

Annual Report 2020

(Fiscal year ended 31st December, 2020)

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Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	December 2020	December 2019	March 2019	March 2018	March 2017	December 2020
Net sales	344,048	288,187	350,270	353,432	353,217	3,324,135
Profit before income taxes	19,683	20,183	18,798	22,473	26,492	190,173
Profit attributable to owners of the parent	11,836	12,047	11,844	15,216	18,147	114,357
	Yen					
Per share of common stock:						
Profit *	182.48	185.31	180.02	231.34	276.20	1.76
Cash dividends	65.00	60.00	60.00	50.00	50.00	0.62
	Millions of yen					
Balance sheet data:						
Shareholders' equity	213,682	204,169	201,098	192,694	180,435	2,064,560
Total assets	340,081	343,812	348,452	341,024	324,118	3,285,806

* Diluted profit per share for the years ended 31st December, 2020 and 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, 2020 and 2019, and 31st March, 2019, 2018 and 2017.

* '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

As from the fiscal year ended 31 December, 2019, 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. Accordingly, for the comparison of business performance and each segment, the Company makes a comparison with reference figures calculated by considering the 12 month period from 1st January, 2019 to 31st December, 2019 as the “same period of the previous year.”

In the consolidated fiscal year under review, the Japanese economy continued to face severe conditions due to the impact of COVID-19. Although there are signs of recovery as a result of the gradual resumption of socio-economic activities, there is a risk that the economy may slow down again due to a resurgence of infections and other factors, and it is necessary to closely monitor the trend of infections both in Japan and abroad as well as its impact on the economies.

In light of this situation, under the management principle of “A Wholesome Life in the Best of Taste,” our corporate group has focused its management resources on the following initiatives in order to transform itself from a luxury food product company to a daily essential food product company, while making efforts to accelerate the growth of overseas business. These initiatives include: 1) continuous growth and rebuilding of long-selling brands; 2) continuous growth and habitualization of added-value health brands; and 3) creation and expansion of new markets to resolve social issues.

As a result, our Ice Cream Division posted increased sales from the same period of the previous year. However, sales of our Confectioneries and Food Products, Dairy, Food Ingredients, Overseas Divisions, and other segments including the health business decreased from the same period of the previous fiscal year. Consequently, consolidated net sales amounted to ¥344,048 million, a decrease of 2.7% from the ¥353,686 million total of the same period of the previous fiscal year.

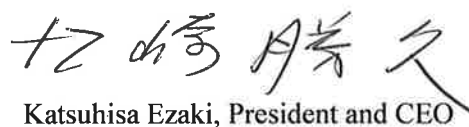
Regarding earnings, our overall cost-to-sales ratio increased by 0.2 points as a whole from the same period of the previous fiscal year due to the increase in the cost-to-sales ratio of Confectioneries and Food Products Division and Ice Cream Division despite the decrease in the ratio in Dairy Division and Overseas Division. As for selling, general and administrative (SG&A) expenses, expenses decreased due to a decrease in travel expenses as well as suppression of expenses, advertising expenses and sales promotion expenses associated with the government’s request for self-restraint on outings due to the spread of COVID-19.

As a result, operating income amounted to ¥18,523 million, an increase of ¥2,264 million from the same period of the previous fiscal year (¥16,259 million). Ordinary income was ¥19,641 million, an increase of ¥2,119 million from the same period of the previous fiscal year (¥17,522 million) due to the increase in operating income. Profit attributable to owners of the parent was ¥11,836 million, a decrease of ¥289 million from the same period of the previous fiscal year (¥12,125 million) in which gain on sale of investment securities was recorded as other 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.

April 2021



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	89,280	(6,914)	(7.2)	4,963	(1,680)	(25.3)
Ice Cream	92,302	4,948	5.7	6,134	122	2.0
Dairy	83,445	(4,164)	(4.8)	2,522	(121)	(4.6)
Food Ingredients	10,059	(548)	(5.2)	879	115	15.0
Overseas	50,998	(2,430)	(4.5)	2,581	1,414	121.3
Others	17,961	(528)	(2.9)	281	(93)	(24.9)
Adjusted amount	—	—	—	1,159	2,507	—
Total	344,048	(9,637)	(2.7)	18,523	2,264	13.9

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]

Although sales of ‘DONBURI tei’ and ‘Balance Shokudo’ increased from the same period of the previous fiscal year, sales of ‘Bisco’ and ‘Pocky’ decreased from the same period of the previous fiscal year. As a result, divisional sales amounted to ¥89,280 million, a 7.2% decrease from the same period of the previous fiscal year (¥96,194 million).

As for divisional profits, sales decreased and cost-to-sales ratio increased. As a result, operating income was ¥4,963 million, a decrease of ¥1,680 million from the same period of the previous fiscal year (¥6,643 million).

[Ice Cream Division]

Sales of mainstay products, including ‘Ice-no-Mi,’ ‘Papico’ and ‘Giant Cone’ increased from the same period of the previous fiscal year, while sales of other products including ‘Seventeen Ice’ decreased from the same period of the previous fiscal year. Sales in wholesale sales subsidiaries also increased from the same period of the previous fiscal year. As a result, divisional sales totaled ¥92,302 million, a 5.7% increase from the same period of the previous fiscal year (¥87,353 million).

As for divisional profits, despite an increase in cost-to-sales ratio associated with changes in the composition of the variety of products for sales, gross profit increased due to the increase in sales. As a result, operating income was ¥6,134 million, an increase of ¥122 million compared to the same period of the previous fiscal year (¥6,012 million).

[Dairy Division]

While sales of ‘Café au Lait,’ ‘Infant Food From 1 Year Old’ and ‘Putchin Pudding’ increased from the same period of the previous fiscal year, sales of ‘Breakfast Apple Yogurt’ decreased from the same period of the previous fiscal year. As a result, divisional sales totaled ¥83,445 million, a decrease of 4.8% from the same period of the previous fiscal year (¥87,610 million).

As for divisional profits, gross profit decreased due to the decrease in sales. As a result, operating income was ¥2,522 million, a decrease of ¥121 million from the same period of the previous fiscal year (¥2,644 million).

[Food Ingredients Division]

While sales of 'E-Starch' increased from the same period of the previous fiscal year, sales of 'A-glu' decreased from the same period of the previous fiscal year. As a result, divisional sales were ¥10,059 million, a 5.2% decrease from the same period of the previous fiscal year (¥10,607 million).

As for divisional profits, there was a decrease in the general and administrative expenses. As a result, operating income was ¥879 million, an increase of ¥115 million from the same period of the previous fiscal year (¥764 million).

[Overseas Division]

Although sales by region in the U.S. and China increased from the same period of the previous fiscal year, sales in the ASEAN region decreased from the same period of the previous year. As a result, divisional sales were ¥50,998 million, a 4.5% decrease from the same period of the previous fiscal year (¥53,429 million).

As for divisional profits, there was a decrease in the cost-to-sales ratio. As a result, operating income was ¥2,581 million, an increase of ¥1,414 million from the same period of the previous fiscal year (¥1,166 million).

[Others]

Sales of health food products such as 'Almond Koka' and 'SUNAO' increased from the same period of the previous fiscal year, while sales of 'Office Glico' decreased from the same period of the previous fiscal year. As a result, sales in this segment totaled ¥17,961 million, a 2.9% decrease from the same period of the previous fiscal year (¥18,490 million).

As for profits, the decrease in gross profit caused by the decrease in sales resulted in a decrease of operating income to ¥281 million, a decrease of ¥93 million from the same period of the previous fiscal year (¥375 million).

(2) Financial Position

Assets

As of 31st December, 2020, current assets were ¥177,813 million, a decrease of ¥6,538 million from the end of the previous fiscal year. The main components of this decrease were a ¥1,735 million decrease in cash and deposits and a ¥5,237 million decrease in marketable securities. Non-current assets were ¥162,267 million, an increase of ¥2,807 million from the end of the previous fiscal year. The main components of this increase were a ¥3,185 million increase in software in progress and a ¥1,273 million increase in asset for retirement benefits despite a ¥2,222 million decrease in property, plant and equipment. Consequently, total assets were ¥340,081 million, a decrease of ¥3,731 million compared to the end of the previous fiscal year.

Liabilities

As of 31st December, 2020, current liabilities were ¥75,590 million, a decrease of ¥5,099 million from the end of the previous fiscal year. The main components of this decrease were a ¥3,468 million decrease in notes and accounts payable, trade and a ¥3,646 million decrease in accrued expenses. Long-term liabilities were ¥41,939 million, a decrease of ¥268 million from the end of the previous fiscal year. The main component of this decrease was a ¥1,603 million decrease in liability for retirement benefits despite a ¥941 million increase in deferred tax liabilities. Consequently, total liabilities were ¥117,530 million, a decrease of ¥5,367 million compared to the end of the previous fiscal year.

Net Assets

As of 31st December, 2020, net assets were ¥222,551 million, an increase of ¥1,636 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 ¥11,836 million offset by ¥3,895 million in cash dividends, a ¥6,937 million decrease in non-controlling interests due to transactions with non-controlling shareholders. Consequently, shareholders' equity ratio was 65.2%, up 3.2 percentage points from the end of the previous fiscal year.

(3) Cash flows

(Unit: millions of yen)

	Previous consolidated fiscal year	Consolidated fiscal year under review	Increase (Decrease)
Cash flows from operating activities	17,344	17,218	–
Cash flows from investing activities	(9,022)	(12,444)	–
Cash flows from financing activities	(9,616)	(9,738)	–
Balance of cash and cash equivalents at beginning of current period	99,237	98,005	(1,231)
Balance of cash and cash equivalents at end of current period	98,005	92,449	(5,556)

As of 31st December, 2020, cash and cash equivalents totaled ¥92,449 million, a decrease of ¥5,556 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 previous consolidated fiscal year 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 ¥17,218 million. The main components of cash inflows included profit before income taxes amounting to ¥19,683 million recorded during the fiscal year under review, depreciation and amortisation of ¥14,577 million, a decrease in notes and accounts payable, trade of ¥3,302 million, and a decrease in others of ¥7,174 million, while cash outflows occurred mainly with income taxes paid amounting to ¥5,199 million.

Cash flows from investing activities

Net cash used in investing activities totaled ¥12,444 million. The main component of cash outflow was ¥10,907 million spent for purchases of property, plant and equipment and ¥5,837 million spent for purchases of intangible assets, partially offset by cash inflow from proceeds from sales of marketable securities of ¥2,500 million and proceeds from sales of property, plant and equipment amounting to ¥2,095 million.

Cash flows from financing activities

Net cash used in financing activities totaled ¥9,738 million. The main components of cash outflows included ¥3,895 million spent for cash dividends paid, ¥5,343 million spent for purchase of shares of subsidiaries not resulting in change in scope of consolidation and acquisition of treasury stock amounting to ¥699 million.

Reference: Cash flow indicator trends

	Mar. 2019	Dec. 2019	Dec. 2020
Shareholders' equity ratio (%)	61.4	62.0	65.2
Shareholders' equity ratio on market value basis (%)	109.9	91.9	86.4
Debt-to-cash flow ratio	0.0	0.0	0.0
Interest coverage ratio (times)	607.7	1,501.4	530.3

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 show signs of recovery due to the effects of various policies and improvements in overseas economies as prevention measures are taken against the spread of COVID-19. However, the future outlook is expected to remain uncertain due to factors including a downside risk from the spread of infections both in Japan and abroad, uncertainties of overseas economies, and fluctuations in the financial and capital markets.

In light of this situation, we expect net sales of ¥350,000 million in the next fiscal year (a twelve-month period from 1st January, 2021 until 31st December, 2021). Our profit projections are: an operating income of ¥19,000 million, ordinary income of ¥19,500 million, and a profit attributable to owners of the parent of ¥12,000 million.

Divisional consolidated sales forecasts for the next fiscal year

Divisional sales projections are as follows: Confectioneries and Food Products Division sales of ¥89,500 million, Ice Cream Division sales of ¥93,600 million, Dairy Division sales of ¥79,900 million, Food Ingredients Division sales of ¥10,200 million, Overseas Division sales of ¥57,000 million and other segment sales of ¥19,800 million.

2. Basic Policy for Selection of Accounting Standards

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended 31st December, 2020

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Independent Auditor's Report

The Board of Directors
Ezaki Glico Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Ezaki Glico Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at 31st December, 2020, and the consolidated statements of income and comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31st December, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management, the Audit and Supervisory Board Members and the Audit and Supervisory Board 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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board Members and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Members and the Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Board Members and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st December, 2020 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Osaka, Japan

24th March, 2021



Kazuhisa Murakami
Designated Engagement Partner
Certified Public Accountant



Dai Matsuura
Designated Engagement Partner
Certified Public Accountant

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

31st December, 2020

	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
Assets			
Current assets:			
Cash and deposits <i>(Notes 5 and 6)</i>	¥ 97,904	¥ 99,640	\$ 945,932
Marketable securities <i>(Notes 5, 6 and 8)</i>	731	5,968	7,062
Notes and accounts receivable, trade <i>(Note 6)</i>	43,520	43,788	420,483
Inventories <i>(Note 9)</i>	28,863	29,873	278,869
Other current assets	6,875	5,132	66,425
Less allowance for doubtful accounts	(81)	(50)	(782)
Total current assets	177,813	184,352	1,718,000
 Property, plant and equipment <i>(Notes 10, 11, 13, 17 and 23):</i>			
Land	15,659	15,259	151,294
Buildings and structures	80,403	80,573	776,840
Machinery and vehicles	125,472	123,428	1,212,289
Tools, furniture and fixtures	24,789	24,799	239,507
Leased assets	1,976	1,385	19,091
Construction in progress	4,678	3,774	45,198
	252,979	249,219	2,444,241
Less accumulated depreciation	(155,394)	(149,412)	(1,501,391)
Property, plant and equipment, net	97,584	99,807	942,840
 Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates <i>(Note 6)</i>	5,298	5,187	51,188
Investments in securities <i>(Notes 6 and 8)</i>	30,093	30,114	290,753
Long-term loans receivable	49	72	473
Deferred tax assets <i>(Note 20)</i>	737	798	7,120
Asset for retirement benefits <i>(Note 15)</i>	3,175	1,901	30,676
Real estate for investment, net <i>(Note 22)</i>	12,184	12,240	117,719
Software	5,425	4,776	52,415
Software in progress	4,627	1,441	44,705
Goodwill <i>(Notes 11 and 23)</i>	411	489	3,971
Other assets	2,717	2,682	26,251
Less allowance for doubtful accounts	(37)	(53)	(357)
Total investments and other assets	64,683	59,652	624,956
Total assets <i>(Note 23)</i>	¥ 340,081	¥ 343,812	\$ 3,285,806

	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable, trade <i>(Notes 6 and 7)</i>	¥ 32,552	¥ 36,020	\$ 314,512
Short-term loans payable <i>(Notes 3, 6 and 14)</i>	232	29	2,241
Current portion of lease obligation <i>(Note 14)</i>	283	474	2,734
Accrued expenses	24,767	28,413	239,294
Income taxes payable <i>(Note 20)</i>	5,185	4,266	50,096
Provision for bonuses of directors and audit and supervisory board members	82	36	792
Provision for sales promotion expenses	3,730	2,977	36,038
Provision for stock-based compensation	29	30	280
Provision for loss on guarantees	–	134	–
Other current liabilities <i>(Note 15)</i>	8,725	8,306	84,299
Total current liabilities	75,590	80,689	730,338
Long-term liabilities:			
Convertible bonds <i>(Notes 6, 14 and 24)</i>	30,066	30,087	290,492
Long-term debt <i>(Notes 3, 6 and 14)</i>	892	319	8,618
Liability for retirement benefits <i>(Note 15)</i>	1,228	2,831	11,864
Deferred tax liabilities <i>(Note 20)</i>	5,128	4,186	49,545
Other long-term liabilities <i>(Note 15)</i>	4,624	4,782	44,676
Total long-term liabilities	41,939	42,207	405,207
Net assets:			
Shareholders' equity <i>(Note 16)</i> :			
Common stock:			
Authorised – 270,000,000 shares in 2020 and 2019			
Issued – 68,468,569 shares in 2020 and 2019	7,773	7,773	75,101
Capital surplus <i>(Note 12)</i>	9,479	7,459	91,584
Retained earnings	205,821	197,881	1,988,608
Treasury stock <i>(Note 3)</i> – 3,645,167 shares in 2020 and 3,557,196 shares in 2019	(9,392)	(8,944)	(90,743)
Total shareholders' equity	213,682	204,169	2,064,560
Accumulated other comprehensive income:			
Net unrealised holding gain on securities	8,236	8,835	79,574
Deferred (loss) gain on hedges	(179)	73	(1,729)
Translation adjustments	(669)	45	(6,463)
Retirement benefits liability adjustments	686	56	6,628
Total accumulated other comprehensive income	8,073	9,011	78,000
Non-controlling interests	795	7,733	7,681
Total net assets <i>(Note 24)</i>	222,551	220,915	2,150,251
Total liabilities and net assets	¥ 340,081	¥ 343,812	\$ 3,285,806

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income

Year ended 31st December, 2020

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Net sales (Note 23)	¥ 344,048	¥ 288,187	\$ 3,324,135
Cost of sales (Note 9)	181,640	150,127	1,754,975
Gross profit	162,407	138,060	1,569,149
Selling, general and administrative expenses (Notes 18 and 19)	143,884	122,454	1,390,183
Operating income (Note 23)	18,523	15,605	178,966
Other income (expenses):			
Interest and dividend income	1,032	1,155	9,971
Interest expense	(32)	(11)	(309)
Gain on sales of property, plant and equipment (Note 10)	1,307	1,621	12,628
Loss on impairment of fixed assets (Notes 11 and 23)	(555)	(3,249)	(5,362)
Business structure improvement expenses (Note 13)	(364)	(75)	(3,516)
Gain on sales of investments in securities (Note 8)	—	5,647	—
Rental income on real estate (Note 22)	818	602	7,903
Subsidy income	468	534	4,521
Loss on foreign exchange, net	(258)	(315)	(2,492)
Loss on termination of retirement benefit plan (Note 15)	(251)	—	(2,425)
Depreciation of inactive fixed assets	(207)	(211)	(2,000)
Provision for loss on guarantees	—	(134)	—
Donation	(274)	(113)	(2,647)
Special retirement payment (Note 15)	(93)	(18)	(898)
Loss on disposal of property, plant and equipment	(805)	(473)	(7,777)
Loss on devaluation of investments in securities (Note 8)	—	(650)	—
Other, net (Note 22)	376	270	3,632
Other income, net	1,160	4,577	11,207
Profit before income taxes	19,683	20,183	190,173
Income taxes (Note 20):			
Current	5,874	6,909	56,753
Deferred	1,166	862	11,265
	7,040	7,771	68,019
Profit	¥ 12,643	¥ 12,411	\$ 122,154
Profit attributable to:			
Owners of the parent (Note 24)	¥ 11,836	¥ 12,047	\$ 114,357
Non-controlling interests	806	364	7,787

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Income and Comprehensive Income (continued)

Year ended 31st December, 2020

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 1)</i>
Other comprehensive loss (Note 21):			
Net unrealised holding loss on securities	¥ (599)	¥ (3,716)	\$ (5,787)
Deferred (loss) gain on hedges	(253)	0	(2,444)
Translation adjustments	(947)	231	(9,149)
Retirement benefits liability adjustments	629	281	6,077
Share of other comprehensive loss of affiliates accounted for by the equity method	(150)	(153)	(1,449)
Total other comprehensive loss	<u>(1,320)</u>	<u>(3,354)</u>	<u>(12,753)</u>
Comprehensive income	<u>¥ 11,322</u>	<u>¥ 9,057</u>	<u>\$ 109,391</u>
Comprehensive income attributable to:			
Owners of the parent	¥ 10,898	¥ 8,263	\$ 105,294
Non-controlling interests	424	793	4,096

Year ended 31st December, 2020

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised holding gain on securities	Deferred (loss) 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, 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 1st January, 2020	7,773	7,459	197,881	(8,944)	204,169	8,835	73	45	56	9,011	7,733	220,915
Cash dividends	—	—	(3,895)	—	(3,895)	—	—	—	—	—	—	(3,895)
Profit attributable to owners of the parent	—	—	11,836	—	11,836	—	—	—	—	—	—	11,836
Acquisition of treasury stock	—	—	—	(699)	(699)	—	—	—	—	—	—	(699)
Disposition of treasury stock	—	12	—	251	263	—	—	—	—	—	—	263
Cancellation of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—
Change in ownership interest of parent due to transaction with non-controlling interests	—	2,007	—	—	2,007	—	—	—	—	—	—	2,007
Net changes in items other than those in shareholders' equity	—	—	—	—	—	(599)	(253)	(715)	629	(938)	(6,937)	(7,876)
Balance at 31st December, 2020	¥ 7,773	¥ 9,479	¥ 205,821	¥ (9,392)	¥ 213,682	¥ 8,236	¥ (179)	¥ (669)	¥ 686	¥ 8,073	¥ 795	¥ 222,551

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets (continued)

Year ended 31st December, 2020

	Shareholders' equity					Accumulated other comprehensive income						Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	
						<i>(Thousands of U.S. dollars) (Note 1)</i>						
Balance at 1st January, 2020	\$ 75,101	\$ 72,067	\$ 1,911,893	\$ (86,415)	\$ 1,972,647	\$ 85,362	\$ 705	\$ 434	\$ 541	\$ 87,062	\$ 74,714	\$2,134,444
Cash dividends	–	–	(37,632)	–	(37,632)	–	–	–	–	–	–	(37,632)
Profit attributable to owners of the parent	–	–	114,357	–	114,357	–	–	–	–	–	–	114,357
Acquisition of treasury stock	–	–	–	(6,753)	(6,753)	–	–	–	–	–	–	(6,753)
Disposition of treasury stock	–	115	–	2,425	2,541	–	–	–	–	–	–	2,541
Change in ownership interest of parent due to transaction with non-controlling interests <i>(Note12)</i>	–	19,391	–	–	19,391	–	–	–	–	–	–	19,391
Net changes in items other than those in shareholders' equity	–	–	–	–	–	(5,787)	(2,444)	(6,908)	6,077	(9,062)	(67,024)	(76,096)
Balance at 31st December, 2020	\$ 75,101	\$ 91,584	\$ 1,988,608	\$ (90,743)	\$ 2,064,560	\$ 79,574	\$ (1,729)	\$ (6,463)	\$ 6,628	\$ 78,000	\$ 7,681	\$2,150,251

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended 31st December, 2020

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 1)</i>
Cash flows from operating activities:			
Profit before income taxes	¥ 19,683	¥ 20,183	\$ 190,173
Adjustments:			
Depreciation and amortisation	14,577	10,845	140,840
Loss on impairment of fixed assets	555	3,249	5,362
Net changes in asset and liability for retirement benefits	(1,968)	(2,614)	(19,014)
Increase (decrease) in provision for bonuses of directors and audit and supervisory board members	46	(1)	444
Decrease in provision for stock-based compensation	(0)	(14)	(0)
Increase in provision for sales promotion expenses	753	528	7,275
(Decrease) increase in provision for loss on guarantees	(134)	134	(1,294)
Increase (decrease) in allowance for doubtful accounts	15	(1)	144
Interest and dividend income	(1,032)	(1,155)	(9,971)
Interest expense	32	11	309
Loss on foreign exchange, net	89	211	859
Gain on sales of property, plant and equipment	(1,307)	(1,621)	(12,628)
Loss on disposal of property, plant and equipment	805	473	7,777
Gain on sales of investments in securities	—	(5,647)	—
Loss on valuation of investments in securities	—	650	—
Increase in notes and accounts receivable, trade	(108)	(3,601)	(1,043)
Decrease in inventories	887	1,240	8,570
(Decrease) increase in notes and accounts payable, trade	(3,302)	2,205	(31,903)
Other, net	(7,174)	(2,226)	(69,314)
Subtotal	22,418	22,851	216,599
Income taxes paid	(5,199)	(5,506)	(50,231)
Net cash provided by operating activities	17,218	17,344	166,357
Cash flows from investing activities:			
Payment into time deposits	(6,110)	(6,000)	(59,033)
Proceeds from withdrawal of time deposits	5,000	7,000	48,309
Purchases of marketable securities	—	(2,500)	—
Proceeds from sales of marketable securities	2,500	—	24,154
Purchases of investments in securities	(957)	(4,458)	(9,246)
Proceeds from sales and redemption of investments in securities	2	9,951	19
Purchases of property, plant and equipment	(10,907)	(16,274)	(105,381)
Proceeds from sales of property, plant and equipment	2,095	2,837	20,241
Purchases of intangible assets	(5,837)	(2,104)	(56,396)
Proceeds from rental of real estate for investment	734	557	7,091
Collection of loans receivable	43	850	415
Interest and dividends received	1,048	1,180	10,125
Other, net	(57)	(62)	(550)
Net cash used in investing activities	(12,444)	(9,022)	(120,231)

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended 31st December, 2020

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars) (Note 1)</i>
Cash flows from financing activities:			
Decrease in short-term loans payable, net	(27)	(189)	(260)
Proceeds from long-term bank loans	696	—	6,724
Repayment of long-term bank loans	(334)	(193)	(3,227)
Interest paid	(32)	(11)	(309)
Cash dividends paid	(3,895)	(4,253)	(37,632)
Cash dividends paid to non-controlling interests	(19)	(19)	(183)
Purchase of treasury stock	(699)	(5,002)	(6,753)
Proceeds from sales of treasury stock	234	244	2,260
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(5,343)	—	(51,623)
Other, net	(316)	(190)	(3,053)
Net cash used in financing activities	(9,738)	(9,616)	(94,086)
Effect of exchange rate changes on cash and cash equivalents	(591)	62	(5,710)
Net decrease in cash and cash equivalents	(5,556)	(1,231)	(53,681)
Cash and cash equivalents at beginning of the year	98,005	99,237	946,908
Cash and cash equivalents at end of the year (Note 5)	<u>¥ 92,449</u>	<u>¥ 98,005</u>	<u>\$ 893,227</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

31st December, 2020

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 nine months ended 31st December, 2019 to the presentation for the year ended 31st December, 2020. 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 ¥103.50 = U.S. \$1.00, the approximate rate of exchange in effect on 31st December, 2020, has been utilised. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realised or settled in U.S. dollars at that or any other rate.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies

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

The accompanying consolidated financial statements include the accounts of the Company and its 23 and 34 significant subsidiaries at 31st December, 2020 and 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 two at 31st December, 2020 and 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.

(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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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 hybrid financial instrument as a whole 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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 year.

(l) Provision for sales promotion expenses

Provision for sales promotion expenses is provided at the estimated amount of sales promotion expenses to be paid to customers subsequent to the balance sheet date.

(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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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.

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(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 and Implementation Guidances for Revenue Recognition)

(1) Overview

On March 31, 2020, the ASBJ issued “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29), “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No.30) and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19). The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) in the United States co-developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” (issued as IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on the fact that IFRS 15 will be applied from fiscal years starting on or after 1st January, 2018 and Topic 606 will be applied from fiscal years starting after 15th December, 2017.

As the basic policy in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices, etc. common in Japan.

(2) Scheduled date of adoption

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

***(Accounting Standard and Implementation Guidances for Revenue Recognition)
(continued)***

(3) Effect of the adoption of accounting standard and implementation guidances

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

(Accounting Standard and Implementation Guidances for Fair Value Measurement)

(1) Overview

On 4th July, 2019, the ASBJ issued “Accounting Standard for Fair Value Measurement” (ASBJ Statement No.30), “Accounting Standards for Measurement of Inventories” (ASBJ Statement No.9), “Accounting Standard for Financial Instruments” (ASBJ Statement No.10), “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31), and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No.19). The ASBJ tried ensuring consistency between Japanese standards and international standards mainly for guidance and disclosures on estimated fair value of financial instruments and issued “Accounting Standard for Fair Value Measurement”, etc. based on the fact that the IASB and the FASB in the United States had already issued detailed guidance on fair value measurement (issued as IFRS 13 “Fair Value Measurement” by the IASB and Topic 820 “Fair Value Measurement” in the Accounting Standards Codification by the FASB), which are almost identical to each other.

As the basic policy in developing accounting standards for fair value measurement, the ASBJ incorporated basically all of the matters defined in IFRS 13 from a standpoint of increasing comparability of financial statements among domestic and foreign companies by using a unified measurement method. Furthermore, the ASBJ defined alternative accounting treatment to the individual matters without impairing comparability considering related to accounting practices, etc. common in Japan.

(2) Scheduled date of adoption

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

(Accounting Standard and Implementation Guidances for Fair Value Measurement (continued))

(3) Effect of the adoption of accounting standard and implementation guidances

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

(Accounting standard for disclosure of accounting estimates)

(1) Overview

On 31st March, 2020, the ASBJ issued “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No.31). The ASBJ has received certain requests on “Factors of Uncertainty in Accounting Estimates” that the IASB requires to disclose, which is defined in the International Accounting Standard 1 “Presentation of Financial Statements” (“IAS 1”) Paragraph 125 issued by the IASB in 2003. Such requests encouraged the ASBJ to consider requirements of disclosures on “Factors of Uncertainty in Accounting Estimates” in the notes as useful information for users of financial statements and as a result the ASBJ developed and issued an accounting standard for disclosures on accounting estimates (“the accounting standard”).

As the basic policy in developing the accounting standard, which references IAS 1 Paragraph 125, the ASBJ outlined the guiding principle (purpose of disclosures) instead of expanding individual notes and entities determine the specific contents of disclosures in accordance with the purpose of disclosures. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices, etc. common in Japan.

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard from the end of the fiscal year ending 31st December, 2021.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

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

(Accounting standard for accounting policy disclosures, accounting changes and error corrections)

(1) Overview

On 31st March , 2020, the ASBJ issued “Accounting Standard for Accounting Policy Disclosures, Accounting Changes and Error Corrections” (ASBJ Statement No.24). Under the proposal to consider the expansion of the notes about “Principles and Procedures of Accounting Treatment Adopted in Situations of Uncertainty of Related Accounting Standards,” the ASBJ made the necessary revisions and issued accounting standard for accounting policies disclosures, accounting changes and error corrections.

In considering the notes on “Principles and Procedures of Accounting Treatment Adopted in the Situation of Uncertainty of the Related Accounting Standards,” “Annotations on the Accounting Principles” (Notes 1-2) was incorporated so as not to contradict conventional accounting practices when the related accounting standards were clear.

(2) Scheduled date of adoption

The Group expects to adopt the accounting standard from the end of the fiscal year ending 31st December, 2021.

3. 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Additional Information (continued)

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

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 trust period 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 book value and number of treasury stock held by the E-Ship Trust at 31st December, 2020 and 2019 were as follows:

	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Book value	¥ 562	¥ 103	\$ 5,429
	2020	2019	
	<i>(Thousands of shares)</i>		
Number of treasury stock	109	16	

The book value of bank loans of the E-Ship Trust recorded in the consolidated balance sheet as of 31st December, 2020 and 2019 were as follows.

	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Book value	¥ 577	¥ 215	\$ 5,574

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Additional Information (continued)

Accounting estimates relating to the impact of the spread of new coronavirus infections (COVID-19)

Although it is difficult to predict how the COVID-19 infection may spread in the future and when it will settle down, the Company has assessed accounting estimates for impairment loss on fixed assets and the recoverability of deferred tax assets based on the assumption that there is no significant impact for the current fiscal year. However, as the impact of the spread of COVID-19 involves many uncertainties, any changes in the conditions or assumptions for the accounting estimates, such as the Group's business activities being affected due to worsened situations, may affect the assessment of impairment loss on fixed assets and the recoverability of deferred tax assets in and after the next fiscal year.

4. Changes in Scope of Consolidation

PT Glico Manufacturing Indonesia and Glico Taiwan Co., Ltd., were included in the scope of consolidation from the fiscal year 2020 due to new establishment, respectively.

The Company's 14 consolidated manufacturing subsidiaries were excluded from the scope of consolidation from the fiscal year 2020, since they were extinguished in the absorption-type merger with Glico Manufacturing Japan Co., Ltd., which was the surviving company. (Refer to Note 12 "Business Combinations" for information on the absorption-type merger).

5. Cash and Cash Equivalents

The balances of cash and deposits in the consolidated balance sheet at 31st December, 2020 and 2019 are reconciled to the balances of cash and cash equivalents as presented in the consolidated statement of cash flows for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 as follows:

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and deposits	¥ 97,904	¥ 99,640	\$ 945,932
Time deposits with original maturities in excess of three months included in cash and deposits	(6,110)	(5,000)	(59,033)
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	655	3,365	6,328
Cash and cash equivalents	¥ 92,449	¥ 98,005	\$ 893,227

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Financial Instruments

Policy for financial instruments

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

Types of financial instruments and related risk

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

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

As for derivative financial instruments, forward exchange contracts are utilised for the purpose of reducing foreign exchange fluctuation risk from transactions denominated in foreign currencies. For information on hedge accounting policies of the Group, see Note 2 Summary of Significant Accounting Policies, (r) Derivative financial instruments and hedging activities.

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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Financial Instruments (continued)

Risk management for financial instruments (continued)

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

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

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

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

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

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

Supplementary explanation of the fair value of financial instruments

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Financial Instruments (continued)

Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheet, estimated fair value and the differences between them at 31st December, 2020 and 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.

	2020		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
Assets:			
Cash and deposits	¥ 97,904	¥ 97,904	¥ –
Notes and accounts receivable, trade	43,520	43,520	–
Marketable securities and investments in securities	24,872	24,872	–
Total assets	¥ 166,297	¥ 166,297	¥ –
Liabilities:			
Notes and accounts payable, trade	¥ 32,552	¥ 32,552	¥ –
Short-term loans payable	232	232	–
Convertible bonds	30,066	29,850	(216)
Long-term bank loans	345	345	(0)
Total liabilities	¥ 63,196	¥ 62,979	¥ (216)
Derivative financial instruments (*)	¥ (258)	¥ (258)	¥ –

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

	2019		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
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.

	2020		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
Assets:			
Cash and deposits	\$ 945,932	\$ 945,932	\$ –
Notes and accounts receivable, trade	420,483	420,483	–
Marketable securities and investments in securities	240,309	240,309	–
Total assets	\$ 1,606,734	\$ 1,606,734	\$ –
Liabilities:			
Notes and accounts payable, trade	\$ 314,512	\$ 314,512	\$ –
Short-term loans payable	2,241	2,241	–
Convertible bonds	290,492	288,405	(2,086)
Long-term bank loans	3,333	3,333	(0)
Total liabilities	\$ 610,589	\$ 608,492	\$ (2,086)
Derivative financial instruments (*)	\$ (2,492)	\$ (2,492)	\$ –

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

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

Assets:

Cash and deposits, and notes and accounts receivable, trade:

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

Marketable securities and investments in securities:

The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions. Refer to Note 8 “Marketable Securities and Investments in Securities” for the information on securities by holding purposes.

Liabilities:

Notes and accounts payable, trade, and short-term loans payable

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 7 “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.

	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unlisted stocks	¥ 11,250	¥ 10,256	\$ 108,695

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

The redemption schedule at 31st December, 2020 for deposits, trade receivables and securities with maturity dates is summarised as follows:

	2020			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Millions of yen)</i>			
Deposits	¥ 97,867	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	43,520	–	–	–
Marketable securities and investments in securities:				
Other securities	140	–	3,110	–
Total	¥ 141,528	¥ –	¥ 3,110	¥ –

	2020			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
	<i>(Thousands of U.S. dollars)</i>			
Deposits	\$ 945,574	\$ –	\$ –	\$ –
Notes and accounts receivable, trade	420,483	–	–	–
Marketable securities and investments in securities:				
Other securities	1,352	–	30,048	–
Total	\$ 1,367,420	\$ –	\$ 30,048	\$ –

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Derivative Financial Instruments

Derivative financial instruments to which hedge accounting is applied for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 are summarised as follows:

For the year ended 31st December, 2020

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	¥ 8,776 (\$ 84,792)	¥ –	(¥ 258) (\$ 2,492)

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

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)	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	¥ 8,836	¥ –	¥ 106

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 year ended 31st December, 2020 and the nine months ended 31st December, 2019, respectively.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Marketable Securities and Investments in Securities

Marketable securities classified as other securities at 31st December, 2020 and 2019 are summarised as follows:

	2020		
	Carrying value	Acquisition cost	Difference
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 21,246	¥ 9,946	¥ 11,299
Other	—	—	—
Subtotal	21,246	9,946	11,299
Securities whose carrying value does not exceed their acquisition cost:			
Stock	2,971	3,217	(245)
Other	655	655	—
Subtotal	3,626	3,872	(245)
Total	¥ 24,872	¥ 13,818	¥ 11,053
	2019		
	Carrying value	Acquisition cost	Difference
	<i>(Millions of yen)</i>		
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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Marketable Securities and Investments in Securities (continued)

	2020		
	Carrying value	Acquisition cost	Difference
	<i>(Thousands of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$ 205,275	\$ 96,096	\$ 109,169
Other	—	—	—
Subtotal	205,275	96,096	109,169
Securities whose carrying value does not exceed their acquisition cost:			
Stock	28,705	31,082	(2,367)
Other	6,328	6,328	—
Subtotal	35,033	37,410	(2,367)
Total	\$ 240,309	\$ 133,507	\$ 106,792

The proceeds from sales and gross realised gain on securities classified as other securities for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 are summarised as follows:

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Proceeds from sales:			
Stock	¥ 2	¥ 9,946	\$ 19
Gross realised gain:			
Stock	¥ —	¥ 5,647	\$ —

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Marketable Securities and Investments in Securities (continued)

The Company and its consolidated subsidiaries recognise loss on devaluation of investment securities in cases where the fair value at the 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.

There was no loss on devaluation of investments in securities for the year ended 31st December, 2020.

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

9. Inventories

Inventories at 31st December, 2020 and 2019 consisted of the following:

	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Finished goods and commercial goods	¥ 13,593	¥ 14,061	\$ 131,333
Work in process	1,004	795	9,700
Raw materials and supplies	14,265	15,016	137,826
	¥ 28,863	¥ 29,873	\$ 278,869

Cost of sales included loss on devaluation of inventories of ¥523 million (\$5,053 thousand) and ¥223 million for the year ended 31st December, 2020 and the nine months ended 31st December, 2019, respectively.

10. Gain on Sales of Property, Plant and Equipment

The main component of gain on sales of property, plant and equipment for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 is summarised as below.

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Land, buildings and structures	¥ 1,307	¥ 1,621	\$ 12,628

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. 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 fixed assets of ¥555 million (\$5,362 thousand) for the year ended 31st December, 2020 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 machinery, vehicles and others of ¥48 million (\$463 thousand).
- Glico Manufacturing Japan Co., Ltd. and Others
For idle assets due to the closing of the Tohoku factory at Glico Manufacturing Japan 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 ¥39 million (\$376 thousand) and machinery, vehicles and others of ¥125 million (\$1,207 thousand). These recoverable amounts were measured at net realisable value. Net realisable value was measured at zero.
- TCHO Ventures, Inc.
For business assets at TCHO Ventures, Inc., as its business performance significantly decreased from the initial projection, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of buildings and structures of ¥16 million (\$154 thousand), machinery, vehicles and others of ¥316 million (\$3,053 thousand) and tools, furniture and fixtures of ¥5 million (\$48 thousand). These recoverable amounts were measured at value in use. Since the future cash flow is expected to be negative amount, the value in use was measured at memorandum value.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Loss on Impairment of Fixed Assets (continued)

The Group recognised loss on impairment of fixed assets of ¥3,249 million 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 and machinery, vehicles and others of ¥15 million.
- 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 and machinery, vehicles and others of ¥106 million. 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 and tools, furniture and fixtures of ¥73 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.
- TCHO Ventures, Inc.
For goodwill attributable to TCHO Ventures, Inc., the Company recognised impairment loss of ¥2,916 million, 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Business Combinations

Transactions under common control

Merger of the Company's consolidated manufacturing subsidiaries

Based on the resolution of the Board of Directors' meeting held on 18th March, 2020, an absorption-type merger where Glico Manufacturing Japan Co., Ltd., a newly established company, becomes the surviving company and the Company's 14 consolidated manufacturing subsidiaries become absorbed companies was conducted.

(1) Outline of the transaction

1) Names and business descriptions of the constituent companies

Surviving company in the absorption-type merger

Name	Glico Manufacturing Japan Co., Ltd.
Business description	Manufacturing and sales of confectioneries, food products, ice cream, milk and dairy products

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, milk and dairy products

2) Date of the business combination

1st July, 2020

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Business Combinations (continued)

Transactions under common control (continued)

Merger of the Company's consolidated manufacturing subsidiaries (continued)

3) Legal form of the business combination

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) Name after the business combination

Glico Manufacturing Japan Co., Ltd.

5) Other matters regarding the outline of the transaction

The purpose of the merger was to realize quality enhancement through sharing technology and know-how, mobilization of human resources, increase employee motivation by restructuring the training structure, enhancing productivity by standardising business processes and integrating the back-offices by merging the Company's consolidated manufacturing subsidiaries as well as optimising the production function within the group as a whole.

(2) Outline of the accounting treatment applied

The merger has been accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on 16th January, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on 16th January, 2019).

Additional acquisition of shares of subsidiary

(1) Outline of the transaction

1) Name and business description of the constituent company

Name	Thai Glico Co., Ltd.
Business description	Manufacturing and sales of confectioneries

2) Date of the business combination

20th November, 2020

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Business Combinations (continued)

Transactions under common control (continued)

Additional acquisition of shares of subsidiary (continued)

3) Legal form of the business combination

Acquisition of shares from non-controlling interests

4) Name after the business combination

No change

5) Other matters regarding the outline of the transaction

The voting ratio of shares on additional acquisition was 48%, comprising 47.99% acquired by Glico Asia Pacific Pte. Ltd., 0.005% by the Company and 0.005% by Glico Nutrition Co., Ltd. The voting ratio of shares after the merger is 97%. The purpose of the additional acquisition was to develop and strengthen the Company's brand in the global market.

(2) Outline of the accounting treatment applied

The acquisition has been accounted for as a transaction with non-controlling interests under the category of a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, issued on 16th January, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, issued on 16th January, 2019).

(3) Matters regarding additional acquisition of the subsidiary shares

Acquisition cost and breakdown of consideration

Consideration for the acquisition	Cash and deposits	¥5,343 million (\$51,623 thousand)
Acquisition cost		¥5,343 million (\$51,623 thousand)

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements (continued)

12. Business Combinations (continued)

Transactions under common control (continued)

Additional acquisition of shares of subsidiary (continued)

(4) Matters regarding changes in the Company's equity due to transactions with non-controlling interests

1) Primary reason of change in capital surplus

Acquisition of the shares in the subsidiary

2) Increase in capital surplus due to the transaction with non-controlling interests

¥2,007 million (\$19,391 thousand)

13. Business Structure Improvement Expenses

The Company recorded business structure improvement expenses of ¥364 million (\$3,516 thousand) and ¥75 million for the year ended 31st December, 2020 and the nine months ended 31st December, 2019, respectively, as the Company dissolved production subsidiaries, following the reorganisation and redeployment of domestic production facilities aiming at increasing operational efficiency. Business structure improvement expenses primarily consist of expenses incurred due to the relocation of major facilities and restructuring for the year ended 31st December, 2020 and of loss on sales of machinery and others for the nine months ended 31st December, 2019.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. 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, 2020 and 2019 were 0.099% and 0.43%, respectively.

Long-term debt at 31st December, 2020 and 2019 consisted of the following:

	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unsecured bank loans at average interest rates of 0.099%, due within 2021 to 2023	¥ 345	¥ 215	\$ 3,333
Lease obligations	830	579	8,019
	1,176	794	11,362
Less current portion of lease obligation	(283)	(474)	(2,734)
Long-term debt	¥ 892	¥ 319	\$ 8,618

The aggregate annual maturities of long-term debt subsequent to 31st December, 2020 are summarised below:

Year ending 31st December,	Bank loans		Lease obligations	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2021	¥ –	\$ –	¥ 283	\$ 2,734
2022	232	2,241	216	2,086
2023	113	1,091	125	1,207
2024	–	–	104	1,004
2025 and thereafter	–	–	100	966
	¥ 345	\$ 3,333	¥ 830	\$ 8,019

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Convertible bonds at 31st December, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>	<u>2020</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	¥ 30,066	¥ 30,087	\$ 290,492

The details of the above convertible bonds are as follows:

	<u>Euro-Yen denominated convertible bonds due 2024</u>
Class of shares to be issued	Common stock
Total issue price of stock acquisition rights	Nil
Initial conversion price	¥8,000.7 (\$77.30) per share
Total issue price	¥30,000 million (\$289,855 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 ¥8,000.7 (\$77.30) to ¥7,954.9 (\$76.85) from 1st January, 2021.

The repayment schedule of convertible bonds due within five years subsequent to 31st December, 2020 is as follows:

<u>Year ending 31st December,</u>	<u>Convertible bonds</u>	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2021	¥ —	\$ —
2022	—	—
2023	—	—
2024	30,066	290,492
2025	—	—
	<u>¥ 30,066</u>	<u>\$ 290,492</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. 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 calculation method of retirement benefit obligation has been changed from the simplified method to the standard method since the number of employees at Glico Manufacturing Japan Co., Ltd. increased due to reorganisation (refer to Note 13 “Business Combinations”). The Company and 4 domestic consolidated subsidiaries have defined contribution pension plans. A retirement benefit trust has been set up for some of the lump-sum payment plans.

The changes in the retirement benefit obligation for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 are as follows:

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Beginning balance of retirement benefit obligation	¥ 20,872	¥ 21,081	\$ 201,661
Service cost	1,035	776	10,000
Interest cost	81	61	782
Actuarial (gain) loss	(212)	49	(2,048)
Prior service cost	3	—	28
Benefits paid	(1,794)	(1,201)	(17,333)
Decrease due to transfer to defined contribution pension plans	(287)	—	(2,772)
Decrease due to change from simplified method to standard method	(62)	—	(599)
Others	202	104	1,951
Ending balance of retirement benefit obligation	¥ 19,839	¥ 20,872	\$ 191,681

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Retirement Benefits (continued)

The changes in plan assets at fair value for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 are as follows:

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Beginning balance of plan assets at fair value	¥ 19,942	¥ 17,131	\$ 192,676
Expected return on plan assets	502	332	4,850
Actuarial gain	594	409	5,739
Contributions by the employers	336	255	3,246
Contribution to retirement benefit trust	1,500	2,700	14,492
Retirement benefits paid	(1,089)	(886)	(10,521)
Others	—	(0)	—
Ending balance of plan assets at fair value	¥ 21,786	¥ 19,942	\$ 210,492

The Company and certain subsidiaries set up the retirement benefit trust.

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, 2020 and 2019 is as follows:

	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 18,993	¥ 18,091	\$ 183,507
Plan assets at fair value	(21,786)	(19,942)	(210,492)
	(2,792)	(1,850)	(26,975)
Unfunded retirement benefit obligations	845	2,780	8,164
Net (asset) liability for retirement benefits	(1,947)	929	(18,811)
Liability for retirement benefits	1,228	2,831	11,864
Asset for retirement benefits	(3,175)	(1,901)	(30,676)
Net (asset) liability for retirement benefits	¥ (1,947)	¥ 929	\$ (18,811)

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Retirement Benefits (continued)

The components of retirement benefit expenses for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 are as follows:

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 1,035	¥ 776	\$ 10,000
Interest cost	81	61	782
Expected return on plan assets	(502)	(332)	(4,850)
Amortisation:			
Actuarial loss	125	60	1,207
Prior service cost	(20)	(15)	(193)
Reversal due to changing method from simplified method to standard method	(62)	—	(599)
Others	137	253	1,323
Retirement benefit expenses	¥ 794	¥ 804	\$ 7,671
Special retirement payment	¥ 93	¥ 18	\$ 898
Loss on termination of retirement benefit plan	¥ 251	¥ —	\$ 2,425

(Notes) 1. Retirement benefit expenses calculated by the simplified method are included in “Service cost” of the above table.

2. “Special retirement payment” and “Loss on termination of retirement benefit plan” are included in “Other expenses.”

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

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ (24)	¥ (15)	\$ (231)
Actuarial gain	932	421	9,004
Total	¥ 908	¥ 405	\$ 8,772

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Retirement Benefits (continued)

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

	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognised prior service cost	¥ 12	¥ 36	\$ 115
Unrecognised actuarial gain	976	44	9,429
Total	¥ 988	¥ 80	\$ 9,545

The fair value of plan assets, by major category, as a percentage of total plan assets as of 31st December, 2020 and 2019 are as follows:

	2020	2019
Bonds	34%	42%
Equities	32	30
General accounts at life insurance companies	6	7
Other	28	21
Total	100%	100%

The total amount of plan assets includes 19.7% and 13.6% of the retirement benefit trust for lump-sum payment plans at 31st December 2020 and 2019, respectively.

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

	2020	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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Retirement Benefits (continued)

One of the Company's subsidiaries withdrew from the multiple-employer pension plan, during the year ended 31st December, 2020. The additional contribution incurred due to this withdrawal was ¥5 million (\$48 thousand) and was included in loss on termination of retirement benefit plan in consolidated statement of income and comprehensive income. The contribution to the multi-employer pension plan until withdrawal was ¥2 million (\$19 thousand) for the year ended 31st December, 2020 and was accounted for in the same manner as contribution to defined contribution plans. As the subsidiary withdrew from the multi-employer pension plan, the presentation of the status of the multi-employer pension plan, the contribution ratio of the consolidated subsidiary to the multi-employer pension plan, etc. for the current fiscal year are not presented.

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 ¥3,914 million (\$37,816 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, 2020 in the amount of ¥270 million (\$2,608 thousand) is included in accounts payable, other under "Other current liabilities" and long-term accounts payable, other under "Other long-term liabilities" in consolidated balance sheet.

The amounts to be paid to the defined contribution plans by the Company and certain consolidated subsidiaries were ¥249 million (\$2,405 thousand) and ¥181 million for the year ended 31st December, 2020 and the nine months ended 31st December, 2019, respectively.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Shareholders' Equity

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

The legal reserve of the Company, which is included in retained earnings, amounted to ¥1,943 million (\$18,772 thousand) at 31st December, 2020 and 2019, respectively.

Movements in issued shares of common stock and treasury stock during the year ended 31st December, 2020 and the nine months ended 31st December, 2019 are summarised as follows:

For the year ended 31st December, 2020

	Number of Shares			
	Year ended 31st December, 2020			
	1st January, 2020	Increase	Decrease	31st December, 2020
Issued shares:				
Common stock	68,468,569	—	—	68,468,569
Treasury stock	3,557,196	136,414	48,443	3,645,167

The increase in treasury stock of 136,414 shares was due to the acquisition of fractional shares of less than one voting unit of 914 shares and acquisition by setting the E-Ship Trust of 135,500 shares. The decrease in treasury stock of 48,443 shares was due to the sales of fractional shares of less than one voting unit of 243 shares, issuance of treasury stock through the E-Ship Trust of 42,000 shares, and granting from the Restricted Stock Unit Plan to Directors of 6,200 shares.

Treasury stock at 31st December, 2020 includes 109,800 shares held by the E-ship Trust.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Shareholders' Equity (continued)

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.

Information on stock acquisition rights and treasury stock acquisition rights during the year ended 31st December, 2020 and the nine months ended 31st December, 2019 is as follows:

For the year ended 31st December, 2020

Company name	Details	Type of stock subject to acquisition rights	Number of shares subject to stock acquisition rights			31st December, 2020 (Millions of yen / Thousands of U.S. dollars)
			1st January, 2020	Increase	Decrease	
The Company	Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	Common stock	3,734,594	(Note 1) 15,077	—	3,749,671 (Note 2) —

- (Notes)
1. The increase in the Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights) was due to the adjustment of the conversion price.
 2. Convertible bonds are accounted for using the lump-sum method, by which the bond portion and a stock acquisition right portion are treated as non-separable.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Shareholders' Equity (continued)

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			31st December, 2019	31st December, 2019 (Millions of yen)
			1st April, 2019	Increase	Decrease		
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.

Information on dividend payments and the effective date for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 is as follows:

For the year ended 31st December, 2020

Dividend payment:

Resolution	Type of shares	Dividends paid (Millions of yen/ Thousands of U.S. dollars)	Dividend per share (Yen/ U.S. dollars)	Record date	Effective date
Board of Directors' meeting held on 14th February, 2020	Common stock	¥ 1,947 (\$ 18,811)	¥ 30 (\$ 0.28)	31st December, 2019	6th March, 2020
Board of Directors' meeting held on 6th August, 2020	Common stock	¥ 1,948 (\$ 18,821)	¥ 30 (\$ 0.28)	30th June, 2020	4th September, 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. 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 12th February, 2021	Common stock	¥ 2,272 (\$ 21,951)	Retained earnings	¥ 35 (\$ 0.33)	31st December, 2020	5th March, 2021

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 12th February, 2021 included ¥3 million (\$28 thousand) of cash dividends applicable to shares held by the E-Ship Trust.

For the nine months ended 31st December, 2019

Dividend payment:

Resolution	Type of shares	Dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on 13th May, 2019	Common stock	¥ 2,305	¥ 35	31st March, 2019	6th June, 2019
Board of Directors' meeting held on 31st October, 2019	Common stock	¥ 1,947	¥ 30	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 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 of cash dividends applicable to shares held by the E-Ship Trust.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. 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, 2020 for operating leases are summarised as follows:

Year ending 31st December,	(Millions of yen)	(Thousands of U.S. dollars)
2021	¥ 270	\$ 2,608
2022 and thereafter	453	4,376
Total	¥ 724	\$ 6,995

18. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 were as follows:

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	(Millions of yen)		(Thousands of U.S. dollars)
Freight and warehouse expenses	¥ 31,493	¥ 24,855	\$ 304,280
Sales promotion expenses	49,111	42,776	474,502
Provision for sales promotion expenses	3,730	2,977	36,038
Advertising expenses	12,131	11,717	117,207
Provision (reversal) of allowance for doubtful accounts	25	(0)	241
Salaries	17,459	14,182	168,685
Bonuses	5,349	4,069	51,681
Provision for bonuses of directors and audit and supervisory board members	82	36	792
Provision for stock-based compensation	29	30	280
Retirement benefit expenses	724	723	6,995
Welfare expenses	5,209	4,127	50,328
Depreciation and amortisation	3,557	2,354	34,367
Other	14,978	14,602	144,714
Total	¥ 143,884	¥ 122,454	\$ 1,390,183

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 amounted to ¥5,472 million (\$52,869 thousand) and ¥4,071 million, respectively.

20. 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 year ended 31st December, 2020 and the nine months ended 31st December, 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 year ended 31st December, 2020 and the nine months ended 31st December, 2019 is as follows:

	Year ended 31st December, 2020	Nine months ended 31st December, 2019
Statutory tax rate	30.6%	30.6%
Permanent non-deductible expenses	0.7	1.6
Permanent non-taxable dividend income	(0.3)	(0.4)
Inhabitants' per capita taxes	0.4	0.3
Change in valuation allowance	0.3	6.8
Tax credits	(1.3)	(0.6)
Undistributed earnings of overseas subsidiaries	5.3	1.2
Other	0.1	(1.0)
Effective tax rate	35.8%	38.5%

“Undistributed earnings of overseas subsidiaries” included in “Other” for the nine months ended 31st December, 2019 has been separately presented for the year ended 31st December, 2020 as it became more significant. To reflect this change of presentation, the amount during the nine months ended 31st December, 2019 has been reclassified.

As a result, 0.2% included in “Other” for the nine months ended 31st December, 2019 has been reclassified into “Undistributed earnings of overseas subsidiaries” of 1.2% and “Other” of 1.0%.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at 31st December, 2020 and 2019 are summarised as follows:

	2020	2019	2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued bonuses	¥ 597	¥ 587	\$ 5,768
Accrued expenses	1,158	1,212	11,188
Liability for retirement benefits	718	1,132	6,937
Loss on fixed assets	1,976	1,999	19,091
Loss on devaluation of investments in securities	568	568	5,487
Tax loss carryforwards	2,136	2,092	20,637
Depreciation	413	391	3,990
Deferred gain on hedges	79	—	763
Other	1,087	1,093	10,502
Total deferred tax assets	<u>8,735</u>	<u>9,078</u>	<u>84,396</u>
Less valuation allowance for tax loss carryforwards	(2,025)	(2,016)	(19,565)
Less valuation allowance for total deductible temporary differences and others	<u>(2,432)</u>	<u>(2,454)</u>	<u>(23,497)</u>
Total valuation allowance	(4,458)	(4,470)	(43,072)
Offset by deferred tax liabilities	<u>(3,539)</u>	<u>(3,808)</u>	<u>(34,193)</u>
Net deferred tax assets	<u>¥ 737</u>	<u>¥ 798</u>	<u>\$ 7,120</u>
Deferred tax liabilities:			
Net unrealised holding gain on securities	¥ (3,135)	¥ (3,473)	\$ (30,289)
Reserve for special depreciation for tax purposes	—	(0)	—
Reserve for deferred gain on property for tax purposes	(2,697)	(2,704)	(26,057)
Deferred gain on hedges	—	(32)	—
Undistributed earnings of overseas subsidiaries	(2,834)	(1,784)	(27,381)
Other	(0)	(0)	(0)
Total deferred tax liabilities	<u>(8,668)</u>	<u>(7,995)</u>	<u>(83,748)</u>
Offset by deferred tax assets	3,539	3,808	34,193
Net deferred tax liabilities	<u>¥ (5,128)</u>	<u>¥ (4,186)</u>	<u>\$ (49,545)</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Income Taxes (continued)

“Undistributed earnings of overseas subsidiaries” included in “Other” in deferred tax liabilities for the nine months ended 31st December, 2019 has been separately presented for the year ended December, 2020 as it became more significant. To reflect this change of presentation, the amount during the nine months ended 31st December, 2019 has been reclassified.

As a result, “Undistributed earnings of overseas subsidiaries” of ¥(1,784) million included in “Other” in deferred tax liabilities for the nine months ended 31st December, 2019 has been reclassified into “Undistributed earnings of overseas subsidiaries” of ¥(1,784) million and “Other” of ¥(0) million.

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

At 31st December, 2020

	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
	<i>(Millions of yen)</i>						
Tax loss carryforwards (Note (a))	¥ 51	¥ 115	¥ 171	¥ 161	¥ 113	¥ 1,522	¥ 2,136
Less valuation allowance for tax loss carryforwards	(51)	(111)	(146)	(152)	(112)	(1,450)	(2,025)
Net deferred tax assets related to tax loss carryforwards	¥ –	¥ 3	¥ 25	¥ 8	¥ 1	¥ 71	¥ 110 (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
	<i>(Thousands of U.S. dollars)</i>						
Tax loss carryforwards (Note (a))	\$ 492	\$ 1,111	\$ 1,652	\$ 1,555	\$ 1,091	\$ 14,705	\$ 20,637
Less valuation allowance for tax loss carryforwards	(492)	(1,072)	(1,410)	(1,468)	(1,082)	(14,009)	(19,565)
Net deferred tax assets related to tax loss carryforwards	\$ –	\$ 28	\$ 241	\$ 77	\$ 9	\$ 685	\$ 1,062 (Note (b))

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. 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 ¥110 million (\$1,062 thousand) were recorded on tax loss carryforwards of ¥2,136 million (\$20,637 thousand) (the amount multiplied by the statutory tax rate). Net deferred tax assets related to tax loss carryforwards of ¥110 million (\$1,062 thousand) were recognised for part of the balance of ¥174 million (\$1,681 thousand) of tax loss carryforwards (the amount multiplied by the statutory tax rate), for 4 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 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
	<i>(Millions of yen)</i>						
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	<u>¥ –</u>	<u>¥ 0</u>	<u>¥ 0</u>	<u>¥ 1</u>	<u>¥ 17</u>	<u>¥ 56</u>	<u>¥ 75</u>
							(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 ¥75 million were recorded on tax loss carryforwards of ¥2,092 million (the amount multiplied by the statutory tax rate). Net deferred tax assets related to tax loss carryforwards of ¥75 million were recognised for part of the balance of ¥144 million of tax loss carryforwards (the amount multiplied by the statutory tax rate), on 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Other Comprehensive Loss

Other comprehensive loss related to reclassification adjustments and tax effects allocated to each comprehensive loss for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 are summarised as follows:

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net unrealised holding loss on securities:			
Amount arising during the year	¥ (937)	¥ (173)	\$ (9,053)
Reclassification adjustments	—	(5,296)	—
Amount before income tax effect	(937)	(5,469)	(9,053)
Income tax effect	337	1,753	3,256
Total	(599)	(3,716)	(5,787)
Deferred (loss) gain on hedges:			
Amount arising during the year	(418)	15	(4,038)
Reclassification adjustments	53	(14)	512
Amount before income tax effect	(365)	1	(3,526)
Income tax effect	111	(0)	1,072
Total	(253)	0	(2,444)
Translation adjustments:			
Amount arising during the year	(947)	231	(9,149)
Retirement benefits liability adjustments:			
Amount arising during the year	803	360	7,758
Reclassification adjustments	104	45	1,004
Amount before income tax effect	908	405	8,772
Income tax effect	(278)	(124)	(2,685)
Total	629	281	6,077
Share of other comprehensive loss of affiliates accounted for by the equity method:			
Adjustments arising during the year	(150)	(153)	(1,449)
Total other comprehensive loss	¥ (1,320)	¥ (3,354)	\$ (12,753)

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. 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 year ended 31st December, 2020 and for the nine months ended 31st December, 2019. Net rental income, net of rental cost, for the year ended 31st December, 2020 and for the nine months ended 31st December 2019 was ¥545 million (\$5,265 thousand) and ¥364 million, respectively.

The carrying value in the consolidated balance sheet and corresponding fair value of investment and rental properties as of 31st December, 2020 and 2019 are as follows:

	<i>Carrying value</i>		<i>Fair value</i>
	1st January, 2020	Net change 31st December, 2020	31st December, 2020
	<i>(Millions of yen)</i>		
Investment and rental property	¥ 12,746	¥ (311)	¥ 12,435
			¥ 20,197
	<i>Carrying value</i>		<i>Fair value</i>
	1st April, 2019	Net change 31st December, 2019	31st December, 2019
	<i>(Millions of yen)</i>		
Investment and rental property	¥ 12,444	¥ 302	¥ 12,746
			¥ 18,940
	<i>Carrying value</i>		<i>Fair value</i>
	1st January, 2020	Net change 31st December, 2020	31st December, 2020
	<i>(Thousands of U.S. dollars)</i>		
Investment and rental property	\$ 123,149	\$ (3,004)	\$ 120,144
			\$ 195,140

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Investment and Rental Property (continued)

The main component of net change in the carrying value during the year ended 31st December, 2020 was the decrease due to the retirement of the idle property that had been recognised during the nine months ended 31st December, 2019 in the amount of ¥358 million (\$3,458 thousand).

The main component of net change in the carrying value during the nine months ended 31st December, 2019 was the increase in the property which certain subsidiary had used and became idle due to liquidation of the subsidiary during the nine months ended 31st December, 2019 in the amount of ¥358 million.

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. 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 consists of business segments categorised by each business and the products and services based on the Company's consolidated subsidiaries as well as countries and regions.

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

The Confectioneries and Food Products Division mainly produces and sells chocolate, cookies, 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

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

	Year ended 31st December, 2020					
	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	¥ 89,280	¥ 92,302	¥ 83,445	¥ 10,059	¥ 50,998	¥ 326,087
Inter-segment sales and transfers	690	72	7	200	—	971
Total	¥ 89,971	¥ 92,375	¥ 83,453	¥ 10,260	¥ 50,998	¥ 327,058
Segment income	¥ 4,963	¥ 6,134	¥ 2,522	¥ 879	¥ 2,581	¥ 17,081
Segment assets	49,841	38,815	27,020	5,574	26,967	148,219
Other items:						
Depreciation and amortisation	3,904	4,057	1,652	156	1,704	11,473
Increase in property, plant and equipment and intangible assets	2,332	2,139	1,746	375	4,045	10,639
	Year ended 31st December, 2020					
	Others	Total	Adjustments and eliminations		Consolidated	
	(Millions of yen)					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	¥ 17,961	¥ 344,048	¥ —		¥ 344,048	
Inter-segment sales and transfers	9,026	9,997	(9,997)		—	
Total	¥ 26,987	¥ 354,046	¥ (9,997)		¥ 344,048	
Segment income	¥ 281	¥ 17,363	¥ 1,159		¥ 18,523	
Segment assets	2,507	150,726	189,354		340,081	
Other items:						
Depreciation and amortisation	277	11,751	2,825		14,577	
Increase in property, plant and equipment and intangible assets	153	10,792	7,021		17,814	

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. 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
			(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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

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

	Year ended 31st December, 2020					
	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	\$ 862,608	\$ 891,806	\$ 806,231	\$ 97,188	\$ 492,734	\$ 3,150,599
Inter-segment sales and transfers	6,666	695	67	1,932	–	9,381
Total	<u>\$ 869,285</u>	<u>\$ 892,512</u>	<u>\$ 806,309</u>	<u>\$ 99,130</u>	<u>\$ 492,734</u>	<u>\$ 3,159,980</u>
Segment income	\$ 47,951	\$ 59,265	\$ 24,367	\$ 8,492	\$ 24,937	\$ 165,033
Segment assets	481,555	375,024	261,062	53,855	260,550	1,432,067
Other items:						
Depreciation and amortisation	37,719	39,198	15,961	1,507	16,463	110,850
Increase in property, plant and equipment and intangible assets	22,531	20,666	16,869	3,623	39,082	102,792
	Year ended 31st December, 2020					
	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	\$ 173,536	\$ 3,324,135	\$ –		\$ 3,324,135	
Inter-segment sales and transfers	87,207	96,589	(96,589)		–	
Total	<u>\$ 260,743</u>	<u>\$ 3,420,734</u>	<u>\$ (96,589)</u>		<u>\$ 3,324,135</u>	
Segment income	\$ 2,714	\$ 167,758	\$ 11,198		\$ 178,966	
Segment assets	24,222	1,456,289	1,829,507		3,285,806	
Other items:						
Depreciation and amortisation	2,676	113,536	27,294		140,840	
Increase in property, plant and equipment and intangible assets	1,478	104,270	67,835		172,115	

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

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

“Others” are businesses not included in the reportable segments, which mainly include the Health Division, the Office Glico Division and the System Maintenance and Development Division.

The adjustments and eliminations for segment income in the amounts of ¥1,159 million (\$11,198 thousand) and ¥388 million consisted of the elimination of inter-segment transactions and other adjustments of ¥1,401 million (\$13,536 thousand) and ¥1,740 million and corporate expenses not allocated to each reportable segment of ¥241 million (\$2,328 thousand) and ¥2,128 million for the year ended 31st December, 2020 and the nine months ended 31st December, 2019, respectively.

Corporate expenses were mainly related to selling, general and administrative expenses not attributable to reportable segments for the year ended 31st December, 2020 and the nine months ended 31st December, 2019. The adjustments and eliminations for segment assets in the amount of ¥189,354 million (\$1,829,507 thousand) and ¥191,480 million at 31st December, 2020 and 2019, respectively, consisted of corporate assets not attributable to reportable segments.

The adjustments and eliminations for depreciation and amortisation of ¥2,825 million (\$27,294 thousand) and ¥1,937 million and increase in property, plant and equipment and intangible assets of ¥7,021 million (\$67,835 thousand) and ¥5,152 million for the year ended 31st December, 2020 and the nine months ended 31st December, 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Related information

Information by products and services

Sales to third parties categorised by products and services for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 are summarised as follows:

Year ended 31st December, 2020						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Millions of yen)</i>						
¥ 89,280	¥ 92,302	¥ 83,445	¥ 10,059	¥ 50,998	¥ 17,961	¥ 344,048
Nine months ended 31st December, 2019						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Millions of yen)</i>						
¥ 71,789	¥ 73,353	¥ 67,032	¥ 8,314	¥ 53,200	¥ 14,496	¥ 288,187
Year ended 31st December, 2020						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Thousands of U.S. dollars)</i>						
\$ 862,608	\$ 891,806	\$ 806,231	\$ 97,188	\$ 492,734	\$ 173,536	\$ 3,324,135

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. 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 year ended 31st December, 2020 and the nine months ended 31st December, 2019 are summarised as follows:

Year ended 31st December, 2020				
Japan	China	Southeast Asia (Millions of yen)	Others	Total
¥ 293,049	¥ 27,211	¥ 13,541	¥ 10,245	¥ 344,048
Nine months ended 31st December, 2019				
Japan	China	Southeast Asia (Millions of yen)	Others	Total
¥ 234,987	¥ 26,774	¥ 16,625	¥ 9,800	¥ 288,187
Year ended 31st December, 2020				
Japan	China	Southeast Asia (Thousands of U.S. dollars)	Others	Total
\$ 2,831,391	\$ 262,908	\$ 130,830	\$ 98,985	\$ 3,324,135

(2) Property, plant and equipment

Property, plant and equipment categorised by countries and regions as of 31st December, 2020 and 2019 are summarised as follows:

2020				
Japan	China	Southeast Asia (Millions of yen)	Others	Total
¥ 84,198	¥ 7,146	¥ 5,857	¥ 382	¥ 97,584
2019				
Japan	China	Southeast Asia (Millions of yen)	Others	Total
¥ 87,875	¥ 5,886	¥ 5,265	¥ 779	¥ 99,807
2020				
Japan	China	Southeast Asia (Thousands of U.S. dollars)	Others	Total
\$ 813,507	\$ 69,043	\$ 56,589	\$ 3,690	\$ 942,840

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Related information (continued)

Information on loss on impairment of fixed assets

		Year ended 31st December, 2020					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
	<i>(Millions of yen)</i>						
Loss on impairment of fixed assets	¥ 0	¥ 28	¥ 139	¥ –	¥ 338	¥ 48	¥ 555
Nine months ended 31st December, 2019							
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
	<i>(Millions of yen)</i>						
Loss on impairment of fixed assets	¥ 10	¥ 102	¥ 3	¥ –	¥ 3,000	¥ 133	¥ 3,249
Year ended 31st December, 2020							
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
	<i>(Thousands of U.S. dollars)</i>						
Loss on impairment of fixed assets	\$ 0	\$ 270	\$ 1,342	\$ –	\$ 3,265	\$ 463	\$ 5,362

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Related information (continued)

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

		Year ended 31st December, 2020						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		(Millions of yen)						
Amortisation for the year		¥ –	¥ –	¥ –	¥ –	¥ 59	¥ –	¥ 59
Remaining unamortised balance		¥ –	¥ –	¥ –	¥ –	¥ 411	¥ –	¥ 411
		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 December, 2020						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		(Thousands of U.S. dollars)						
Amortisation for the year		\$ –	\$ –	\$ –	\$ –	\$ 570	\$ –	\$ 570
Remaining unamortised balance		\$ –	\$ –	\$ –	\$ –	\$ 3,971	\$ –	\$ 3,971

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Amounts per Share

Amounts per share at 31st December, 2020 and 2019 and for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 were as follows:

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	(Yen)		(U.S. dollars)
Profit attributable to owners of the parent	¥ 182.48	¥ 185.31	\$ 1.76
Cash dividends	65.00	60.00	0.62
Net assets	3,420.92	3,284.19	33.05

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 109 thousand shares and 16 thousand shares at 31st December, 2020 and 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 65 thousand shares and 36 thousand shares for the year ended 31st December, 2020 and the nine months ended 31st December, 2019, respectively 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 year ended 31st December, 2020 and the nine months ended 31st December, 2019 has not been disclosed because no dilutive potential shares with dilutive effect existed for the year ended 31st December, 2020 and the nine months ended 31st December, 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Amounts per Share (continued)

The financial data used in the computation of profit attributable to owners of the parent per share for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 is summarised as follows:

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Profit attributable to owners of the parent	¥ 11,836	¥ 12,047	\$ 114,357
	Year ended 31st December, 2020	Nine months ended 31st December, 2019	
	<i>(Thousands of shares)</i>		
Weighted-average number of shares of common stock	64,864	65,013	

Descriptions of dilutive potential shares that were not included in the computation of diluted profit per share for the year ended 31st December, 2020 and the nine months ended 31st December, 2019 because of no dilutive effect are as follows:

	Year ended 31st December, 2020	Nine months ended 31st December, 2019	Year ended 31st December, 2020
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Euro-Yen denominated convertible bonds due 2024	¥ 30,000	¥ 30,000	\$ 289,855
	Year ended 31st December, 2020	Nine months ended 31st December, 2019	
	<i>(Shares)</i>		
Number of stock acquisition rights	3,000	3,000	

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

Corporate Information

Board of Directors and Statutory Auditors (as of 25th March, 2021)

<u>President & CEO</u>	<u>Standing Audit and Supervisory Board Members</u>
Katsuhisa Ezaki	Toshiaki Yoshida
	Akira Onuki
<u>Senior Managing Executive Officer and Representative Director</u>	<u>Audit and Supervisory Board Members</u>
Etsuro Ezaki	Shintaro Iwai
<u>Directors</u>	Matao Miyamoto
Takashi Kuriki	Minoru Kudo
Yutaka Honzawa	
Tetsuo Masuda	
Takatoshi Kato	
Kanoko Oishi	
George Hara	

Corporate Data (as of 31st December, 2020)

Head Office	Number of Employees
6-5, Utajima, 4-chome, Nishiyodogawa-ku, Osaka 555-8502, Japan	1,448
Tel: (06)6477-8352	Stock Exchange Listing
Fax: (06)6477-8250	Tokyo
Tokyo Branch	Transfer Agents
10-18, Takanawa, 4-chome, Minato-ku, Tokyo 108-0074, Japan	Sumitomo Mitsui Trust Bank, Limited. 5-33, Kitahama, 4-chome, Chuo-ku, Osaka 541-0041, Japan
Paid-in Capital	Established
¥7,773 million (U.S. \$70,947 thousand)	1922