥ (71)	**$ (12,521)**

(h) The breakdown of plan assets by major category is as follows:

	2016	2015
	(%)	*(%)*
Bonds	**57**	**54**
Equities	**27**	**30**
General accounts at life insurance companies	**4**	**7**
Other	**12**	**9**
Total	**100**	**100**

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 long-term rate expected to earn the profit from multiple plan assets at present and in the future.

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

	2016	2015
Discount rate	**0.2%～1.0%**	**1.2%～1.3%**
Expected rates of return on plan assets	**2.5%**	**2.5%**
Future salary increase rate	**6.0～8.0%**	**6.0～8.0%**

11. Liability for retirement benefits (continued)

(j) The contribution to the multi-employer plan is ¥25 million ($233 thousand) and ¥24 million for the fiscal years ended 31st March, 2016 and 2015, respectively and is accounted for in the same manner as the contribution to the defined contribution plan.

1. Accumulated funds for the plan

	2016	**2015**	**2016**
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Plan Assets	**¥571,380**	¥512,488	**$5,070,824**
Total of amount of the pension obligation based on the calculation of pension financing in the scheme and minimum reserve amount	**561,736**	522,289	**4,985,234**
Net amount	**¥ 9,644**	¥ (9,801)	**$ 85,589**

2. Ratio of total salaries of the consolidated subsidiary to total funds of the plan are 0.17% and 0.15% for the fiscal years ended 31st March, 2016 and 2015, respectively.

3. Supplementary explanation

The main reasons behind the difference in amounts above 1 are due to unamortized prior service costs of ¥40,107 million ($355,940 thousand) and ¥45,242 million for pension financing calculation purpose and surplus of ¥49,751 million ($441,530 thousand) and ¥35,440 million for the fiscal years ended 31st March, 2016 and 2016, respectively.

Amortization of unamortized prior service costs was conducted using the equal repayment method and with an employer contribution of 1.55% and employee contribution of 0.15%. The residual period as of 31st March, 2015 was 7 years.

The ratio in the above 2. does not match with the ratio of the actual burden of the Company.

12. 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 stated capital. 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 ($17,247 thousand) and ¥1,943 million at 31st March, 2016 and 2015, respectively.

Treasury stock

Movements in treasury stock during the fiscal year ended 31st March, 2016 and 2015 are summarized as follows:

	Number of Shares			
	2016			
	31st March, 2015	Increase	Decrease	31st March, 2016
Treasury Stock	3,860,644	3,221	27,865	3,836,000

Increase in the number of treasury stock includes the acquisition of fractional stock of 3,221. Decrease in the number of treasury stock includes the sale of stock to employee stock ownership group of 27,700.

13. Leases

Future minimum lease payments subsequent to 31st March, 2016 for operating leases are summarized as follows:

Fiscal year ending 31st March,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2017	**¥ 267**	**$ 2,372**
2018 and thereafter	**838**	**7,442**
Total	**¥ 1,105**	**$ 9,814**

14. Derivatives

Derivative financial instruments are utilized by the Group principally to reduce interest-rate and foreign exchange rate risk related to their accounts payable and financial investments, and consist of currency and interest-rate swaps. The Group also invests in compound instruments which incorporate derivatives to utilize surplus funds for higher yield. The Group does not hold or issue derivative financial instruments for speculative trading purposes.

The Group is exposed to certain market risk arising from its currency and interest-rate swap agreements and its forward exchange contracts. The Group utilizes currency swaps in order to prevent exchange rate fluctuation from impairing its financial investments denominated in foreign currencies. The Group utilizes interest-rate swaps up to the limit of the underlying financial investments and within certain established risk limits. The Group utilizes forward exchange contracts in order to prevent exchange rate fluctuation from impairing its trade receivables denominated in foreign currencies.

The Group is also exposed to the risk of credit loss in the event of nonperformance by the counterparties with respect to currency and interest-rate swap agreements. However, the Group does not anticipate nonperformance by any of these counterparties all of whom are financial institutions with high credit ratings.

Derivative transactions of the Group are carried out pursuant to its internal rules, approved by the Board of Directors, which stipulate the Group's management policies for derivative transactions, the main department for risk control, the intended purposes, the limits of usage, the criteria for the selection of counterparties, and the reporting system. No derivative transactions are entered into for purposes not prescribed in the internal rules. In addition, the Group carries out mutual supervision and monitoring of its derivative transactions.

15. Contingent Liabilities

The Company has no contingently liabilities at 31st March, 2016

16. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the fiscal years ended 31st March, 2016 and 2015 totaled ¥5,094 million ($45,207 thousand) and ¥4,471 million, respectively.

17. Income Taxes

The Company and its domestic consolidated subsidiaries are subjected to several types of taxes: corporate taxes, local inhabitants taxes and enterprise taxes, which in aggregate resulted in a statutory tax rate of approximately 33.06% and 35.6% for the fiscal years ended 31st March, 2016 and 2015, respectively. Overseas subsidiaries are subject to the income and other taxes of the respective countries in which they operate.

The reasons of the difference between effective tax rates and the statutory tax rates for the fiscal years ended 31st March, 2016 and 2015 are as follows:

	2016	**2015**
Statutory tax rate	The note is omitted, because the difference between statutory tax rate and effective tax rate after adoption of tax-effect accounting is less than 5% of statutory tax rate.	35.6%
Permanent non-deductible expenses		0.9
Permanent non-taxable dividend income		(3.0)
Inhabitants' per capita taxes		0.3
Valuation allowance		(2.6)
Tax deduction		(1.3)
Effects of changes in Income tax rate		0.5
Other		(1.0)
Effective tax rates		29.4%

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 15 of 2016) and the "Act for Partial Amendment of the Local Tax Act, etc." (Act No. 13 of 2016) were promulgated on 29th March, 2016 and, the corporate tax rate etc. was reduced from the fiscal year after starting 1st April, 2016. As a result, the effective tax rate which the Company used for calculation of deferred tax assets and deferred tax liabilities for this period has been changed from 32.2% for the previous fiscal year to 30.8% for those which are expected to be recovered or paid from 1st April, 2016 to 31st March, 2018 and to 30.6% for those which are expected to be recovered or paid from 1st April, 2018, respectively.

As a result of this change, net deferred tax liabilities (after netting deferred tax assets) decreased by ¥58 million ($517 thousand), remeasurements of defined benefit plans decreased by ¥20 million ($185 thousand), income taxes – deferred increase by ¥73 million ($655 thousand) and valuation difference on available-for-sale securities increased by ¥154 million ($1,372 thousand) as of and for the fiscal year ended 31st March, 2016, respectively.

17. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at 31st March, 2016 and 2015 are summarized as follows:

	2016	**2015**	**2016**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Current portion			
Deferred tax assets:			
Accrued bonuses	**¥ 842**	¥ 848	**$ 7,473**
Accrued expenses	**723**	690	**6,417**
Other	**1,011**	715	**8,979**
Gross deferred tax assets	**2,577**	2,255	**22,871**
Less valuation allowance	**(13)**	(8)	**(120)**
Net deferred tax liabilities	**-**	-	**-**
Total deferred tax assets – current	**¥ 2,563**	¥ 2,246	**$ 22,751**
Deferred tax liabilities:			
Other	**-**	-	**-**
Total deferred tax liabilities	**-**	-	**-**
Net deferred tax assets	**¥ 2,563**	¥ 2,246	**$ 22,751**
Net deferred tax liabilities	**-**	-	**-**
Non-current portion			
Deferred tax assets:			
Net defined benefit liability	**¥ 2,811**	¥ 2,686	**$ 24,951**
Loss on impairment of fixed assets	**1,823**	1,925	**16,180**
Amortization of deferred assets	**15**	17	**139**
Depreciation	**451**	448	**4,004**
Other	**2,610**	3,649	**23,165**
Gross deferred tax assets	**7,711**	8,726	**68,440**
Less valuation allowance	**(4,245)**	(5,432)	**(37,679)**
Net deferred tax liabilities	**(3,059)**	(2,484)	**(27,150)**
Total deferred tax assets – non-current	**406**	810	**3,611**
Deferred tax liabilities:			
Net unrealized holding gain on securities	**(2,964)**	(4,876)	**(26,306)**
Reserve for special depreciation included in retained earnings	**(11)**	(17)	**(100)**
Reserve for deferred gain on property included in retained earnings	**(2,435)**	(2,572)	**(21,615)**
Other	**(752)**	(194)	**(6,677)**
Total deferred tax liabilities	**(6,163)**	(7,660)	**(54,700)**
Net deferred tax assets	**¥ 3,059**	¥ 2,484	**$ 27,150**
Net deferred tax liabilities	**(3,104)**	(5,176)	**(27,549)**

18. Other Comprehensive Income

Each component of other comprehensive income for the fiscal year ended 31st March, 2016 and 2015 were the following:

	2016	2015	**2016**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net unrealized holding gain on securities			
Gain arising during the year	**(4,020)**	7,428	**(35,678)**
Reclassification adjustments to profit or loss	**(1,816)**	(1,478)	**(16,119)**
Amount before income tax effect	**(5,836)**	5,949	**(51,798)**
Income tax effect	**1,910**	(1,552)	**16,958**
Total	**(3,925)**	4,397	**(34,839)**
Translation adjustments			
Adjustments arising during the year	**(1,736)**	2,604	**(15,413)**
Remeasurements of defined benefit plans, net of tax			
Gain arising during the year	**(1,644)**	923	**(14,590)**
Reclassification adjustments to profit or loss	**304**	289	**2,704**
Amount before income tax effect	**(1,339)**	1,212	**(11,885)**
Income tax effect	**408**	(432)	**3,628**
Total	**(930)**	780	**(8,256)**
Share of other comprehensive income of entities accounted for using equity method			
Adjustments arising during the year	**(308)**	212	**(2,739)**
Total other comprehensive income	**(6,901)**	7,993	**(61,249)**

19. Investment and rental property

The Company and its consolidated subsidiaries own rental office building and rental commercial facilities etc. in Tokyo, Japan and other areas. Income/loss for these investment and rental property for the fiscal year ended 31st march, 2015 was ¥94 million (Income was included in other, net and loss was mainly included in other, net in consolidated statements of income). Income/loss for these investment and rental property for the fiscal year ended 31st march, 2016 was ¥365 million ($3,247 thousand) (Income was included in other, net and loss was mainly included in other, net in consolidated statements of income).

The carrying amount, net changes and fair value of investment and rental property for the fiscal years ended 31st March, 2016 and 2015 are as follows:

	2016	2015	**2016**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Carrying value			
At the beginning of current period	**12,629**	4,498	**112,084**
Net Change during the period	**(79)**	8,132	**(708)**
At the end of current period	**12,549**	12,630	**111,375**
Fair value at end of current period	**14,621**	14,390	**129,759**

Note 1. Carrying value represent the acquisition costs less accumulated depreciation and impairment losses.

Note 2. Net change for the fiscal year ended 31st March, 2015 is mainly acquisition of property ¥10,113 and sales of property of ¥1,974 million and for the fiscal year ended 31st March, 2016 is mainly reallocation of unused real estate of ¥136 million ($1,206 thousand) .

Note 3. Fair value of main property at March 31, 2016 was the value found in real estate appraisal or investigation by an outside real estate appraiser. However, if no significant fluctuations have occurred in a certain valuation or an index that is deemed to properly reflect the market price since the acquisition of the property from a third party or the most recent external valuation, the fair value is based on the valuation during the current fiscal year or the amount adjusted by using the index.

20. Segment information

1. Summary of report segment

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 divides the businesses into five segments: Confectioneries Division / Ice Cream Division / Food Products Division / Milk and Dairy Products Division / Food Ingredients Division

Confectioneries Division mainly includes production and sale of chocolate, gum, cookie and snack etc.

Ice Cream Division mainly includes production and sale of ice cream.

Food Products Division mainly includes production and sale of roux curry and retort-packed food etc.

Milk and Dairy Products Division mainly includes production and sale of milk and dairy product etc.

Food Ingredients Division mainly includes production and sale of starch and food colors etc.

2. Calculating methods of amounts of sales, profit (loss) and assets etc of each reportable segment

The accounting policies of the segments are substantially the same as those described in the “Summary of Significant Accounting Policies (Note 2)” except for the evaluation standard of the inventory and the depreciation methods of fixed assets. Segment performance is evaluated based on operating income or loss.

20. Segment information (continued)

3. Information of the amount of sales, profit (loss) and assets etc of each reportable segment

2016 *(Millions of yen)*

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

	Other	Total	Adjustments and eliminations	Consolidated
Sales Sales to third parties	**8,029**	**338,437**	**-**	**338,437**
Inter-segment sales and transfers	**4,453**	**5,760**	**(5,760)**	**-**
Net Sales	**12,482**	**344,198**	**(5,760)**	**338,437**
Segment income(loss)	**(41)**	**19,765**	**(2,654)**	**17,110**
Segment assets	**931**	**131,915**	**143,058**	**274,974**
Depreciation	**143**	**8,927**	**1,868**	**10,795**
Increase in property, Plants and equipment/ intangible fixed assets	**130**	**18,923**	**4,386**	**23,310**

Others are the following business segments that are not included in the reportable segments.
Health division (including former Sports Foods Division), Office Glico (Sales of confectionery in the box placed in office) Division, System Maintenance and Development Division.

20. Segment information (continued)

2015 (Millions of yen)

	Reportable segments					Subtotal
	Confectioneries Division	Ice Cream Division	Food Products Division	Milk and Dairy Products Division	Food Ingredients Division	
Sales Sales to third parties	113,757	73,808	22,313	94,389	9,463	313,733
Inter-segment sales and transfers	498	-	-	240	141	880
Net Sales	114,255	73,808	22,313	94,630	9,605	314,614
Segment income(loss)	8,170	3,039	669	2,300	267	14,447
Segment assets	56,857	18,024	6,803	30,812	4,787	117,285
Depreciation	4,397	2,155	262	2,162	79	9,057
Increase in property, plants and equipment/ intangible fixed assets	4,221	3,081	102	3,233	114	10,752

	Other	Total	Adjustments and eliminations	Consolidated
Sales Sales to third parties	5,659	319,393	-	319,393
Inter-segment sales and transfers	3,390	4,271	(4,271)	-
Net Sales	9,050	323,664	(4,271)	319,393
Segment income(loss)	264	14,712	(465)	14,247
Segment assets	859	118,145	157,157	275,302
Depreciation	150	9,207	1,809	11,017
Increase in property, Plants and equipment/ intangible fixed assets	78	10,831	928	11,760

Others are the following business segments that are not included in the reportable segments.
Sports Foods Division, Office Glico (Sales of confectionery in the boxplaced in office) Division, System Maintenance and Development Division

20. Segment information (continued)

	2016 *(Thousands of U.S. dollars)*					
	Reportable segments					
	Confectioneries Division	Ice Cream Division	Food Products Division	Milk and Dairy Products Division	Food Ingredients Division	Subtotal
Sales Sales to third parties	**1,075,237**	**718,890**	**179,120**	**868,131**	**90,896**	**2,932,276**
Inter-segment sales and transfers	**4,810**	**-**	**-**	**5,360**	**1,427**	**11,598**
Net Sales	**1,080,048**	**718,890**	**179,120**	**873,491**	**92,323**	**2,943,875**
Segment income(loss)	**81,704**	**48,619**	**1,002**	**40,078**	**4,371**	**175,775**
Segment assets	**528,177**	**292,927**	**54,029**	**242,702**	**44,609**	**1,162,446**
Depreciation	**38,735**	**21,796**	**2,245**	**14,425**	**747**	**77,948**
Increase in property, plants and equipment/ intangible fixed assets	**37,826**	**112,644**	**1,640**	**13,665**	**1,007**	**166,783**

	Other	Total	Adjustments and eliminations	Consolidated
Sales Sales to third parties	**71,255**	**3,003,531**	**-**	**3,003,531**
Inter-segment sales and transfers	**39,521**	**51,119**	**(51,119)**	**-**
Net Sales	**110,776**	**3,054,651**	**(51,119)**	**3,003,531**
Segment income(loss)	**(366)**	**175,408**	**(23,557)**	**151,850**
Segment assets	**8,265**	**1,170,712**	**1,269,599**	**2,440,311**
Depreciation	**1,275**	**79,224**	**16,581**	**95,806**
Increase in property, plants and equipment/ intangible fixed assets	**1,157**	**167,941**	**38,930**	**206,871**

Others are the following business segments that are not included in the reportable segments.
Health division (including former Sports Foods Division), Office Glico (Sales of confectionery in the box placed in office) Division, System Maintenance and Development Division.

21. Amounts per Share

Amounts per share at 31st March, 2016 and 2015 and for the fiscal years then ended were as follows:

	2016	2015	2016
	(Yen)		*(U.S. dollars)*
Net income	**¥ 212.00**	¥ 321.35	**$ 1.88**
Cash dividends	**40.00**	35.00	**0.35**
Net assets	**2,646.45**	2,582.19	**23.49**

Net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each respective year. Amounts per share of net assets 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 fiscal year end.

Diluted net income per share for the fiscal years ended 31st March, 2016 and 2015 has not been disclosed because no potential for dilution existed at 31st March, 2016 and 2015.

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

The one for two share consolidation of common stocks was effective 1st October, 2014. Net assets per share and net income per share assuming that consolidation of shares had been carried out at the beginning of the fiscal year ended 1st April, 2014.

Corporate Information

Board of Directors and Statutory Auditors (as of 29th June, 2016)

President & CEO
Katsuhisa Ezaki

Senior Managing Executive Officer and Representative Director
Etsuro Ezaki

Directors
Takashi Kuriki
Akira Onuki
Tetsuo Masuda
Takatoshi Kato
Kanoko Oishi

Standing Corporate Auditors
Toshiaki Yoshida
Hiroshi Adachi

Corporate Auditors
Shintaro Iwai
Matao Miyamoto
Minoru Kudo

Corporate Data (as of 31st March, 2016)

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

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

Capital Paid
¥7,774 Million
(U.S. $68,989 Thousand)

Number of Employee
1,472

Stock Exchanges Listed
Tokyo

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

Established
1922