Annual Report 2010

(Year ended March 31,2010)

Contents

Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	2010	2009	2008	2007	2006	2010
Net sales	**284,537**	289,015	278,686	269,776	260,992	**3,058,220**
Income before income taxes and minority interests	**11,721**	2,633	4,425	7,988	8,577	**125,978**
Net income	**7,031**	(1,067)	1,407	4,123	4,911	**75,570**
	Yen					U.S. dollars
Per share of common stock:						
Net income						
Primary	**61.93**	(8.66)	10.89	31.91	37.24	**1**
Cash dividends	**15.00**	15.00	15.00	15.00	10.00	**0**
	Millions of yen					Thousands of U.S. dollars
Balance sheet data:						
Shareholders' equity	**108,288**	100,108	122,514	127,605	123,958	**1,163,881**
Total assets	**200,989**	193,052	202,677	211,672	212,730	**2,160,241**

Message from the President

In the consolidated fiscal year under review, the Japanese economy showed signs of recovery, with improvements in corporate earnings and exports that have enjoyed a gradual recovery. However, there are still many factors that cause concern for the future, with employment and income situations remaining difficult along with a high unemployment rate. Although fluctuations in exchanges rates and market quotations positively impacted the food industry, consumers maintained a defensive mindset with regard to spending and exhibited a deep-seated preference toward lower-priced products. While a further expansion in market size cannot be expected in the future, the food industry continuously faces intense competition.

In light of this situation, our corporate group has proactively implemented various measures: reinforcing its mainstay products, launching new products and products of affiliates, expanding channels with vending machines and in-office confectionery boxes, and implementing sales strategies specifically tailored for various distribution methods. These efforts, based on Glico Group Action Guidelines, indicate our commitment to earning the trust and respect of stakeholders. Efforts are also continuously focused on the development of overseas business operations.

Consequently, our food product sales increased from the previous fiscal year but other segments posted sales decreases. This resulted in consolidated net sales of ¥284,536 million, a decrease of 1.5% from the ¥289,015 million total of the previous fiscal year.

Regarding earnings, Glico revised product specifications and took various measures to enhance productivity. These efforts, combined with decreased manufacturing costs due to external factors, resulted in a drop in the cost-to-sales ratio. Concentration of resources in existing core products also caused a decrease in the number of new products, which in turn resulted in reduced advertising expenditures. By contrast, sales promotion expenses increased due to the increased proportion of bargain-priced items. As a result, operating income amounted to ¥11,805 million, or a ¥5,404 million increase from the previous fiscal year (¥6,401 million). Ordinary income totaled ¥12,388 million, or a ¥5,191 million increase from the previous fiscal year (¥7,196 million).

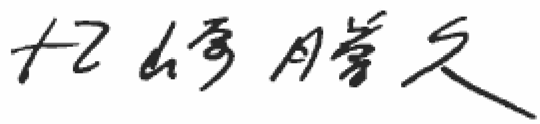
During the consolidated fiscal year under review, gain from the sales of marketable securities was recorded as extraordinary income, while provision for doubtful accounts and impairment loss were posted as extraordinary losses. As a result, net income was ¥7,031 million, or an increase of ¥8,098 million compared to the net loss amounting to ¥1,067 million recorded during the previous fiscal year.

Glico will pay a dividend of ¥10 per share for fiscal 2010.

As food market conditions remain below levels seen the previous year and industry competition for sales is increasingly severe, every effort will be made to increase revenues and earnings and meet the expectations of our shareholders.

We are deeply grateful for your continuing support.

June 2010



Katsuhisa Ezaki, President and CEO

Operating Results and Financial Status

(1) Operating Results

Results by segment

(Unit: millions of yen)

Segment \ Period	FY2008 Apr. 1, 2008 to Mar. 31, 2009		FY2009 Apr. 1, 2009 to Mar. 31, 2010		Increase (Decrease)	Pct.
	Amount	Ratio	Amount	Ratio		
		%		%		%
Confectioneries	87,922	30.4	85,156	29.9	(2,766)	96.9
Ice Cream	58,659	20.3	58,155	20.4	(504)	99.1
Milk and Dairy Products	85,452	29.6	84,917	29.8	(534)	99.4
Food Products	23,889	8.3	24,801	8.8	911	103.8
Meat Products	33,090	11.4	31,506	11.1	(1,584)	95.2
Total	289,015	100.0	284,536	100.0	(4,478)	98.5

[Confectionery Division]

In Japan, 'Squeeze,' 'Cheeza' and 'Cratz' enjoyed sales increases over the previous fiscal year. By contrast, sales of 'Van Houten Chocolate,' 'Premio' and the 'Pocky' group decreased from the previous fiscal year. Overseas subsidiaries in Thailand and Shanghai, China posted sales approximately the same as the previous fiscal year.

As a result, divisional sales amounted to ¥85,156 million, a 3.1% decrease from the ¥87,922 million total posted during the previous fiscal year.

[Ice Cream Division]

The mainstay 'Ice-no-Mi' and 'Palitte' performed impressively. However, 'Papico' and 'Makiba Shibori' sales decreased from the previous fiscal year. Sales of wholesale subsidiaries remained consistent with the level of the previous fiscal year. As a result, divisional sales totaled ¥58,155 million, a 0.9% decrease from the ¥58,659 million total recorded during the previous fiscal year.

[Milk and Dairy Product Division]

New products ‘Putching Pudding Strawberry’ and ‘Dororich’ experienced steadily increased sales, while ‘Café Au Lait’ sales also grew from the previous fiscal year. However, there was a drop in sales for soft drink and yogurt products.

As a result, divisional sales totaled ¥84,917 million, a 0.6% decrease from the ¥85,452 million total achieved during the previous fiscal year.

[Food Division]

The mainstay ‘2-dan (Double) Juku Curry’ recorded sales growth over the previous fiscal year, and ‘Pie Soup,’ ‘Gochitama’ and ‘Choitabe Curry’ enjoyed steady increases in sales.

As a result, divisional sales amounted to ¥24,801 million, a 3.8% increase from the ¥23,889 million total recorded during the previous fiscal year.

[Meat Division]

Sales of food ingredients such as ‘A-glu’ rose compared to the previous fiscal year, while sales of mainstay sausage and ham products declined.

As a result, divisional sales were ¥31,506 million, a 4.8% decrease from the ¥33,090 million total posted during the previous fiscal year.

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

As for the outlook for the next fiscal year, the improvement in corporate earnings and the government-led emergency economic stimulus measures allow anticipation for a rebound in the Japanese economy. However, the continuously challenging employment situation, combined with worsening economies outside Japan and the negative impact of deflation, will remain as matters of concern, resulting in prolonged uncertainty for the future economy. It is also projected that severe employment and income situations will continue, causing personal consumption to remain sluggish, which in turn will make sales competition increasingly intense for the food industry.

To cope with these situations, our corporate group will concentrate on accurate assessment of consumer trends and will strive to develop new higher value-added products while reinforcing current mainstay product lines. Furthermore, appropriate sales strategies will be implemented to suit individual distribution methods, along with aggressive promotion of overseas businesses.

With all our measures, we are aiming at increasing net sales by 3.0% compared to the fiscal year under review to ¥293,000 million during the next fiscal year. Our profit goals are an operating income of ¥12,000 million (up 1.7%), ordinary income of ¥11,900 million (down 3.9%) and a net income of ¥6,900 million (down 1.9%).

Divisional consolidated sales forecasts for the next fiscal year

Divisional sales targets are as follows: Confectionery Division sales of ¥88,500 million (up 3.9% from the fiscal year under review), Ice Cream division sales of ¥59,000 million (up 1.5%), Milk and Dairy Product Division sales of ¥87,100 million (up 2.6%), Food Division sales of ¥25,700 million (up 3.6%), and Meat Division sales of ¥32,700 million (up 3.8%).

(2) Financial Conditions

Cash flows for the fiscal year under review

(Unit: millions of yen)

	Previous fiscal year (consolidated)	Fiscal year under review (consolidated)	Increase (Decrease)
Cash flow – operating activities	16,083	23,591	7,508
Cash flow – investing activities	(7,295)	(13,387)	(6,091)
Cash flow – financing activities	(4,582)	(3,088)	1,494
Balance of cash and cash equivalents at beginning of term	15,803	19,581	3,778
Balance of cash and cash equivalents at end of term	19,581	26,789	7,207

Free cash flows during the fiscal year under review, calculated by subtracting net cash for investment activities from net cash provided by operating activities, totaled ¥10,204 million, an increase of ¥1,416 million from the ¥8,787 million generated during the previous fiscal year. This increase was mainly due to the increase in income before income taxes and minority interests.

Net cash used for financing activities was ¥3,088 million, a decrease of ¥1,494 million from net cash used during the previous fiscal year. This was mainly attributable to changes in long-term debt and short-term debt as well as payments of interests and dividends.

As a result, the balance of cash and cash equivalents at the end of the fiscal year under review (March 31, 2010) totaled ¥26,789 million, an increase of ¥7,207 million from the ¥19,581 million at the end of the previous fiscal year (March 31, 2009).

Cash flow indicator trends

	Mar. 2008	Mar. 2009	Mar. 2010
Net worth ratio (%)	59.5	51.0	52.8
Net worth ratio on market value basis (%)	78.6	57.8	61.6
Term of debt redemption (years)	1.2	1.3	0.8
Interest coverage ratio (times)	35.9	43.4	90.5

Notes:
Net worth ratio: Net worth / Total assets
Net worth ratio on market value basis: Market capitalization / Total assets
Term of debt redemption: Interest-bearing liabilities / Amount of cash provided by operating activities
Interest coverage ratio: Amount of cash provided by operating activities / Interest paid

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

(3) Basic policy for the distribution of profits, and dividends for the current and next fiscal years

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

A year-end dividend of ¥10 per share is planned. In addition to an interim dividend of ¥5 per share already paid out on December 10, 2009, this will add up to a one-year dividend of ¥15 per share. As of today, our plan is to also pay ¥15 per share for the next fiscal year.

Management Policies

(1) Group management basic policy

Our corporate philosophy is to offer “a wholesome life in the best of taste.” Our aim is to provide tasty, high-quality food that will contribute to the health and wellbeing of consumers. We are committed to meet the food preferences of our domestic and international customers with products that have universal appeal. It is our hope that this policy will lead to stable growth and meet shareholder expectations. The Company will also continue to share its prosperity with customers, business partners, employees and local communities.

(2) Medium- and Long-term Corporate Strategies and PlannedManagement Indicators

The key requirements for attaining our medium- and long-term goals include: 1) strengthening earning capacity through promotion of selection and focus, 2) aggressive investment in overseas business, a high-growth area expected to develop into future mainstay business, and 3) establishment of a solid management and administration system. Specifying these three as our main objectives, we will implement specific action plans.

1) Strengthening earning capacity through promotion of selection and focus

We will strive to increase our earning capacity for business operations in Japan by implementing a structural reform without sanctuary. Specific measures include the cultivation of power brands, improvement of cost efficiency for marketing and advertising expenses, and reduction of fixed costs.

2) Aggressive investment in overseas business, a high-growth area expected to develop into future mainstay business

In accordance with the basic policy of “production at the right place, sales at the right place,” we will establish production and sales systems aimed at enhancing a synergy among business sites.

3) Establishment of a solid management and administration system

We will improve our organizational structure with the aim of maximizing group-wide synergy. We will also strictly control the plans and progress of action at all group companies so that a cycle for continued improvements will function properly.

As for management indicators, our corporate group’s target is to achieve a 5% ROS (return on sales) on a consolidated basis.

(3) Future challenges

As the social situations and economic environment surrounding our business change at an amazing pace on a global scale, our corporate group is determined to boost our corporate value, while flexibly responding to these environmental changes. In view of these situations, the main challenges that our corporate group must address include:

- Increasing R&D
- Strengthening sales capabilities
- Establishing a solid quality assurance system
- Reducing manufacturing costs
- Building a more efficient product supply system
- Enhancing administrative efficiency
- Aggressively approaching new energy markets
- Fostering human resources and increasing their energy
- Maintaining legal and ethical compliance and promoting environmental preservation

To effectively address these challenges, our corporate group will implement various structural reform programs in an agile and continuous manner in an attempt to build a corporate structure capable of overcoming market competition from a medium to long-term perspective.

Consolidated Financial Statements

Ezaki Glico Co., Ltd. and
Consolidated Subsidiaries

Years ended 31st March, 2010 and 2009
with Report of Independent Auditors

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

31st March, 2010 and 2009

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Assets			
Current assets:			
Cash and deposits *(Note 4,5)*	**¥ 16,659**	¥ 11,198	**$ 179,056**
Marketable securities *(Note 5,6)*	**13,708**	9,900	**147,333**
Notes and accounts receivable *(Note 5)*	**29,422**	29,971	**316,227**
Less allowance for doubtful accounts	**(147)**	(95)	**(1,577)**
Inventories *(Note 7)*	**18,345**	20,219	**197,177**
Deferred income taxes *(Note 16)*	**2,466**	2,792	**26,499**
Other current assets	**2,221**	3,192	**23,870**
Total current assets	**82,674**	77,177	**888,585**
Property, plant and equipment:			
Land	**11,600**	14,647	**124,678**
Buildings and structures	**67,557**	67,246	**726,107**
Machinery and vehicles *(Notes 8)*	**122,864**	119,439	**1,320,550**
Tools, furniture and fixtures *(Note 8)*	**18,676**	19,459	**200,735**
Lease	**398**	205	**4,280**
Construction in progress	**4,617**	1,401	**49,626**
	225,712	222,397	**2,425,976**
Less accumulated depreciation	**(160,323)**	(155,934)	**(1,723,173)**
Property, plant and equipment, net	**65,389**	66,463	**702,803**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**158**	158	**1,701**
Investments in securities *(Note 5,6)*	**37,513**	36,661	**403,192**
Long-term loans receivable	**1,175**	953	**12,634**
Deferred income taxes *(Note 16)*	**4,579**	5,815	**49,212**
Software	**1,012**	590	**10,872**
Software in progress	**3,098**	1,213	**33,303**
Other assets*(Notes 8)*	**6,080**	4,415	**65,344**
Less allowance for doubtful accounts	**(689)**	(393)	**(7,405)**
Total investments and other assets	**52,926**	49,412	**568,853**
Total assets	**¥ 200,989**	¥ 193,052	**$ 2,160,241**

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable *(Note 5)*	**¥ 25,508**	¥ 28,942	**$ 274,158**
Short-term loans *(Note 5,9)*	**10,908**	21,862	**117,242**
Current portion of long-term debts *(Note 5,9)*	**1**	1	**6**
Accrued expenses	**19,861**	18,560	**213,463**
Accrued income taxes *(Note 16)*	**3,206**	872	**34,456**
Accrued bonuses for directors and corporate auditors	**109**	88	**1,174**
Accrued expense for sales promotion	**1,292**	1,195	**13,887**
Other current liabilities	**5,580**	4,823	**59,984**
Total current liabilities	**66,465**	76,343	**714,370**
Long-term liabilities:			
Long-term debts *(Note 9)*	**10,005**	6	**107,535**
Accrued retirement benefits for employees *(Note 10)*	**11,556**	12,134	**124,205**
Accrued retirement benefits for directors and corporate auditors	**194**	345	**2,084**
Other long-term liabilities	**4,481**	4,116	**48,166**
Total long-term liabilities	**26,236**	16,601	**281,990**
Contingent liabilities *(Note 14)*			
Net assets:			
Shareholders' equity *(Note 11)*:			
Common stock:			
Authorized – 470,000,000 shares			
Issued – 144,860,138 shares in 2010 and 2009	**7,774**	7,774	**83,552**
Capital surplus	**7,427**	7,426	**79,824**
Retained earnings *(Notes 11 and 18)*	**118,263**	112,936	**1,271,100**
Treasury stock, at cost – 31,350,577 shares in 2010, and 31,305,826 shares in 2009	**(26,685)**	(26,640)	**(286,806)**
Total shareholders' equity	**106,779**	101,496	**1,147,670**
Valuation and translation adjustments:			
Net unrealized holding gain on securities	**951**	(1,229)	**10,218**
Loss on deferred hedges	**(494)**	(635)	**(5,304)**
Translation adjustments	**(1,100)**	(1,231)	**(11,826)**
Total valuation and translation adjustments	**(643)**	(3,095)	**(6,912)**
Minority interests	**2,152**	1,707	**23,123**
Total net assets	**108,288**	100,108	**1,163,881**
Total liabilities and net assets	**¥ 200,989**	¥ 193,052	**$ 2,160,241**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

Years ended 31st March, 2010 and 2009

	2010	2009	**2010**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales	**¥ 284,537**	¥ 289,015	**$ 3,058,220**
Cost of sales *(Note 15)*	**160,746**	170,250	**1,727,702**
Gross profit	**123,791**	118,765	**1,330,518**
Selling, general and administrative expenses *(Note 15)*	**111,985**	112,364	**1,203,628**
Operating income	**11,806**	6,401	**126,890**
Other income (expenses):			
Interest and dividend income	**931**	1,111	**10,008**
Interest expense	**(304)**	(334)	**(3,268)**
Gain on sales of marketable securities	**1**	3	**13**
Gain on sales of land	**—**	258	**—**
Loss on disposal of property, plant and equipment	**(376)**	(280)	**(4,045)**
Loss on impairment of fixed assets *(Note 8)*	**(167)**	(113)	**(1,796)**
Gain on sales of investments in securities	**44**	163	**476**
Loss on devaluation of investments in securities	**(166)**	(4,542)	**(1,781)**
Loss from foreign exchange	**(23)**	(68)	**(251)**
Reversal of provision for doubtful accounts	**53**	120	**567**
Provision for doubtful accounts	**(360)**	(110)	**(3,869)**
Other, net	**282**	24	**3,034**
Income before income taxes and minority interests	**11,721**	2,633	**125,978**
Income taxes *(Note 16)*:			
Current	**4,020**	1,351	**43,208**
Deferred	**311**	1,965	**3,347**
	4,331	3,316	**46,555**
Income before minority interests	**7,390**	(683)	**79,423**
Minority interests	**359**	384	**3,853**
Net income	**¥ 7,031**	¥ (1,067)	**$ 75,570**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Years ended 31st March, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Shareholders' equity:			
Common stock			
Balance at beginning of year	**¥ 7,774**	¥ 7,774	**$ 83,552**
Balance at end of year	**¥ 7,774**	¥ 7,774	**$ 83,552**
Capital surplus			
Balance at beginning of year	**¥ 7,426**	¥ 7,421	**$ 79,820**
Disposition of treasury stock	**1**	5	**4**
Balance at end of year	**¥ 7,427**	¥ 7,426	**$ 79,824**
Retained earnings			
Balance at beginning of year	**¥ 112,936**	¥ 115,932	**$ 1,213,837**
Cash dividends	**(1,136)**	(1,290)	**(12,205)**
Interim cash dividends	**(568)**	(639)	**(6,102)**
Net income	**7,031**	(1,067)	**75,570**
Balance at end of year	**¥ 118,263**	¥ 112,936	**$ 1,271,100**
Treasury stock			
Balance at beginning of year	**¥ (26,640)**	¥ (10,494)	**$ (286,325)**
Acquisition of treasury stock	**(49)**	(16,198)	**(525)**
Disposition of treasury stock	**4**	52	**44**
Balance at end of year	**¥ (26,685)**	¥ (26,640)	**$ (286,806)**
Valuation and translation adjustments:			
Net unrealized holding gains on securities			
Balance at beginning of year	**¥ (1,229)**	¥ 684	**$ (13,205)**
Net changes during the year	**2,180**	(1,913)	**23,423**
Balance at end of year	**¥ 951**	¥ (1,229)	**$ 10,218**
Loss on deferred hedges			
Balance at beginning of year	**¥ (635)**	¥ (803)	**$ (6,833)**
Net changes during the year	**141**	168	**1,529**
Balance at end of year	**¥ (494)**	¥ (635)	**$ (5,304)**
Foreign exchange adjustment account			
Balance at beginning of year	**¥ (1,231)**	¥ 43	**$ (13,233)**
Net changes during the year	**131**	(1,274)	**1,407**
Balance at end of year	**¥ (1,100)**	¥ (1,231)	**$ (11,826)**
Minority interests:			
Balance at beginning of year	**¥ 1,707**	¥ 1,957	**$ 18,352**
Net changes during the year	**445**	(250)	**4,771**
Balance at end of year	**¥ 2,152**	¥ 1,707	**$ 23,123**

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended 31st March, 2010 and 2009

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 11,721**	¥ 2,633	**$ 125,978**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**10,319**	9,989	**110,918**
Loss on impairment of fixed assets	**167**	113	**1,796**
(Decrease) in accrued retirement benefits for employees	**(577)**	(1,153)	**(6,211)**
(Decrease) in accrued retirement benefits for directors and corporate auditors	**(151)**	(125)	**(1,624)**
Increase (decrease) in accrued bonuses for directors and corporate auditors	**20**	(3)	**224**
Increase in accrued expense for sales promotion	**97**	1,195	**1,043**
Interest and dividend income	**(931)**	(1,111)	**(10,008)**
Interest expense	**304**	334	**3,268**
Exchange loss (gain)	**16**	64	**179**
Loss on disposal of property, plant and equipment	**376**	280	**4,045**
Loss on devaluation of investment in securities	**166**	4,542	**1,781**
Decrease (increase) in notes and accounts receivable	**984**	(1,713)	**10,592**
Decrease (increase) in inventories	**1,911**	(1,335)	**20,543**
Increase (decrease) in notes and accounts payable	**(3,505)**	(348)	**(37,680)**
Other	**4,424**	3,754	**47,527**
Subtotal	**25,341**	17,116	**272,371**
Income taxes paid	**(1,750)**	(1,033)	**(18,805)**
Net cash provided by operating activities	**23,591**	16,083	**253,566**
Cash flows from investing activities:			
Increase in time deposits	**(307)**	(1,439)	**(3,306)**
Decrease in time deposits	**500**	407	**5,374**
Purchases of marketable securities	**(3,094)**	—	**(33,256)**
Proceeds from sales of marketable securities	**1,293**	503	**13,897**
Purchases of investments in securities	**(402)**	(661)	**(4,330)**
Proceeds from sales of investments in securities	**2,212**	4,857	**23,780**
Purchases of property, plant and equipment	**(11,996)**	(11,113)	**(128,937)**
Proceeds from sales of property, plant and equipment	**45**	436	**485**
Purchases of intangible assets	**(2,602)**	(1,508)	**(27,976)**
Increase in loans receivable	**(610)**	(501)	**(6,554)**
Collection of loans receivable	**644**	604	**6,930**
Interest and dividends received	**930**	1,118	**10,000**
Other	**—**	2	**—**
Net cash used in investing activities	**(13,387)**	(7,295)	**(143,893)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	**(11,000)**	13,895	**(118,229)**
Increase in long-term loans	**10,000**	—	**107,481**
Repayment of long-term debts	**(1)**	(1)	**(6)**
Interest and dividends paid	**(1,963)**	(2,299)	**(21,106)**
Cash dividends paid to minority shareholders	**(16)**	(16)	**(181)**
Acquisition of treasury stock	**(48)**	(16,198)	**(524)**
Other	**(60)**	37	**(628)**
Net cash (used in) provided by financing activities	**(3,088)**	(4,582)	**(33,193)**
Effect of exchange rate changes on cash and cash equivalents	**92**	(428)	**991**
Net increase (decrease) in cash and cash equivalents	**7,208**	3,778	**77,471**
Cash and cash equivalents at beginning of the year	**19,581**	15,803	**210,465**
Cash and cash equivalents at end of the year *(Note 4)*	**¥ 26,789**	¥ 19,581	**$ 287,936**

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

31st March, 2010

1. Basis of Presentation

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

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

Certain reclassifications of previously reported amounts have been made to the consolidated financial statements for the year ended 31st March, 2009 to conform them to the 2010 presentation. Such reclassifications had no effect on consolidated net income or net assets.

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥93.04 = U.S. $1.00, the approximate rate of exchange in effect prevailing on 31st March, 2010, has been utilized. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realized or settled in U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

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

The accompanying consolidated financial statements include the accounts of the Company and any significant companies which it controls directly or indirectly. All significant intercompany balances and transactions have been eliminated in consolidation.

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

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

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

(b) Foreign currency translation

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

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

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

2. Summary of Significant Accounting Policies (continued)

(c) Cash and cash equivalents

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

(d) Allowance for doubtful accounts

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

(e) Marketable securities and investments in securities

The accounting standard applicable to financial instruments requires that securities be classified into three categories: trading securities, held-to-maturity debt securities or other securities. Trading securities are carried at fair value, and gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are carried at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is principally determined by the moving average method. Compound financial instruments inclusive of derivative components are in aggregate carried at fair value.

(f) Inventories

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

(g) Property, plant and equipment (except for leases)

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

(h) Computer software (except for leases)

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

2. Summary of Significant Accounting Policies (continued)

(i) Leases

Leases are depreciated by the straight-line method over serviceable life with residual value zero.
Among finance leases other than those which transfer the ownership of the leased property to the Company and its domestic consolidated subsidiaries, those contracted before March 31,2008 are accounted for according to normal rental business contracts.

(j) Accrued bonuses for directors and corporate auditors

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

(k) Accrued retirement benefits

Accrued retirement benefits for employees have been provided mainly at an amount calculated based on the retirement benefit obligation and the fair value of the pension plan assets as of the balance sheet date, as adjusted for unrecognized actuarial gain or loss and unrecognized prior service cost. The retirement benefit obligation is attributed to each period by the straight-line method over the estimated remaining years of service of the eligible employees.

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

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

(l) Accrued retirement benefits for directors and corporate auditors

Allowance for retirement benefits for directors and corporate auditors (“officers”) is provided based on the Companies’ pertinent rules and is calculated as estimated amount which would be payable if all officers were to retire at the balance sheet date.

(m) Accrued expense for sales promotion

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

2. Summary of Significant Accounting Policies (continued)

(n) Derivative financial instruments and hedging activities

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

(o) Appropriation of retained earnings

Under the new Corporation Law of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of the financial period and the accounts for the period, therefore, do not reflect such appropriations. (See Note 18.)

3. Changes in Method of Accounting

(a) Accounting Standard for accrued retirement benefits

Effective the year ended 31st March, 2010, the Company and its domestic consolidated subsidiaries have adopted "Revision (No.3) of Accounting Standard for Accrued Retirement Benefits" (Accounting Standards Board of Japan (ASBJ) Statement No. 19 issued on July 31, 2008).

There is no impact on profit and loss as a result of the adoption of this accounting standard.

4. Cash and Cash Equivalents

The balances of cash and deposits reflected in the consolidated balance sheets at 31st March, 2010 and 2009 are reconciled to the balances of cash and cash equivalents as presented in the consolidated statements of cash flows for the years then ended as follows:

	2010	**2009**	**2010**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	**¥ 16,659**	¥ 11,198	**$ 179,056**
Time deposits with original maturities in excess of three months included in cash and deposits	**(1,276)**	(1,517)	**(13,719)**
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	**11,406**	9,900	**122,599**
Short-term investments which mature within three months of the dates of acquisition included in other current assets	—	—	—
Cash and cash equivalents	**¥ 26,789**	¥ 19,581	**$ 287,936**

5. Financial Instruments

Effective the year ended 31st March, 2010, a new accounting standard for financial instruments and related implementation guidance have been adopted.

For the year ended 31st March, 2010

・Overview

a) Action policy for financial instruments

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

b) Contents of financial instruments and related risk

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

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

As for derivative financial instruments, interest rate swap transactions are utilized for the purpose of reducing interest rate risk in a future market of investment in securities.

c) Risk management for financial instruments

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

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

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

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

5. Financial Instruments (continued)

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

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

d) Supplementary explanation of the estimated fair value of financial instruments
The fair value of financial instruments is based on their quoted market price, if available. When there is no quoted market price available, fair value is reasonably estimated. Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, the notional amounts of derivatives in Note.13 Derivatives are not necessarily indicative of the actual market risk involved in derivative transactions.

・Estimated fair value of financial instruments
Carrying value of financial instruments on the consolidated balance sheet as of 31st March, 2010 and estimated fair value are as follows. Financial instruments for which it is extremely difficult to determine the fair value are not included (please refer to ｎote.2 below).

5. Financial Instruments (continued)

	2010		
	Carrying Value	**Estimated fair value**	**Difference**
	(Millions of yen)		
Assets:			
Cash and deposits	**¥ 16,659**	**¥16,659**	—
Notes and accounts receivable	**29,422**	**29,422**	—
Marketable securities and investments in securities	**49,870**	**49,870**	—
Total assets	**95,951**	**95,951**	—
Liabilities:			
Notes and accounts payable	**¥25,508**	**¥25,508**	—
Short-term loans and current portion of long-term debt	**10,909**	**10,909**	—
Total liabilities	**36,417**	**36,417**	—
Derivatives*	**¥ (168)**	**¥ (168)**	—

	2010		
	Carrying Value	**Estimated fair value**	**Difference**
	(Thousands of U.S. dollars)		
Assets:			
Cash and deposits	**$ 179,056**	**$ 179,056**	—
Notes and accounts receivable	**316,227**	**316,227**	—
Marketable securities and investments in securities	**536,009**	**536,009**	—
Total assets	**1,031,292**	**1,031,292**	—
Liabilities:			
Notes and accounts payable	**$274,158**	**$274,158**	—
Short-term loans and current portion of long-term debt	**117,248**	**117,248**	—
Total liabilities	**391,406**	**391,406**	—
Derivatives*	**$ (1,808)**	**$ (1,808)**	—

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

5. Financial Instruments (continued)

notes:

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

Assets

Cash and deposits, Notes and accounts receivable

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

Marketable securities and investments in securities

The fair value of stocks is based on quoted market prices. The fair value of debt securities is based on either quoted market prices or prices provided by the financial institutions making markets in these securities. In addition, please refer to Note.6 "Marketable Securities and Investments in Securities" for the matter about the possession purpose of securities.

Liabilities

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

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

Derivatives

Please refer to Note.13 “Derivatives”

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

	2010	**2010**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Unlisted stocks	**¥1,509**	**$16,217**

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

5. Financial Instruments (continued)

3. The redemption schedule at 31st March, 2010 for receivables and marketable securities with maturity dates is summarized as follows:

	(Millions of yen)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥16,583	—	—	—
Notes and accounts receivable	29,422	—	—	—
Corporate bonds	1,907	1,400	3,700	8,940
Other securities	900	400	320	—

	(Thousands of U.S. dollars)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	$ 178,233	—	—	—
Notes and accounts receivable	316,227	—	—	—
Corporate bonds	20,493	15,047	39,768	96,088
Other securities	9,673	4,299	3,439	—

6. Marketable Securities and Investments in Securities

a) Marketable securities classified as held-to-maturity debt securities and other securities at 31st March, 2010 and 2009 are summarized as follows:

Held-to-maturity debt securities:

	2010			2009		
	Carrying value	**Estimated fair value**	**Unrealized gain**	**Carrying value**	**Estimated fair value**	**Unrealized gain**
	(Millions of yen)					
Securities whose estimated fair value exceeds their carrying value:						
Corporate bonds	¥ –	¥ –	¥ –	¥ —	¥ —	¥ —
Securities whose carrying value exceeds their estimated fair value:						
Corporate bonds	–	–	–	–	–	–
Total	¥ –	¥ –	¥ –	¥ —	¥ —	¥ —

	2010		
	Carrying value	**Estimated fair value**	**Unrealized gain**
	(Thousands of U.S. dollars)		
Securities whose estimated fair value exceeds their carrying value:			
Corporate bonds	$ –	$ –	$ –
Securities whose carrying value exceeds their estimated fair value:			
Corporate bonds	–	–	–
Total	$ –	$ –	$ –

The Company and consolidated subsidiaries had no marketable securities classified as held-to-maturity debt securities at 31st March, 2010.

6. Marketable Securities and Investments in Securities (continued)

Other securities:

	2010			2009		
	Acquisition cost	**Carrying value**	**Unrealized holding gain (loss)**	**Acquisition cost**	**Carrying value**	**Unrealized holding gain (loss)**
	(Millions of yen)					
Securities whose carrying value exceeds their acquisition cost:						
Stocks	**¥ 7,006**	**¥ 11,365**	**¥ 4,359**	¥ 1,388	¥ 3,482	¥ 2,094
Corporate bonds	**3,062**	**3,388**	**326**	845	900	55
Other	—	—	—	—	—	—
Subtotal	**10,068**	**14,753**	**4,685**	2,233	4,382	2,149
Securities whose acquisition cost exceeds their carrying value:						
Stocks	**14,805**	**12,745**	**(2,060)**	20,285	17,506	(2,779)
Corporate bonds	**11,478**	**10,160**	**(1,318)**	14,264	12,944	(1,320)
Other	**12,263**	**12,213**	**(50)**	605	477	(128)
Subtotal	**38,546**	**35,118**	**(3,428)**	35,154	30,927	(4,227)
Total	**¥ 48,614**	**¥ 49,871**	**¥ 1,257**	¥ 37,387	¥ 35,309	¥(2,078)

	2010		
	Acquisition cost	**Carrying value**	**Unrealized holding gain (loss)**
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	**$ 75,296**	**$ 122,146**	**$ 46,850**
Corporate bonds	**32,907**	**36,411**	**3,504**
Other	—	—	—
Subtotal	**108,203**	**158,557**	**50,354**
Securities whose acquisition cost exceeds their carrying value:			
Stocks	**159,130**	**136,986**	**(22,144)**
Corporate bonds	**123,357**	**109,196**	**(14,161)**
Other	**131,806**	**131,270**	**(536)**
Subtotal	**414,293**	**377,452**	**(36,841)**
Total	**$ 522,496**	**$ 536,009**	**$ (13,513)**

6. Marketable Securities and Investments in Securities (continued)

b) Sales of securities classified as other securities for the years ended 31st March, 2010 and 2009 are summarized as follows:

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales	**¥314**	¥3,270	**$3,372**
Gain on sales	**44**	165	**476**
Loss on sales	—	173	—

c) The carrying value of investments in non-marketable securities at 31st March, 2010 and 2009 was as follows:

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars)*
Other securities:			
Free financial funds	**¥** —	¥7,989	**$** —
Commercial paper	—	1,495	—
Corporate bonds	—	—	—
Unlisted equity securities (except for shares traded on the over-the-counter market)	**1,350**	1,152	**14,516**
Convertible bonds	—	200	—
Other	—	416	—

d) The securities which was impaired

Loss on devaluation of investment in securities amounted to ¥120 million ($ 1,289thousand) for the year ended 31st March, 2010.
In case the fair value in the end of the term falls more than 50% in comparison with historical cost, the asset would be impaired, and in case that falls around 30-50% the asset would be impaired with considering recovery possibility.

7. Inventories

Inventories at 31st March, 2010 and 2009 consisted of the following:

	2010	2009	**2010**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Finished goods and Commercial goods	**¥ 7,480**	¥ 8,445	**$ 80,394**
Work in process	**934**	933	**10,040**
Raw materials and Supplies	**9,931**	10,841	**106,743**
	¥18,345	¥20,219	**$197,177**

The amount of inventory at the end of period is the amount which has been written down to the amount of its net selling value on inventories with lower profitability. The amount of loss from evaluation is ¥237 million ($2,546 thousand).

8. Loss on Impairment of Fixed Assets

Fixed assets of the Company and its domestic consolidated subsidiaries are grouped at each unit which has decision-making authority for investing activities. Idle assets of the Company and its domestic consolidated subsidiaries are also grouped by asset. Consequently, concerning business assets with continuing decreased profitability and facilities with no prospects for use, the Company and its domestic consolidated subsidiaries have written them down to their respective net recoverable value. The related loss on impairment of fixed assets of ¥167 million ($1,796 thousand) has been recorded in the consolidated statement of income for the year ended 31st March, 2010. The details of the loss on impairment are as follows:

	2010	**2010**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Facilities held in Osaka City, Osaka Prefecture and other locations:		
Machinery	¥ 117	$ 1,256
Other assets	50	540
Total	¥ 167	$ 1,796

The recoverable amounts of the assets presented in the above table are measured at reasonable estimates of their respective net collectible amounts. The reasonable estimates of the respective net collectible amounts have been determined principally at nil.

9. Short-Term Loans and Long-Term Debts

Short-term loans principally represent notes issued by the domestic consolidated subsidiaries. The average interest rates on these borrowings were 0.58% and 0.85% at 31st March, 2010 and 2009, respectively.

Long-term debts at 31st March, 2010 and 2009 consisted of the following:

	2010	2009	**2010**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Secured:			
Loans from banks or other	**¥ –**	¥ –	**$ –**
Unsecured:			
Loans from banks	**10,006**	7	**107,541**
Lease Obligation	**323**	180	**3,474**
	10,329	187	**111,015**
Less current portion:			
Loans from banks	**(1)**	(1)	**(6)**
Lease Obligation	**(90)**	(46)	**(967)**
	(91)	(47)	**(973)**
	¥10,238	¥ 140	**$110,042**

Assets pledged at 31st March, 2010 and 2009 as collateral for short-term and long-term loans from banks or other in the aggregate amount of ¥ zero ($ zero) and ¥77 million, respectively, are as follows:

	2010	**2009**	**2010**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Land	¥ —	¥ 77	$ —
Buildings and structures	—	—	—
	¥ —	¥ 77	$ —

The aggregate annual maturities of long-term debts and lease obligation subsequent to 31st March, 2010 are summarized below:

	long-term debts		*lease obligation*	
	(Millions of yen)	*(Thousands of U.S. dollars)*	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Year ending 31st March,				
2011	¥ 1	$ 6	¥ 90	$ 967
2012	1	6	84	904
2013	1	6	77	823
2014	1	6	54	581
2015	10,001	107,487	16	174
2016 and thereafter	1	30	2	25
	¥,10,006	$107,541	¥323	$3,474

10. Accrued Retirement Benefits for Employees

The Company and certain of its domestic consolidated subsidiaries (Glico Daily Products Co., Ltd. and Glico Foods Co., Ltd.) have defined benefit plans, i.e., corporate pension fund plans in addition to lump-sum payment plans. Other domestic consolidated subsidiaries have lump-sum payment plans.

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at 31st March, 2010 and 2009 for the defined benefit plans of the Company and the consolidated subsidiaries:

	2010	**2009**	**2010**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation	**¥ (25,591)**	¥ (25,949)	**$ (275,059)**
Plan assets at fair value	**12,868**	11,328	**138,309**
Unfunded retirement benefit obligation	**(12,723)**	(14,621)	**(136,750)**
Unrecognized actuarial loss	**1,497**	3,148	**16,096**
Unrecognized prior service cost	**(330)**	(661)	**(3,551)**
Accrued retirement benefits for employees	**¥ (11,556)**	¥ (12,134)	**$ (124,205)**

10. Accrued Retirement Benefits for Employees (continued)

The components of retirement benefit expenses for the years ended 31st March, 2010 and 2009 are outlined as follows:

	2010	2009	2010
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	**¥1,150**	¥1,126	**$ 12,361**
Interest cost	**579**	597	**6,224**
Expected return on plan assets	**(394)**	(447)	**(4,239)**
Amortization:			
Actuarial loss	**608**	518	**6,537**
Prior service cost	**(335)**	(623)	**(3,601)**
Retirement benefit expenses	**¥1,608**	¥1,171	**$ 17,282**

The retirement benefit expenses of the domestic consolidated subsidiaries which are calculated by simplified methods have been included in service cost in the above table.

The assumptions used in accounting for the above plans for the years ended 31st March, 2010 and 2009 are as follows:

	2010	2009
Discount rate	**2.5%**	2.5%
Expected rates of return on plan assets	**3.5%**	3.5%

11. Shareholders' Equity

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

The legal reserve of the Company, which is included in retained earnings, amounted to ¥1,943 million ($20,888 thousand) at 31st March, 2010 and 2009.

11. Shareholders' Equity (continued)

Treasury stock

Movements in treasury stock for the year ended 31st March, 2010 are summarized as follows:

	Number of Shares			
	2010			
	31st March, 2009	Increase	Decrease	31st March, 2010
Treasury Stock	31,305,826	49,294	4,543	31,350,577

12. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation, loss on impairment and net book value of the leased assets at 31st March, 2010 and 2009, which would have been reflected in the consolidated balance sheets if finance lease accounting had been applied to the finance leases currently accounted for as operating leases:

	2010			
	Acquisition costs	**Accumulated depreciation**	**Loss on impairment**	**Net book value**
	(Millions of yen)			
Buildings and structures	**¥ 330**	**¥ 258**	**¥ –**	**¥ 72**
Machinery and vehicles	**640**	**497**	**12**	**131**
Tools, furniture and fixtures	**508**	**401**	**36**	**71**
Total	**¥ 1,478**	**¥ 1,156**	**¥ 48**	**¥ 274**

	2009			
	Acquisition costs	**Accumulated depreciation**	**Loss on impairment**	**Net book value**
	(Millions of yen)			
Buildings and structures	**¥ 330**	**¥ 192**	**¥ –**	**¥ 138**
Machinery and vehicles	**967**	**689**	**12**	**266**
Tools, furniture and fixtures	**831**	**648**	**36**	**147**
Total	**¥ 2,128**	**¥ 1,529**	**¥ 48**	**¥ 551**

12. Leases (continued)

	2010			
	Acquisition costs	**Accumulated depreciation**	**Loss on impairment**	**Net book value**
	(Thousands of U.S. dollars)			
Buildings and structures	**$ 3,547**	**$ 2,779**	**$ –**	**$ 768**
Machinery and vehicles	**6,877**	**5,328**	**136**	**1,413**
Tools, furniture and fixtures	**5,458**	**4,314**	**383**	**761**
Total	**$ 15,882**	**$ 12,421**	**$ 519**	**$ 2,942**

Lease payments relating to finance leases in the accompanying consolidated financial statements (which is included loss on impairment) amounted to ¥304 million ($3,267 thousand) and ¥432 million ($4,652 thousand), which were equal to the depreciation of the leased assets computed by the straight-line method over the respective lease terms, assuming a nil residual value, for the years ended 31st March, 2010 and 2009, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to 31st March, 2010 for finance leases are summarized as follows:

Year ending 31st March,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2011	¥ 156	$ 1,678
2012 and thereafter	118	1,264
Total	¥ 274	$ 2,942
balance in impaired lease obligation	¥ 4	$ 39

Future minimum lease payments subsequent to 31st March, 2010 for operating leases are summarized as follows:

Year ending 31st March,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2011	¥ 72	$ 774
2012 and thereafter	312	3,353
Total	¥ 384	$ 4,127

13. Derivatives

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

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

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

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

Notional amounts, market values, and unrealized gains (losses) are as follows:

	2010		
	Notional amounts	**Market value**	**Unrealized gain (loss)**
		(Millions of yen)	
Interest rate swap:			
Pay floating/ Receive fixed rate	**¥5,000**	**(168)**	**(168)**

	2010		
	Notional amounts	**Market value**	**Unrealized gain (loss)**
		(Thousands of U.S. dollars)	
Interest rate swap:			
Pay floating/ Receive fixed rate	**$53,740**	**(1,808)**	**(1,808)**

	2009		
	Notional amounts	**Market value**	**Unrealized gain (loss)**
		(Millions of yen)	
Interest rate swap:			
Pay floating/ Receive fixed rate	**¥13,000**	**1,235**	**1,235**

14. Contingent Liabilities

The Company was contingently liable as a guarantor for employees' housing loans in the aggregate amount of ¥6 million ($63 thousand) at 31st March, 2010.

15. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended 31st March, 2010 and 2009 totaled ¥4,714 million ($50,666 thousand) and ¥4,736 million, respectively.

16. Income Taxes

The Company and its domestic consolidated subsidiaries are subjected to several types of taxes: corporate taxes, local inhabitants taxes and enterprise taxes, which in aggregate resulted in a statutory tax rate of approximately 40.6% for the fiscal years ended 31st March, 2010 and 2009. Overseas subsidiaries are subject to the income and other taxes of the respective countries in which they operate.

The reasons of the difference between effective tax rates and the statutory tax rates for the years ended 31st March, 2010 and 2009 are as follows:

	2010	**2009**
Statutory tax rate	**40.6%**	40.6%
Permanent non-deductible expenses	**1.6**	6.5
Inhabitants' per capita taxes	**1.2**	5.1
Valuation allowance	**0.9**	88.1
Tax deduction	**(5.0)**	(5.8)
Other	**(2.3)**	(8.5)
Effective tax rates	**37.0%**	126.0%

16. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at 31st March, 2010 and 2009 are summarized as follows:

	2010	**2009**	**2010**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Current portion			
Deferred tax assets:			
Accrued expenses	**¥ 838**	¥ 741	**$ 9,004**
Accrued bonuses	**1,094**	1,069	**11,761**
Deferred hedge	**338**	435	**3,631**
Other	**823**	1,078	**8,845**
Gross deferred tax assets	**3,093**	3,323	**33,241**
Less valuation allowance	**(30)**	(29)	**(321)**
Total deferred tax assets – current	**¥ 3,063**	¥ 3,294	**$ 32,920**
Deferred tax liabilities:			
Gain on interest-rate swaps	**(597)**	(502)	**(6,421)**
Total deferred tax liabilities	**(597)**	(502)	**(6,421)**
Net deferred tax assets	**¥ 2,466**	¥ 2,792	**$ 26,499**
Non-current portion			
Deferred tax assets:			
Accrued retirement benefits for employees	**¥ 5,011**	¥ 5,199	**$ 53,864**
Loss on impairment of fixed assets	**2,252**	2,514	**24,200**
Tax loss carryforwards	**—**	773	**—**
Amortization of deferred assets	**29**	30	**311**
Depreciation	**584**	367	**6,276**
Other	**3,331**	3,051	**35,801**
Gross deferred tax assets	**11,207**	11,934	**120,452**
Less valuation allowance	**(6,005)**	(5,800)	**(64,540)**
Total deferred tax assets – non-current	**5,202**	6,134	**55,912**
Deferred tax liabilities:			
Net unrealized holding gain on securities	**(305)**	(5)	**(3,281)**
Reserve for special depreciation included in retained earnings	**(28)**	(11)	**(304)**
Reserve for deferred gain on property included in retained earnings	**(290)**	(303)	**(3,115)**
Total deferred tax liabilities	**(623)**	(319)	**(6,700)**
Net deferred tax assets	**¥ 4,579**	¥ 5,815	**$ 49,212**

17. Amounts per Share

Amounts per share at 31st March, 2010 and 2009 and for the years then ended were as follows:

	2010	2009	2010
	(Yen)		*(U.S. dollars)*
Net income	**¥ 61.93**	¥ (8.66)	**$ 1**
Cash dividends	**15.00**	15.00	**0**
Net assets	**935.04**	866.55	**10**

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

Diluted net income per share for the years ended 31st March, 2010 and 2009 has not been disclosed because no potential for dilution existed at 31st March, 2010 and 2009.

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

18. Subsequent Event

The following appropriation of retained earnings, which has not been reflected in the accompanying consolidated financial statements for the year ended 31st March, 2010, was approved at a shareholders' meeting held on 29th June, 2010:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥10.00 = U.S.$0.11 per share)	¥1,135	$12,200

Corporate Information

Board of Directors and Statutory Auditors (as of March 31, 2010)

President & CEO
Katsuhisa Ezaki

Directors
Mitsutomo Hara
Yasunori Yoshida
Munekazu Nakagawa
Takashi Kuriki
Etsuro Ezaki
Tetsuo Masuda
Masamichi Ezaki
Masahiro Azumi

Standing Corporate Auditor
Tadao Anaho
Masaaki Shibaike

Corporate Auditors
Eiji Tamai
Haruo Kuramoti
Keiji Masuda

Corporate Data (as of March 31, 2010)

Head Office
6-5, Utajima, 4-chome,
Nishiyodogawa-ku, 0saka 555-8502, Japan
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Fax：(06)6477-8250

Tokyo Branch
16-23, Shibaura, 4-chome, Minato-ku,
Tokyo 108-0023, Japan

Capital Paid
¥7,774 Million
（U.S. $83,555 Thousand）

Number of Employee
1,088

Stock Exchanges Listed
Tokyo, Osaka

Transfer Agents
Sumitomo Trust & Banking Co.,Ltd.
5-33, Kitahama, 4-chome, Chuo-ku,
Osaka 541-0041, Japan

Established
1922