おいしさと健康

Annual Report 2011

(Year ended March 31,2011)

Contents

Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	2011
Net sales	**284,048**	284,537	289,015	278,686	269,776	**3,416,097**
Income before income taxes and minority interests	**5,964**	11,721	2,633	4,425	7,988	**71,727**
Net income	**3,786**	7,031	(1,067)	1,407	4,123	**45,530**
	Yen					U.S. dollars
Per share of common stock:						
Net income						
Primary	**33.36**	61.93	(8.66)	10.89	31.91	**0.40**
Cash dividends	**15.00**	15.00	15.00	15.00	15.00	**0.18**
	Millions of yen					Thousands of U.S. dollars
Balance sheet data:						
Shareholders' equity	**108,629**	108,288	100,108	122,514	127,605	**1,306,419**
Total assets	**194,055**	200,989	193,052	202,677	211,672	**2,333,795**

Message from the President

In the consolidated fiscal year under review, the Japanese economy experienced positive signs such as improvements in corporate earnings and a slight recovery of capital investments in equipment. However, the Great East Japan Earthquake that occurred in March had a profound impact on all areas of society. This has caused increasing concern of a further decline in exports and production activities, which had begun to show signs of a pickup. Moreover, employment and income situations remain difficult, with a continued high unemployment rate. These sluggish employment and income situations bolstered the defensive mindset of consumers with regard to spending, causing the food industry to continuously face 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, and aggressively implementing sales strategies specifically tailored for each business segment's distribution methods. These efforts, based on Glico Group Action Guidelines, indicate our commitment to earn the trust and respect of stakeholders. Efforts are also continuously focused on the development of overseas business operations.

Consequently, ice cream and food products sales increased from the previous fiscal year but confectioneries, milk and dairy products, and meat products posted sales decreases. This resulted in consolidated net sales of ¥284,048 million, a decrease of 0.2% from the ¥284,536 million total of the previous fiscal year.

Regarding earnings, while cost-to-sales ratio remained nearly the same as the previous year, selling, general and administrative expenses grew. Although advertising expenditures declined, implementation of aggressive storefront promotion strategies at mass merchandisers pushed up sales promotion expenses. As a result, operating income totaled ¥9,997 million, or a ¥1,808 million decrease from the previous fiscal year (¥11,805 million).

During the consolidated fiscal year under review, a provision for business structure improvement and impairment loss, related to the reorganization of production sites scheduled for the next fiscal year or beyond, as well as losses on damage caused by the Great East Japan Earthquake were posted as extraordinary losses. As a result, net income was ¥3,786 million, or a decrease of ¥3,245 million from the previous fiscal year (¥7,031 million).

In addition to an interim divided of ¥5 per share, we will pay a year-end dividend of ¥10 per share for the fiscal year ended March 31, 2011. Although our Group's business environment is becoming increasingly difficult, we will unite the efforts of all Group companies to improve performance and meet the expectations of our shareholders.

Your continuing support will be deeply appreciated.

June 2011

Katsuhisa Ezaki, President and CEO

Operating Results and Financial Status

(1) Operating Results

Results by segment

(Unit: millions of yen)

Segment \ Period	FY2009 Apr. 1, 2009 to Mar. 31, 2010		FY2010 Apr. 1, 2010 to Mar. 31, 2011		Increase (Decrease)	Pct.
	Amount of sales	Ratio	Amount of sales	Ratio		
		%		%		%
Confectioneries	81,371	28.6	77,461	27.3	(3,910)	95.2
Ice Cream	58,155	20.4	63,400	22.3	5,245	109.0
Food Products	24,078	8.5	24,257	8.5	179	100.7
Milk and Dairy Products	84,918	29.8	83,074	29.2	(1,844)	97.8
Meat Products	31,506	11.1	31,072	10.9	(434)	98.6
Others	4,509	1.6	4,784	1.8	275	106.1
Total	284,537	100.0	284,048	100.0	(489)	99.8

[Confectioneries Division]

In Japan, ‘Cratz’ sales increased from the previous fiscal year, but sales of ‘Squeeze,’ ‘Cheeza’ and ‘Van Houten Chocolate’ decreased. Outside Japan, although the subsidiary in Thailand experienced a slight drop in sales, favorable sales of new products contributed to sales growth for the subsidiary in Shanghai.

As a result, divisional sales amounted to ¥77,461 million, a 4.8% decrease from the ¥81,371 million total posted during the previous fiscal year.

[Ice Cream Division]

Sales of mainstay ‘Panapp,’ ‘Papico’ and ‘Seventeen Ice’ grew over the previous fiscal year, although ‘Palitte’ sales dropped. Wholesale subsidiaries also enjoyed increased sales revenue.

As a result, divisional sales totaled ¥63,400 million, a 9.0% increase from the ¥58,155 million total recorded during the previous fiscal year.

[Food Products Division]

The mainstay ‘2-dan Juku Curry’ and ‘Takikomi Gozen’ posted sales declines from the previous fiscal year. However, the ‘Gochi’ series and the new product ‘2-dan Juku Hashed Beef’ marked steady sales increases.

As a result, divisional sales amounted to ¥24,257 million, a 0.7% increase from the ¥24,078 million total recorded during the previous fiscal year.

[Milk and Dairy Products Division]

Yogurt products such as ‘’Breakfast Apple Yogurt’ and ‘Breakfast Probiotics Yogurt’ recorded sales growth over the previous fiscal year. However, dessert products such as ‘Dororich’ as well as milk drinks experienced sales drop from the previous fiscal year.

As a result, divisional sales totaled ¥83,074 million, a 2.2% decrease from the ¥84,918 million total achieved during the previous fiscal year.

[Meat Products Division]

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

As a result, divisional sales were ¥31,072 million, a 1.4% decrease from the ¥31,506 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 degree of impact the Great East Japan Earthquake has on the Japanese economy is difficult to project, and our business environment will require further caution due to unpredictable effects of restricted electricity supply and soaring crude oil prices. Furthermore, the continuously challenging employment situation, combined with worsening economies outside Japan, fluctuations in stock prices, and the continuously strong yen will result 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 efforts on quick restoration from earthquake-caused damage. While doing so, we will also strive to assess consumer trends and 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, mainly in Asia.

With all our measures, we are projecting net sales of ¥296,000 million during the next fiscal year, or a 4.2% increase from the fiscal year under review. Our profit projections are an operating income of ¥4,500 million (down 55.0%), ordinary income of ¥4,000 million (down 62.3%) and a net income of ¥2,300 million (down 39.2%).

The above projections reflect effects of the Great East Japan Earthquake estimated at the current time. Should any matters that need to be disclosed arise due to changes in the future situations, etc., announcement will be made as promptly as possible.

Divisional consolidated sales forecasts for the next fiscal year

Divisional sales projections are as follows: Confectionery Division sales of ¥84,000 million (up 8.4% from the fiscal year under review), Ice Cream Division sales of ¥58,600 million (down 7.6%), Food Division sales of ¥26,000 million (up 7.2%), Milk and Dairy Product Division sales of ¥93,100 million (up 12.1%), and Meat Division sales of ¥29,300 million (down 5.7%).

(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	23,591	14,853	(8,738)
Cash flow – investing activities	(13,387)	(6,647)	6,740
Cash flow – financing activities	(3,088)	(6,314)	(3,226)
Balance of cash and cash equivalents at beginning of term	19,581	26,789	7,208
Balance of cash and cash equivalents at end of term	26,789	28,400	1,611

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 ¥8,206 million, a decrease of ¥1,998 million from the ¥10,204 million generated during the previous fiscal year. This decrease was mainly due to the decrease in income before income taxes.

Net cash used for financing activities was ¥6,314 million, an increase of ¥3,226 million from the 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, 2011) totaled ¥28,400 million, an increase of ¥1,611 million from the ¥26,789 million at the end of the previous fiscal year (March 31, 2010).

Cash flow indicator trends

	Mar. 2009	Mar. 2010	Mar. 2011
Net worth ratio (%)	51.0	52.8	54.8
Net worth ratio on market value basis (%)	57.8	61.6	56.4
Term of debt redemption (years)	1.3	0.8	1.1
Interest coverage ratio (times)	43.4	90.5	54.5

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.

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(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, 2010, this will add up to a full-year dividend of ¥15 per share.

Our dividend payout plan for the next fiscal year has been undecided at this moment because of uncertainty of effects the Great East Japan Earthquake may have on our corporate group. Announcement will be made as soon as the effects become foreseeable.

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 Future Challenges

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

The key requirements for attaining our medium/long-term goals are: 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 pushing through a structural reform. Specific measures we will take include:

- Cultivation/reinforcement of mainstay products and improvement/discontinuation of unprofitable products
- Development of upcoming mainstay products
- Enhancement of customer-centered sales capabilities and establishment of a quality assurance system
- Improvement of marketing cost (sales promotion and advertising expenses) efficiency
- Reduction of fixed costs and manufacturing costs
- Improvement of profitability through reorganization of production facilities and integration/consolidation of lines

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

We will aim to increase our share in the confectionery category in China and Thailand where our subsidiaries are located, by concentrating resources in Asia. At the same time, we will strengthen sales in neighboring regions in Asia.

3) Establishment of a solid management and administration system

We will enhance our organizational structure with the aim of maximizing group-wide synergy. We will also work to address compliance and environmental issues, integrate back-office operations, develop human resources, and implement measures to demonstrate comprehensive strengths of production and sales departments.

4. Others

(1) Changes of Executives (as of June 29, 2011)

1) Changes of representative directors

None applicable

2) Changes of other directors

A. Retiring director

Director Masamichi Ezaki

B. A candidate for new corporate auditor

Corporate Auditor Shintaro Iwai (presently, General Manager of Shintaro Iwai Tax Accountant Office and Gyosei & Co. representative partner)

Mr. Shintaro Iwai meets requirements for candidates for external corporate auditors stipulated in Corporate Law Article 2-16.

C. Retiring corporate auditor

Standing Corporate Auditor Tadao Anaho

Consolidated Financial Statements

Ezaki Glico Co., Ltd. and
Consolidated Subsidiaries

Years ended 31st March, 2011 and 2010
with Report of Independent Auditors

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

31st March, 2011 and 2010

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Assets			
Current assets:			
Cash and deposits *(Note 5,6)*	**¥ 15,289**	¥ 16,659	**$ 183,867**
Marketable securities *(Note6,7)*	**15,170**	13,708	**182,446**
Notes and accounts receivable *(Note 6)*	**28,822**	29,422	**346,627**
Less allowance for doubtful accounts	**(201)**	(147)	**(2,419)**
Inventories *(Note 8)*	**16,383**	18,345	**197,035**
Deferred income taxes *(Note 17)*	**2,747**	2,466	**33,040**
Other current assets	**2,895**	2,221	**34,808**
Total current assets	**81,105**	82,674	**975,404**
Property, plant and equipment:			
Land	**11,865**	11,600	**142,691**
Buildings and structures	**68,968**	67,557	**829,445**
Machinery and vehicles *(Notes 9)*	**125,415**	122,864	**1,508,305**
Tools, furniture and fixtures *(Note 9)*	**19,299**	18,676	**232,100**
Lease	**587**	398	**7,057**
Construction in progress	**5,937**	4,617	**71,396**
	232,071	225,712	**2,790,994**
Less accumulated depreciation	**(168,253)**	(160,323)	**(2,023,491)**
Property, plant and equipment, net	**63,818**	65,389	**767,503**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**158**	158	**1,903**
Investments in securities *(Note6,7)*	**31,120**	37,513	**374,266**
Long-term loans receivable	**607**	1,175	**7,305**
Deferred income taxes *(Note 17)*	**6,467**	4,579	**77,771**
Software	**4,864**	1,012	**58,494**
Software in progress	**55**	3,098	**664**
Other assets*(Notes9)*	**6,005**	6,080	**72,218**
Less allowance for doubtful accounts	**(144)**	(689)	**(1,733)**
Total investments and other assets	**49,132**	52,926	**590,888**
Total assets	**¥ 194,055**	¥ 200,989	**$ 2,333,795**

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable *(Note 6)*	**¥ 25,888**	¥ 25,508	**$ 311,343**
Short-term loans *(Note 6,10)*	**6,053**	10,908	**72,798**
Current portion of long-term debts *(Note 6,10)*	**1**	1	**7**
Accrued expenses	**18,136**	19,861	**218,114**
Accrued income taxes *(Note 17)*	**1,374**	3,206	**16,519**
Accrued bonuses for directors and corporate auditors	**90**	109	**1,083**
Accrued expense for sales promotion	**1,225**	1,292	**14,732**
Provision for business structure improvement	**714**	-	**8,590**
Provision for loss on disasters	**725**	-	**8,719**
Other current liabilities	**4,175**	5,580	**50,215**
Total current liabilities	**58,381**	66,465	**702,120**
Long-term liabilities:			
Long-term debts *(Note 10)*	**10,497**	10,005	**126,236**
Accrued retirement benefits for employees *(Note 11)*	**10,973**	11,556	**131,971**
Accrued retirement benefits for directors and corporate auditors	**-**	194	**-**
Provision for business structure improvement	**620**	-	**7,456**
Other long-term liabilities	**4,955**	4,481	**59,593**
Total long-term liabilities	**27,045**	26,236	**325,256**
Contingent liabilities *(Note 15)*			
Net assets:			
Shareholders' equity *(Note 12)*:			
Common stock:			
Authorized – 470,000,000 shares			
Issued – 144,860,138 shares in 2011 and 2010	**7,774**	7,774	**93,490**
Capital surplus	**7,427**	7,427	**89,321**
Retained earnings *(Notes 12 and 21)*	**120,346**	118,263	**1,447,341**
Treasury stock, at cost – 31,388,967 shares in 2011, and 31,350,577 shares in 2010	**(26,723)**	(26,685)	**(321,384)**
Total shareholders' equity	**108,824**	106,779	**1,308,768**
Other comprehensive income:			
Net unrealized holding gain on securities	**(464)**	951	**(5,579)**
Loss on deferred hedges	**(347)**	(494)	**(4,171)**
Translation adjustments	**(1,755)**	(1,100)	**(21,111)**
Total other comprehensive income	**(2,566)**	(643)	**(30,861)**
Minority interests	**2,371**	2,152	**28,512**
Total net assets	**108,629**	108,288	**1,306,419**
Total liabilities and net assets	**¥ 194,055**	¥ 200,989	**$ 2,333,795**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income and Comprehensive Income

Years ended 31st March, 2011 and 2010

	2011	**2010**	**2011**
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales	**¥ 284,048**	¥ 284,537	**$ 3,416,097**
Cost of sales *(Note 16)*	**160,146**	160,746	**1,925,992**
Gross profit	**123,902**	123,791	**1,490,105**
Selling, general and administrative expenses *(Note 16)*	**113,904**	111,985	**1,369,868**
Operating income	**9,998**	11,806	**120,237**
Other income (expenses):			
Interest and dividend income	**910**	931	**10,948**
Interest expense	**(259)**	(304)	**(3,110)**
Gain on sales of marketable securities	**2**	1	**19**
Loss on disposal of property, plant and equipment	**(168)**	(376)	**(2,018)**
Loss on impairment of fixed assets *(Note 9)*	**(1,527)**	(167)	**(18,360)**
Gain on sales of investments in securities	**-**	44	**-**
Gain on evaluation of investments in securities	**40**	-	**478**
Loss on devaluation of investments in securities	**(75)**	(166)	**(903)**
Loss from foreign exchange	**(127)**	(23)	**(1,527)**
Reversal of provision for doubtful accounts	**10**	53	**120**
Provision for doubtful accounts	**(41)**	(360)	**(490)**
Provision for business structure improvement	**(1,334)**	-	**(16,047)**
Loss on disasters	**(1,451)**	-	**(17,446)**
Other, net	**(14)**	282	**(174)**
Income before income taxes and minority interests	**5,964**	11,721	**71,727**
Income taxes *(Note 17)*:			
Current	**3,091**	4,020	**37,176**
Deferred	**(1,196)**	311	**(14,385)**
	1,895	4,331	**22,791**
Income before minority interests	**4,069**	7,390	**48,936**
Minority interests	**283**	359	**3,406**
Net income	**3,786**	7,031	**45,530**
Minority interests	**283**	359	**3,406**
Income before minority interests	**4,069**	7,390	**48,936**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Other comprehensive income			
Net unrealized holding gain on securities	**(1,415)**	-	**(17,013)**
Loss on deferred hedges	**147**	-	**1,764**
Translation adjustments	**(701)**	-	**(8,427)**
Total other comprehensive income	**(1,969)**	-	**(23,676)**
Comprehensive Income	**¥ 2,100**	-	**$ 25,260**
Total comprehensive income attributable to:			
Shareholders of Ezaki Glico Co.,Ltd.	**¥ 1,863**	-	**$ 22,404**
Minority interests	**¥ 237**	-	**$ 2,856**

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, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Shareholders' equity:			
Common stock			
Balance at beginning of year	**¥ 7,774**	¥ 7,774	**$ 93,490**
Balance at end of year	**¥ 7,774**	¥ 7,774	**$ 93,490**
Capital surplus			
Balance at beginning of year	**¥ 7,427**	¥ 7,426	**$ 89,318**
Disposition of treasury stock	**0**	1	**3**
Balance at end of year	**¥ 7,427**	¥ 7,427	**$ 89,321**
Retained earnings			
Balance at beginning of year	**¥ 118,263**	¥ 112,936	**$ 1,422,287**
Cash dividends	**(1,135)**	(1,136)	**(13,651)**
Interim cash dividends	**(568)**	(568)	**(6,825)**
Net income	**3,786**	7,031	**45,530**
Balance at end of year	**¥ 120,346**	¥ 118,263	**$ 1,447,341**
Treasury stock			
Balance at beginning of year	**¥ (26,685)**	¥ (26,640)	**$ (320,919)**
Acquisition of treasury stock	**(40)**	(49)	**(486)**
Disposition of treasury stock	**2**	4	**21**
Balance at end of year	**¥ (26,723)**	¥ (26,685)	**$ (321,384)**
Other comprehensive income:			
Net unrealized holding gains on securities			
Balance at beginning of year	**¥ 951**	¥ (1,229)	**$ 11,434**
Net changes during the year	**(1,415)**	2,180	**(17,013)**
Balance at end of year	**¥ (464)**	¥ 951	**$ (5,579)**
Loss on deferred hedges			
Balance at beginning of year	**¥ (494)**	¥ (635)	**$ (5,935)**
Net changes during the year	**147**	141	**1,764**
Balance at end of year	**¥ (347)**	¥ (494)	**$ (4,171)**
Translation adjustments			
Balance at beginning of year	**¥ (1,100)**	¥ (1,231)	**$ (13,233)**
Net changes during the year	**(655)**	131	**(7,878)**
Balance at end of year	**¥ (1,755)**	¥ (1,100)	**$ (21,111)**
Minority interests:			
Balance at beginning of year	**¥ 2,152**	¥ 1,707	**$ 25,873**
Net changes during the year	**219**	445	**2,639**
Balance at end of year	**¥ 2,371**	¥ 2,152	**$ 28,512**

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended 31st March, 2011 and 2010

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 5,964**	¥ 11,721	**$ 71,727**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**10,976**	10,319	**132,008**
Loss on impairment of fixed assets	**1,527**	167	**18,360**
Increase in provision for business structure improvement	**1,334**	-	**16,047**
Loss on disasters	**1,451**	-	**17,446**
(Decrease) in accrued retirement benefits for employees	**(582)**	(577)	**(7,007)**
(Decrease) in accrued retirement benefits for directors and corporate auditors	**(193)**	(151)	**(2,332)**
Increase (decrease) in accrued bonuses for directors and corporate auditors	**(19)**	20	**(231)**
Increase (decrease) in accrued expense for sales promotion	**(67)**	97	**(805)**
Interest and dividend income	**(910)**	(931)	**(10,948)**
Interest expense	**259**	304	**3,110**
Exchange loss	**202**	16	**2,432**
Loss on disposal of property, plant and equipment	**168**	376	**2,018**
Loss on devaluation of investment in securities	**35**	166	**425**
Decrease in notes and accounts receivable	**446**	638	**5,370**
Decrease in inventories	**1,913**	1,911	**23,015**
Increase (decrease) in notes and accounts payable	**467**	(3,505)	**5,625**
Other	**(3,304)**	4,770	**(39,727)**
Subtotal	**19,667**	25,341	**236,533**
Income taxes paid	**(4,814)**	(1,750)	**(57,898)**
Net cash provided by operating activities	**14,853**	23,591	**178,635**
Cash flows from investing activities:			
Increase in time deposits	**(804)**	(307)	**(9,670)**
Decrease in time deposits	**1,731**	500	**20,816**
Purchases of marketable securities	**(2,454)**	(3,094)	**(29,517)**
Proceeds from sales of marketable securities	**4,309**	1,293	**51,822**
Purchases of investments in securities	**(29)**	(402)	**(356)**
Proceeds from sales of investments in securities	**3,058**	2,212	**36,788**
Purchases of property, plant and equipment	**(11,725)**	(11,996)	**(141,010)**
Proceeds from sales of property, plant and equipment	**8**	45	**104**
Purchases of intangible assets	**(1,688)**	(2,602)	**(20,311)**
Increase in loans receivable	**(228)**	(610)	**(2,752)**
Collection of loans receivable	**230**	644	**2,768**
Interest and dividends received	**945**	930	**11,367**
Net cash used in investing activities	**(6,647)**	(13,387)	**(79,951)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	**(4,677)**	(11,000)	**(56,242)**
Increase in long-term loans	**492**	10,000	**5,917**
Repayment of long-term debts	**(1)**	(1)	**(6)**
Interest and dividends paid	**(1,974)**	(1,963)	**(23,751)**
Cash dividends paid to minority shareholders	**(18)**	(16)	**(218)**
Acquisition of treasury stock	**(40)**	(48)	**(486)**
Other	**(96)**	(60)	**(1,154)**
Net cash (used in) provided by financing activities	**(6,314)**	(3,088)	**(75,940)**
Effect of exchange rate changes on cash and cash equivalents	**(281)**	92	**(3,376)**
Net increase (decrease) in cash and cash equivalents	**1,611**	7,208	**19,368**
Cash and cash equivalents at beginning of the year	**26,789**	19,581	**322,184**
Cash and cash equivalents at end of the year *(Note 5)*	**¥ 28,400**	¥ 26,789	**$ 341,552**

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

31st March, 2011

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, 2010 to conform them to the 2011 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 ¥83.15 = U.S. $1.00, the approximate rate of exchange in effect prevailing on 31st March, 2011, 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 expense for sales promotion

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

(m) Provision for business structure improvement

Provision for business structure improvement is reasonably provided at possible losses by the subsidiaries rearrangement for the business structure improvement after the next fiscal year.

(n) Provision for loss on disasters

Provision for loss on disasters is reasonably provided at possible losses such as facilities restoration expenses after the next fiscal year because of the facilities damaged by the Great East Japan Earthquake.

2. Summary of Significant Accounting Policies (continued)

(o) Derivative financial instruments and hedging activities

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

(p) Appropriation of retained earnings

Under the 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 21.)

3. Changes in Method of Accounting

Accounting Standard for asset retirement obligations

Effective the year ended 31st March, 2011, the Company and its domestic consolidated subsidiaries have adopted “Accounting Standard for asset retirement obligations (ASBJ Statement No.18,March 31,2008)” and “Guidance on Accounting Standard for asset retirement obligations (ASBJ Guidance No.21, March 31,2008)”.

As a result of the adoption of this accounting standard, operating income decreased by ¥2million ($26thousand) and income before income taxes and minority interests decreased by ¥1.76million ($2,111thousand) for the year ended 31st March ,2011 from the amount which would have been recorded without the adoption of this accounting standard.

4. Additional Information

Accounting Standard for presentation of comprehensive income

Effective the year ended 31st March,2011, the Company and its domestic consolidated subsidiaries have adopted “Accounting Standard for presentation of comprehensive income (ASBJ Statement No.25,June 30,2010)”. The comparative information for the year ended 31st March, 2010 is disclosed in Note 18.

5. Cash and Cash Equivalents

The balances of cash and deposits reflected in the consolidated balance sheets at 31st March, 2011 and 2010 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:

	2011	**2010**	**2011**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	**¥ 15,289**	¥ 16,659	**$ 183,867**
Time deposits with original maturities in excess of three months included in cash and deposits	**(807)**	(1,276)	**(9,705)**
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	**13,918**	11,406	**167,390**
Short-term investments which mature within three months of the dates of acquisition included in other current assets	**—**	—	**—**
Cash and cash equivalents	**¥ 28,400**	¥ 26,789	**$ 341,552**

6. 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, 2011 and 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, forward exchange contracts and currency swap transactions are used for the purpose of reducing exchange rate risk of foreign currency bond and debt ,and interest rate swap transactions are utilized for the purpose of reducing interest rate risk in a future market of investment in securities.

c) Risk management for financial instruments

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

The Group manages, according to the credit management official rules of each company, the due date and the balance of operating receivables from business partners, and regularly monitors the status of major counterparties to quickly identify and reduce concerns of repayment resulting from the weakening of the counterparties’ financial situation. In addition, the Group utilizes business credit insurance for some operating receivables.
Because the securities and investment in securities are limited to the financial institutions with high credit ratings, the Group assumes that the credit risk is insignificant.
The Group deals with only highly rated financial institutions to reduce counterparty risk in conducting derivative transactions.

6. 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.14 Derivatives are not necessarily indicative of the actual market risk involved in derivative transactions.

・Estimated fair value of financial instruments
Carrying value of financial instruments on the consolidated balance sheet as of 31st March, 2011,2010 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).

6. Financial Instruments (continued)

	2011			2010		
	Carrying Value	**Estimated fair value**	**Difference**	**Carrying Value**	**Estimated fair value**	**Difference**
	(Millions of yen)			*(Millions of yen)*		
Assets:						
Cash and deposits	**¥ 15,289**	**¥15,289**	—	¥ 16,659	¥16,659	—
Notes and accounts receivable	**28,822**	**28,822**	—	29,422	29,422	—
Marketable securities and investments in securities	**44,940**	**44,940**	—	49,870	49,870	—
Total assets	**89,051**	**89,051**	—	95,951	95,951	—
Liabilities:						
Notes and accounts payable	**¥25,888**	**¥25,888**	—	¥25,508	¥25,508	—
Short-term loans and current portion of long-term debt	**6,054**	**6,054**	—	10,909	10,909	—
Long-term debt	**10,497**	**10,491**	**(6)**	—	—	—
Total liabilities	**42,439**	**42,433**	**(6)**	36,417	36,417	—
Derivatives*	**¥ (83)**	**¥ (83)**	—	¥ (168)	¥ (168)	—

	2011		
	Carrying Value	**Estimated fair value**	**Difference**
	(Thousands of U.S. dollars)		
Assets:			
Cash and deposits	**$ 183,867**	**$ 183,867**	—
Notes and accounts receivable	**346,627**	**346,627**	—
Marketable securities and investments in securities	**540,468**	**540,468**	—
Total assets	**1,070,962**	**1,070,962**	—
Liabilities:			
Notes and accounts payable	**$311,343**	**$311,343**	—
Short-term loans and current portion of long-term debt	**72,805**	**72,805**	—
Long-term debt	**126,236**	**126,174**	**(62)**
Total liabilities	**510,384**	**510,322**	**(62)**
Derivatives*	**$ (996)**	**$ (996)**	—

*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.

6. 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.7 "Marketable Securities and Investments in Securities" for the matter about the possession purpose of securities.

Liabilities

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

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

Long-term debt

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

Derivatives

Please refer to Note.14 “Derivatives”

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

	2011	**2010**	**2011**
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Unlisted stocks	**¥1,509**	¥1,509	**$18,148**

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.

6. Financial Instruments (continued)

3. The redemption schedule at 31st March, 2011 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	¥ 15,211	—	—	—
Notes and accounts receivable	28,822	—	—	—
Corporate bonds	1,251	300	1,200	8,700
Other securities	—	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	$ 182,934	—	—	—
Notes and accounts receivable	346,627	—	—	—
Corporate bonds	15,046	3,608	14,432	104,630
Other securities	—	4,811	3,848	—

7. Marketable Securities and Investments in Securities

a) Marketable securities classified as held-to-maturity debt securities and other securities at 31st March, 2011 and 2010 are summarized as follows:

Held-to-maturity debt securities:

	2011			2010		
	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	¥ –	¥ –	¥ –	¥ —	¥ —	¥ —

	2011		
	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, 2011.

7. Marketable Securities and Investments in Securities (continued)

Other securities:

	2011			2010		
	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	**¥ 4,498**	**¥ 7,104**	**¥ 2,606**	¥ 7,006	¥11,365	¥ 4,359
Corporate bonds	**2,769**	**3,075**	**306**	3,062	3,388	326
Other	—	—	—	—	—	—
Subtotal	**7,267**	**10,179**	**2,912**	10,068	14,753	4,685
Securities whose acquisition cost exceeds their carrying value:						
Stocks	**17,266**	**14,281**	**(2,985)**	14,805	12,745	(2,060)
Corporate bonds	**7,318**	**6,205**	**(1,113)**	11,478	10,160	(1,318)
Other	**14,322**	**14,274**	**(48)**	12,263	12,213	(50)
Subtotal	**38,906**	**34,760**	**(4,146)**	38,546	35,118	(3,428)
Total	**¥46,173**	**¥44,939**	**¥ (1,234)**	¥48,614	¥49,871	¥ 1,257

	2011		
	Acquisition cost	**Carrying value**	**Unrealized holding gain (loss)**
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	**$ 54,102**	**$ 85,434**	**$ 31,332**
Corporate bonds	**33,298**	**36,984**	**3,686**
Other	—	—	—
Subtotal	**87,400**	**122,418**	**35,018**
Securities whose acquisition cost exceeds their carrying value:			
Stocks	**207,656**	**171,753**	**(35,903)**
Corporate bonds	**88,007**	**74,629**	**(13,378)**
Other	**172,245**	**171,668**	**(577)**
Subtotal	**467,908**	**418,050**	**(49,858)**
Total	**$ 555,308**	**$ 540,468**	**$ (14,840)**

7. Marketable Securities and Investments in Securities (continued)

b) Sales of securities classified as other securities for the years ended 31st March, 2011 and 2010 are summarized as follows:

	2011	2010	**2011**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales	**¥ 0**	¥314	**$ 4**
Gain on sales	**0**	44	**1**
Loss on sales	—	—	—

c) The carrying value of investments in non-marketable securities at 31st March, 2011 and 2010 was as follows:

	2011	2010	**2011**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Other securities:			
Free financial funds	**¥ —**	¥ —	**$ —**
Commercial paper	—	—	—
Corporate bonds	—	—	—
Unlisted equity securities (except for shares traded on the over-the-counter market)	**1,351**	1,350	**16,244**
Convertible bonds	—	—	—
Other	—	—	—

d) The securities which was impaired

Loss on devaluation of investment in securities amounted to ¥75million ($ 903thousand) for the year ended 31st March, 2011.
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.

8. Inventories

Inventories at 31st March, 2011 and 2010 consisted of the following:

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Finished goods and Commercial goods	**¥ 6,755**	¥ 7,480	**$ 81,238**
Work in process	**631**	934	**7,593**
Raw materials and Supplies	**8,997**	9,931	**108,204**
	¥16,383	¥18,345	**$197,035**

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 ¥77 million ($932 thousand).

9. Loss on Impairment of Fixed Assets

Fixed assets of the Company and its domestic consolidated subsidiaries are grouped at each unit which has decision-making authority for investing activities. Idle assets of the Company and its domestic consolidated subsidiaries are also grouped by asset. Consequently, concerning business assets with continuing decreased profitability and facilities with no prospects for use, the Company and its domestic consolidated subsidiaries have written them down to their respective net recoverable value. The related loss on impairment of fixed assets of ¥1,527 million ($18,360 thousand) has been recorded in the consolidated statement of income for the year ended 31st March, 2011. The details of the loss on impairment are as follows:

	2011	2011
	(Millions of yen)	*(Thousands of U.S. dollars)*
Facilities held in Eniwa City, Hokkaido Prefecture and other locations:		
Buildings and structures	¥ 1,220	$ 14,672
Machinery	307	3,687
Other assets	0	1
Total	¥ 1,527	$ 18,360

The company reduced the book values of the assets to be shut down as part of the business structure improvement to their recoverable amount. The estimated amounts included above are as follows:

Buildings and structures:¥1,073million ($12,904thousand)
Machinery:¥259 million ($3,115thousand)

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.

10. Short-Term Loans and Long-Term Debts

Short-term loans principally represent notes issued by the domestic consolidated subsidiaries. The average interest rates on these borrowings were 1.09% and 0.58% at 31st March, 2011 and 2010, respectively.

Long-term debts at 31st March, 2011 and 2010 consisted of the following:

	2011	2010	**2011**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Secured:			
Loans from banks or other	**¥ –**	¥ –	**$ –**
Unsecured:			
Loans from banks	**10,498**	10,006	**126,243**
Lease Obligation	**443**	323	**5,329**
	10,941	10,329	**131,572**
Less current portion:			
Loans from banks	**(1)**	(1)	**(7)**
Lease Obligation	**(131)**	(90)	**(1,577)**
	(132)	(91)	**(1,584)**
	¥10,809	¥10,238	**$129,988**

The aggregate annual maturities of long-term debts and lease obligation subsequent to 31st March, 2011 are summarized below:

	long-term debts		*lease obligation*	
Year ending 31st March,	*(Millions of yen)*	*(Thousands of U.S. dollars)*	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2012	¥ 1	$ 7	¥ 131	$ 1,577
2013	1	7	124	1,486
2014	493	5,924	101	1,216
2015	10,001	120,272	57	683
2016	1	8	27	323
2017 and thereafter	1	25	3	44
	¥ 10,498	$126,243	¥ 443	$5,329

11. 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, 2011 and 2010 for the defined benefit plans of the Company and the consolidated subsidiaries:

	2011	**2010**	**2011**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation	**¥ (25,732)**	¥ (25,591)	**$ (309,462)**
Plan assets at fair value	**13,178**	12,868	**158,482**
Unfunded retirement benefit obligation	**(12,554)**	(12,723)	**(150,980)**
Unrecognized actuarial loss	**1,913**	1,497	**23,004**
Unrecognized prior service cost	**(332)**	(330)	**(3,995)**
Accrued retirement benefits for employees	**¥ (10,973)**	¥ (11,556)	**$ (131,971)**

11. Accrued Retirement Benefits for Employees (continued)

The components of retirement benefit expenses for the years ended 31st March, 2011 and 2010 are outlined as follows:

	2011	2010	**2011**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	**¥1,154**	¥1,150	**$ 13,884**
Interest cost	**572**	579	**6,882**
Expected return on plan assets	**(450)**	(394)	**(5,417)**
Amortization:			
Actuarial loss	**436**	608	**5,240**
Prior service cost	**(129)**	(335)	**(1,555)**
Retirement benefit expenses	**¥1,583**	¥1,608	**$ 19,034**

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, 2011 and 2010 are as follows:

	2011	2010
Discount rate	**2.5%**	2.5%
Expected rates of return on plan assets	**3.5%**	3.5%

12. Shareholders' Equity

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

The legal reserve of the Company, which is included in retained earnings, amounted to ¥1,943 million ($23,372 thousand) at 31st March, 2011 and 2010.

12. Shareholders' Equity (continued)

Treasury stock

Movements in treasury stock for the year ended 31st March, 2011 are summarized as follows:

	Number of Shares			
	2011			
	31st March, 2010	Increase	Decrease	31st March, 2011
Treasury Stock	31,350,577	40,361	1,971	31,388,967

13. 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, 2011 and 2010, 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:

	2011			
	Acquisition costs	**Accumulated depreciation**	**Loss on impairment**	**Net book value**
	(Millions of yen)			
Buildings and structures	**¥ 330**	**¥ 324**	**¥ –**	**¥ 6**
Machinery and vehicles	**357**	**298**	**12**	**47**
Tools, furniture and fixtures	**289**	**230**	**36**	**23**
Total	**¥ 976**	**¥ 852**	**¥ 48**	**¥ 76**

	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**

13. Leases (continued)

	2011			
	Acquisition costs	**Accumulated depreciation**	**Loss on impairment**	**Net book value**
	(Thousands of U.S. dollars)			
Buildings and structures	**$ 3,969**	**$ 3,903**	**$ –**	**$ 66**
Machinery and vehicles	**4,293**	**3,582**	**151**	**560**
Tools, furniture and fixtures	**3,479**	**2,767**	**429**	**283**
Total	**$ 11,741**	**$ 10,252**	**$ 580**	**$ 909**

Lease payments relating to finance leases in the accompanying consolidated financial statements (which is included loss on impairment) amounted to ¥175 million ($2,099 thousand) and ¥304 million ($3,656 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, 2011 and 2010, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to 31st March, 2011 for finance leases are summarized as follows:

Year ending 31st March,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2012	¥ 57	$ 688
2013 and thereafter	19	221
Total	¥ 76	$ 909

Future minimum lease payments subsequent to 31st March, 2011 for operating leases are summarized as follows:

Year ending 31st March,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2012	¥ 161	$ 1,934
2013 and thereafter	850	10,230
Total	¥ 1,011	$ 12,164

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

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

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

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

	2011			2011		
	Notional amounts	**Market value**	**Unrealized gain (loss)**	**Notional amounts**	**Market value**	**Unrealized gain (loss)**
	(Millions of yen)			*(Thousands of U.S. dollars)*		
Interest rate swap:						
Pay floating/						
Receive fixed rate	**¥5,000**	**¥ (97)**	**¥ (97)**	**$ 60,132**	**$ (1,166)**	**$ (1,166)**
Currency swap:						
Pay dollar						
Receive yen	**765**	**14**	**14**	**9,195**	**172**	**172**
Forward exchange contract:						
Short position						
-Canadian dollar	**23**	**(0)**	**(0)**	**276**	**(2)**	**(2)**

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

15. Contingent Liabilities

The Company was contingently liable as a guarantor for employees' housing loans in the aggregate amount of ¥3 million ($41 thousand) at 31st March, 2011.

16. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended 31st March, 2011 and 2010 totaled ¥4,625 million ($55,622 thousand) and ¥4,714 million, respectively.

17. Income Taxes

The Company and its domestic consolidated subsidiaries are subjected to several types of taxes: corporate taxes, local inhabitants taxes and enterprise taxes, which in aggregate resulted in a statutory tax rate of approximately 40.6% for the fiscal years ended 31st March, 2011 and 2010. 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, 2011 and 2010 are as follows:

	2011	**2010**
Statutory tax rate	**40.6%**	40.6%
Permanent non-deductible expenses	**3.1**	1.6
Inhabitants' per capita taxes	**1.0**	1.2
Valuation allowance	**(5.2)**	0.9
Tax deduction	**(4.2)**	(5.0)
Other	**(3.5)**	(2.3)
Effective tax rates	**31.8%**	37.0%

17. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at 31st March, 2011 and 2010 are summarized as follows:

	2011	2010	2011
	(Millions of yen)		*(Thousands of U.S. dollars)*
Current portion			
Deferred tax assets:			
Accrued expenses	**¥ 835**	¥ 838	**$ 10,043**
Accrued bonuses	**1,120**	1,094	**13,473**
Deferred hedge	**237**	338	**2,856**
Other	**1,201**	823	**14,441**
Gross deferred tax assets	**3,393**	3,093	**40,813**
Less valuation allowance	**(19)**	(30)	**(232)**
Total deferred tax assets – current	**¥ 3,374**	¥ 3,063	**$ 40,581**
Deferred tax liabilities:			
Gain on interest-rate swaps	**(626)**	(597)	**(7,532)**
Other	**(1)**	-	**(9)**
Total deferred tax liabilities	**(627)**	(597)	**(7,541)**
Net deferred tax assets	**¥ 2,747**	¥ 2,466	**$ 33,040**
Non-current portion			
Deferred tax assets:			
Accrued retirement benefits for employees	**¥ 4,776**	¥ 5,011	**$ 57,436**
Loss on impairment of fixed assets	**2,506**	2,252	**30,137**
Amortization of deferred assets	**25**	29	**308**
Depreciation	**657**	584	**7,901**
Other	**4,392**	3,331	**52,821**
Gross deferred tax assets	**12,356**	11,207	**148,603**
Less valuation allowance	**(5,575)**	(6,005)	**(67,052)**
Total deferred tax assets – non-current	**6,781**	5,202	**81,551**
Deferred tax liabilities:			
Net unrealized holding gain on securities	**(5)**	(305)	**(58)**
Reserve for special depreciation included in retained earnings	**(22)**	(28)	**(269)**
Reserve for deferred gain on property included in retained earnings	**(287)**	(290)	**(3,453)**
Total deferred tax liabilities	**(314)**	(623)	**(3,780)**
Net deferred tax assets	**¥ 6,467**	¥ 4,579	**$ 77,771**

18. Other Comprehensive Income

The following table presents components of other comprehensive income for the year ended 31st March, 2010:

	2010
	(Millions of yen)
Net unrealized holding gain on securities	**2,179**
Loss on deferred hedges	**142**
Translation adjustments	**233**
Total other comprehensive income	**2,554**

Total comprehensive income attributable to:	
Shareholders of Ezaki Glico Co.,Ltd.	**9,483**
Minority interests	**461**

19. Segment information

Effective the fiscal year ended 31st March, 2011, the Company and its consolidated subsidiaries have adopted new accounting standards for disclosures about segments of an enterprise and related information. Segment information for the year ended 31st March, 2010 has been restated in accordance with such accounting standards for comparative purposes.

notes:

1. Summary of report segment

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the board of directors to make decisions about resource allocation and to assess performance.

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

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

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

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

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

Meat Products Division mainly includes production and sale of ham, sausage, starch and food colors etc.

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

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

19. Segment information (continued)

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

2011 *(Millions of yen)*

	Reportable segments					
	Confectioneries Division	Ice Cream Division	Food Products Division	Milk and Dairy Products Division	Meat Products Division	Subtotal
Sales						
Sales to third parties	77,461	63,400	24,257	83,074	31,072	279,264
Inter-segment sales and transfers	-	-	-	75	221	296
Net Sales	77,461	63,400	24,257	83,149	31,293	279,560
Segment income(loss)	2,873	4,109	519	1,112	146	8,759
Segment assets	32,908	13,466	6,025	30,615	10,621	93,635
Depreciation	3,032	2,131	242	3,345	640	9,390

	Other	Total	Adjustments and eliminations	Consolidated
Sales				
Sales to third parties	4,784	284,048	-	284,048
Inter-segment sales and transfers	4,603	4,899-	(4,899)	-
Net Sales	9,387	288,947	(4,899)	284,048
Segment income(loss)	(123)	8,636	1,362	9,998
Segment assets	809	94,444	99,611	194,055
Depreciation	102	9,492	1,484	10,976

2011 *(Thousands of U.S. dollars)*

	Reportable segments					
	Confectioneries Division	Ice Cream Division	Food Products Division	Milk and Dairy Products Division	Meat Products Division	Subtotal
Sales						
Sales to third parties	931,584	762,476	291,735	999,082	373,685	3,358,562
Inter-segment sales and transfers	-	-	-	903	2,658	3,561
Net Sales	931,584	762,476	291,735	999,985	376,343	3,362,123
Segment income(loss)	34,556	49,412	6,242	13,372	1,758	105,340
Segment assets	395,764	161,946	72,457	368,191	127,739	1,126,097
Depreciation	36,464	25,628	2,910	40,229	7,697	112,928

	Other	Total	Adjustments and eliminations	Consolidated
Sales				
Sales to third parties	57,535	3,416,097	-	3,416,097
Inter-segment sales and transfers	55,357	58,918	(58,918)	-
Net Sales	112,892	3,475,015	(58,918)	3,416,097
Segment income(loss)	(1,476)	103,864	16,373	120,237
Segment assets	9,730	1,135,827	1,197,968	2,333,795
Depreciation	1,227	114,155	17,847	132,002

19. Segment information (continued)

	2010 *(Millions of yen)*					
	Reportable segments					
	Confectioneries Division	Ice Cream Division	Food Products Division	Milk and Dairy Products Division	Meat Products Division	Subtotal
Sales Sales to third parties	81,371	58,155	24,078	84,918	31,506	280,028
Inter-segment sales and transfers	-	-	-	53	90	143
Net Sales	81,371	58,155	24,078	84,971	31,596	280,171
Segment income(loss)	4,633	3,095	820	2,456	825	11,829
Segment assets	33,554	15,075	6,503	31,969	11,402	98,503
Depreciation	3,217	2,232	227	3,001	633	9,310

	Others	Total	Adjustments and eliminations	Consolidated
Sales Sales to third parties	4,509	284,537	-	284,537
Inter-segment sales and transfers	5,357	5,500	(5,500)	-
Net Sales	9,866	290,037	(5,500)	284,537
Segment income(loss)	(256)	11,573	233	11,806
Segment assets	523	99,026	101,963	200,989
Depreciation	12	9,322	997	10,319

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

20. Amounts per Share

Amounts per share at 31st March, 2011 and 2010 and for the years then ended were as follows:

	2011	2010	2011
	(Yen)		(U.S. dollars)
Net income	**¥ 33.36**	¥ 61.93	**$ 0.40**
Cash dividends	**15.00**	15.00	**0.18**
Net assets	**936.43**	935.04	**11.26**

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, 2011 and 2010 has not been disclosed because no potential for dilution existed at 31st March, 2011 and 2010.

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.

21. 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, 2011, was approved at a shareholders' meeting held on 29th June, 2011:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥10.00 = U.S.$0.12 per share)	¥1,135	$13,647

Corporate Information

Board of Directors and Statutory Auditors (as of March 31, 2011)

President & CEO
Katsuhisa Ezaki

Directors
Munekazu Nakagawa
Masahiro Azumi
Takashi Kuriki
Etsuro Ezaki
Tetsuo Masuda
Takatoshi Kato
Masamichi Ezaki
Nobuhiko Umezaki

Standing Corporate Auditor
Tadao Anaho
Masaaki Shibaike

Corporate Auditors
Eiji Tamai
Haruo Kuramochi

Corporate Data (as of March 31, 2011)

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6-5, Utajima, 4-chome,
Nishiyodogawa-ku, 0saka 555-8502, Japan
Tel：(06)6477-8352
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Capital Paid
¥7,774 Million
（U.S. $93,490 Thousand）

Number of Employee
1,059

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

MEMO