おいしさと健康

Annual Report 2013

(Year ended March 31st, 2013)

Contents

Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	2013	2012	2011	2010	2009	2013
Net sales	**293,003**	289,980	284,048	284,537	289,015	**3,115,392**
Income before income taxes and minority interests	**5,028**	4,678	5,964	11,721	2,633	**53,458**
Net income	3,287	242	3,786	7,031	(1,067)	**34,952**
				Yen		
Per share of common stock:						
Net income						
Primary	**28.91**	2.13	33.36	61.93	(8.66)	**0.31**
Cash dividends	**15.00**	15.00	15.00	15.00	15.00	**0.16**
				Millions of yen		
Balance sheet data:						
Shareholders' equity	**116,347**	107,354	108,629	108,288	100,108	**1,237,075**
Total assets	**219,363**	207,293	194,055	200,989	193,052	**2,332,409**

Message from the President

In the consolidated fiscal year under review, the Japanese economy showed slight signs of improvement, due to demand generated from recovery efforts related to the Great East Japan Earthquake and the government-led economic packages and monetary policy, launched after the advent of the new administration. Still, the downturn in overseas economies and the impact of fluctuations in financial and capital markets remained as matters of concern, which led to uncertainty about the future. The food industry continued to face difficulties, with the cost of raw materials remaining at high levels, and a growing defensive mindset among consumers.

In light of this situation, our corporate group has proactively implemented various measures. These include expanding sales of our mainstay products, launching new products and products of affiliates, and opening specialty shops in department stores and other channels. We also aggressively implemented sales promotion strategies tailored to each channel, and retail support measures for in-store bargain sale campaigns. These efforts, based on Glico Group Action Guidelines, reflect our commitment to business operations that continuously earn the trust and respect of stakeholders.

Although our food products and food ingredients segments posted decreased sales from the previous fiscal year, our confectioneries, ice cream, milk and dairy products, and meat products segments recorded increased sales. Consequently, consolidated net sales amounted to ¥293,003 million, an increase of 1.0% from the ¥289,980 million total of the previous fiscal year.

Regarding earnings, the increase in the cost-to-sales ratio caused by changes in the product portfolio was offset by a decline in processing cost ratio in the milk and dairy products segment, resulting in a slight decrease in the cost-to-sales ratio as a whole. As for selling, general and administrative (SG&A) expenses, although advertising expenditures declined, implementation of aggressive storefront promotion strategies at mass merchandisers pushed up sales promotion expenses. As a result, operating income totaled ¥4,541 million, or a ¥197 million decrease from the previous fiscal year (¥4,738 million). Ordinary income was ¥6,453 million, or a ¥1,200 million increase from the previous fiscal year (¥5,252 million) due mainly to foreign exchange gains resulting from the depreciation of the yen.

During the consolidated fiscal year under review, business structure improvement cost related to the milk and dairy products segment, and loss on impairment of fixed assets incurred in the meat products segment were posted as extraordinary losses. As a result, net income was ¥3,287 million, or an increase of ¥3,045 million from the previous fiscal year (¥242 million).

In addition to an interim dividend of ¥5 per share, we will pay a year-end dividend of ¥10 per share for the fiscal year ended March 31st, 2013. 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 2013

Katsuhisa Ezaki, President and CEO

Operating Results and Financial Status

(1) Operating Results

Results by segment

(Unit: millions of yen)

Segment \ Period	FY2011 Apr. 1, 2011 to Mar. 31, 2012		FY2012 Apr. 1, 2012 to Mar. 31, 2013		Increase (Decrease)	Pct.
	Amount	Ratio	Amount	Ratio		
		%		%		%
Confectioneries	81,599	28.1	83,112	28.4	1,513	101.9
Ice Cream	63,872	22.0	64,812	22.1	940	101.5
Food Products	25,964	9.0	24,278	8.3	(1,687)	93.5
Milk and Dairy Products	85,235	29.4	86,749	29.6	1,513	101.8
Meat Products	20,281	7.0	20,741	7.1	459	102.3
Food Ingredients	8,351	2.9	8,321	2.8	(30)	99.6
Others	4,676	1.6	4,991	1.7	315	106.7
Total	289,980	100.0	293,003	100.0	3,023	101.0

[Confectioneries Division]

In Japan, although sales of ‘Cheeza’ and ‘Kissmint Gum’ declined from the previous fiscal year, ‘Almond Peak’ sales increased. The new product ‘Bitte’ and ‘Batôn D’or,’ with its specialty shop opened in department stores, also enjoyed a steady sales rise. Outside Japan, the subsidiary in Thai suffered from a sales drop from the previous fiscal year due to flood damage. However, the subsidiary in Shanghai recorded sales growth.

As a result, divisional sales amounted to ¥83,112 million, a 1.9% increase from the ¥81,599 million total recorded during the previous fiscal year.

[Ice Cream Division]

Although sales of ‘Bokujyo Shibori’ and ‘Papico’ increased from the previous fiscal year, ‘Ice-no-Mi’ and ‘Palitte’ experienced a sales drop as did “Giant Cone,’ which became subject to recall. The two wholesale subsidiaries recorded increased sales revenues.

As a result, divisional sales totaled ¥64,812 million, a 1.5% increase from the ¥63,872 million total recorded during the previous fiscal year.

[Food Products Division]

Although ‘Curry Shokunin’ enjoyed a sales increase over the previous fiscal year, sales of ‘2-dan Juku Curry’ and “Donburi-Tei’ declined.

As a result, divisional sales amounted to ¥24,278 million, a 6.5% decrease from the ¥25,965 million total recorded during the previous fiscal year.

[Milk and Dairy Products Division]

Sales of ‘Dororich’ and ‘Breakfast Apple Yogurt’ declined from the previous fiscal year. However, ’Breakfast Probiotics Yogurt’ and ‘Café Au Lait’ posted sales growth. Subcontracted operations from Kirin Beverage Co., Ltd. also marked a rise in sales revenue.

As a result, divisional sales totaled ¥86,749 million, a 1.8% increase from the ¥85,236 million total recorded during the previous fiscal year.

[Meat Products Division]

Sales of mainstay sausage products and noodles declined from the previous fiscal year. However, ham and bacon products enjoyed sales increases.

As a result, divisional sales were ¥20,741 million, a 2.3% increase from the ¥20,281 million total recorded during the previous fiscal year.

[Food Ingredients Division]

Sales of rice powder and ‘A-glu’ dropped from the previous fiscal year.

As a result, divisional sales were ¥8,321 million, a 0.4% decrease from the ¥8,351 million total recorded 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 consolidated fiscal year, improvement in export conditions and economic and monetary policies led by the government are anticipated to have positive effects. However, a number of factors are projected to cause concern, which will make the future of the economy remain unclear. These include the effects of restricted electricity supply and a worsening employment situation. Moreover, economics outside Japan will continue to decline, which will also add to existing risk factors. In view of this situation, the environment surrounding the food industry is projected to remain challenging, with raw material prices staying at high levels and the rise in prices of import items caused by the depreciation of the yen. These will have a significant negative impact on cost of sales, while a budget-minded attitude is projected to spread among consumers.

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

By adopting these measures, we aim to achieve net sales of ¥310,000 million in the next fiscal year, or a 5.8% increase from the fiscal year under review. Our profit targets are: an operating income of ¥5,200 million (up 14.5% from the fiscal year under review), ordinary income of ¥5,500 million (down 14.8%) and a net income of ¥3,700 million.

Divisional consolidated sales forecasts for the next fiscal year

Divisional sales projections are as follows: Confectioneries Division sales of ¥94,900 million (up 14.2% from the fiscal year under review), Ice Cream Division sales of ¥66,800 million (up 3.1%), Food Products Division sales of ¥25,700 million (up 5.9%), Milk and Dairy Products Division sales of ¥88,000 million (up 1.4%), and Meat Products Division sales of ¥21,000 million (up 1.3%), and Food Ingredients Division sales of ¥8,700 million (up 4.6%).

(2) Financial Conditions

Assets, liabilities and net assets

As of March 31st, 2013, total assets were ¥219,363 million, an increase of ¥12,070 million compared to the end of the previous fiscal year. Current assets were ¥95,749 million, an increase of ¥2,247 million from the end of the previous fiscal year. The main components of this increase included increases in cash and cash equivalents, and marketable securities. Fixed assets were ¥123,614 million, an increase of ¥9,824 million. Main contributors to this increase included increases in investment securities, and machinery, equipment and vehicles.

Total liabilities were ¥103,016 million, an increase of ¥3,078 million compared to the end of the previous fiscal year. The main components of this increase were increases in short-term debt, and notes and accounts payable.

Net assets were ¥116,347 million, an increase of ¥8,993 million compared to the end of the previous fiscal year. Main contributors to this increase included an increase in net unrealized holding gains on securities, a net income of ¥3,287 million, and distribution of surplus amounting to ¥1,704 million. Consequently, net worth ratio was 52.1%, up 1.4% from the end of the previous fiscal year.

Cash flows for the fiscal year under review

(Unit: millions of yen)

	Previous fiscal year (consolidated)	Fiscal year under review (consolidated)	Increase (Decrease)
Cash flow – operating activities	10,236	14,550	4,314
Cash flow – investing activities	(11,907)	(11,416)	491
Cash flow – financing activities	5,912	(1,071)	(6,983)
Balance of cash and cash equivalents at beginning of term	28,400	32,410	4,010
Balance of cash and cash equivalents at end of term	32,410	35,378	2,967

Free cash flow during the fiscal year under review, calculated by subtracting net cash used for investing activities from net cash provided by operating activities, totaled ¥3,134 million, an increase of ¥4,805 million from the negative free cash flow of minus ¥1,671 million posted during the previous fiscal year. This increase was mainly due to the decrease in notes and accounts receivable and the decrease in inventories.

Cash flow from financing activities was minus ¥1,071 million, a decrease of ¥6,983 million from the previous fiscal year, due to interest and dividend payments.

As a result, the balance of cash and cash equivalents at the end of the fiscal year under review totaled ¥35,378 million, an increase of ¥2,967 million from the ¥32,410 million at the end of the previous fiscal year.

Cash flow indicator trends

	Mar. 2011	Mar. 2012	Mar. 2013
Net worth ratio (%)	54.8	50.7	52.1
Net worth ratio on market value basis (%)	56.4	54.4	50.5
Debt coverage ratio (years)	1.1	2.4	1.8
Interest coverage ratio (times)	54.5	44.3	54.4

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

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

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

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

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 10th , 2012, this will add up to a full-year dividend of ¥15 per share.

As of today, our plan is to also pay ¥15 per share for the next fiscal year.

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Management Policies

(1) Group Management Basic Policy

Our corporate philosophy is to offer "a wholesome life in the best of taste." Our mission is to provide food products that will help improve the physical and mental health of consumers worldwide through our commitment to creative and innovative production and marketing. By so doing, we aim to contribute to the creation and development of a rich food culture. It is our hope that this policy will lead to stable growth and will meet shareholder expectations. We will also continue to share prosperity with all our stakeholders, including 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) creation of powerful product categories and development of new health-related business; 2) promotion of global business, with focus on Asia; and 3) enhancement of competitive strength through concentration of management resources. As we specify these three main objectives, we will implement specific action plans.

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

We will concentrate our corporate resources on product categories to be strengthened, in order to build a strong brand that is highly competitive in the global market. At the same time, we will seek to lay the foundation for our health-related business, while cultivating new businesses. Our unified group efforts will also be geared toward strengthening our product development and sales capabilities, aiming to become the leader in each category. We will also work to maintain a level of quality assurance that conforms to global standards.

2) Promotion of global business, with focus on Asia

We will shift our focus for investment of our corporate resources from China and Thailand to Vietnam, Indonesia and other Asian regions. We will also seek to expand our confectionery business globally with 'Pocky' as the core product line. At the same time, we will advance the consideration on global development of new non-confectionery business areas.

3) Enhancement of competitive strength through concentration of management resources

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

4. Others

(1) Changes of Executives (as of June 27th, 2013)

1) Changes of representative directors

None applicable

2) Changes of other directors

None applicable

Consolidated Financial Statements

Ezaki Glico Co., Ltd. and
Consolidated Subsidiaries

Years ended March 31st, 2013 and 2012

Consolidated Balance Sheets

March 31st, 2013 and 2012

	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Assets			
Current assets:			
Cash and deposits *(Note 4,6)*	**¥ 17,890**	¥ 16,599	**$ 190,216**
Marketable securities *(Note6,7)*	**18,658**	17,511	**198,384**
Notes and accounts receivable *(Note 5,6)*	**33,921**	34,231	**360,673**
Less allowance for doubtful accounts	**(304)**	(272)	**(3,233)**
Inventories *(Note 8)*	**19,825**	19,425	**210,791**
Deferred income taxes *(Note 17)*	**2,186**	2,234	**23,246**
Other current assets	**3,573**	3,775	**37,992**
Total current assets	**95,749**	93,503	**1,018,069**
Property, plant and equipment:			
Land	**15,578**	15,518	**165,637**
Buildings and structures	**76,886**	75,555	**817,505**
Machinery and vehicles *(Notes 9)*	**125,533**	127,637	**1,334,746**
Tools, furniture and fixtures *(Note 9)*	**21,143**	19,984	**224,803**
Lease	**971**	629	**10,319**
Construction in progress	**3,078**	1,718	**32,729**
	243,189	241,041	**2,585,739**
Less accumulated depreciation	**(170,983)**	(173,857)	**(1,817,996)**
Property, plant and equipment, net	**72,206**	67,184	**767,743**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**578**	321	**6,144**
Investments in securities *(Note6,7)*	**38,970**	32,152	**414,358**
Long-term loans receivable	**447**	505	**4,753**
Deferred income taxes *(Note 17)*	**2,516**	4,251	**26,753**
Software	**3,007**	3,743	**31,971**
Software in progress	**113**	9	**1,204**
Other assets*(Notes9)*	**5,993**	5,756	**63,720**
Less allowance for doubtful accounts	**(216)**	(131)	**(2,305)**
Total investments and other assets	**51,408**	46,606	**546,597**
Total assets	**¥ 219,363**	¥ 207,293	**$ 2,332,409**

See accompanying notes to the consolidated financial statements.

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars) (Note 1)
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable *(Note 5,6)*	**¥ 30,976**	¥ 30,030	**$ 329,357**
Short-term loans *(Note 6,10)*	**9,951**	9,050	**105,800**
Current portion of long-term debts *(Note 6,10)*	**556**	1	**5,916**
Accrued expenses *(Note 5)*	**20,126**	20,601	**213,997**
Accrued income taxes *(Note 17)*	**1,040**	966	**11,056**
Accrued bonuses for directors and corporate auditors	**44**	51	**470**
Accrued expense for sales promotion	**1,544**	1,537	**16,417**
Provision for business structure improvement	**449**	376	**4,769**
Other current liabilities	**7,452**	6,027	**79,237**
Total current liabilities	**72,138**	68,639	**767,019**
Long-term liabilities:			
Long-term debts *(Note 10)*	**15,368**	15,391	**163,402**
Accrued retirement benefits for employees *(Note 11)*	**9,758**	10,570	**103,754**
Provision for business structure improvement	**105**	620	**1,116**
Other long-term liabilities	**5,647**	4,719	**60,043**
Total long-term liabilities	**30,878**	31,300	**328,315**
Contingent liabilities *(Note 15)*			
Net assets:			
Shareholders' equity *(Note 12)*:			
Common stock:			
Authorized – 470,000,000 shares			
Issued – 144,860,138 shares in 2013 and 2012	**7,774**	7,774	**82,655**
Capital surplus	**7,443**	7,434	**79,135**
Retained earnings *(Notes 12 and 21)*	**120,469**	118,886	**1,280,907**
Treasury stock, at cost – 31,093,973 shares in 2013, and 31,388,967 shares in 2012	**(26,474)**	(26,621)	**(281,490)**
Total shareholders' equity	**109,212**	107,473	**1,161,207**
Other comprehensive income:			
Net unrealized holding gain on securities	**6,046**	(250)	**64,284**
Loss on deferred hedges	**(42)**	(204)	**(442)**
Translation adjustments	**(919)**	(1,956)	**(9,774)**
Total other comprehensive income	**5,085**	(2,410)	**54,068**
Minority interests	**2,050**	2,291	**21,800**
Total net assets	**116,347**	107,354	**1,237,075**
Total liabilities and net assets	**¥ 219,363**	¥ 207,293	**$ 2,332,409**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income and Comprehensive Income

Years ended March 31st, 2013 and 2012

	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales	**¥ 293,003**	¥ 289,980	**$ 3,115,392**
Cost of sales *(Note 16)*	**168,151**	166,664	**1,787,890**
Gross profit	**124,852**	123,316	**1,327,502**
Selling, general and administrative expenses *(Note 16)*	**120,311**	118,578	**1,279,220**
Operating income	**4,541**	4,738	**48,282**
Other income (expenses):			
Interest and dividend income	**1,020**	997	**10,847**
Interest expense	**(264)**	(232)	**(2,811)**
Gain on sales of marketable securities	**1**	0	**12**
Loss on disposal of property, plant and equipment	**(330)**	(183)	**(3,507)**
Loss on impairment of fixed assets *(Note 9)*	**(1,078)**	(161)	**(11,462)**
Gain on evaluation of investments in securities	**-**	40	**-**
Loss on devaluation of investments in securities	**(2)**	(986)	**(19)**
Gain on redemption of investment securities	**67**	119	**713**
Gain from foreign exchange	**1,124**	97	**11,955**
Provision for doubtful accounts	**(104)**	-	**(1,103)**
Reversal of provision for business structure improvement	**-**	126	**-**
Provision for business structure improvement	**(323)**	-	**(3,434)**
Business structure improvement expenses	**(215)**	-	**(2,288)**
Reversal of provision for loss on disaster	**-**	265	**-**
Settlement received	**225**	-	**2,389**
Gain on insurance adjustment	**218**	131	**2,314**
Other, net	**148**	(273)	**1,570**
Income before income taxes and minority interests	**5,028**	4,678	**53,458**
Income taxes *(Note 17)*:			
Current	**2,288**	2,286	**24,329**
Deferred	**(215)**	1,996	**(2,284)**
	2,073	4,282	**22,045**
Income before minority interests	**2,955**	396	**31,413**
Minority interests	**(332)**	154	**(3,539)**
Net income	**3,287**	242	**34,952**
Minority interests	**(332)**	154	**(3,539)**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Income before minority interests	**2,955**	396	**31,413**
Other comprehensive Income			
Net unrealized holding gain on securities	**6,295**	214	**66,939**
Loss on deferred hedges	**163**	142	**1,732**
Translation adjustments	**1,143**	(412)	**12,150**
Total other comprehensive income	**7,601**	(56)	**80,821**
Comprehensive Income	**¥ 10,556**	¥ 340	**$ 112,234**
Total comprehensive income attributable to:			
Shareholders of Ezaki Glico Co.,Ltd.	**¥ 10,782**	¥ 398	**$ 114,644**
Minority interests	**¥ (226)**	¥ (58)	**$ (2,410)**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

Years ended March 31st, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Shareholders' equity:			
Common stock			
Balance at beginning of year	**¥ 7,774**	¥ 7,774	**$ 82,655**
Balance at end of year	**¥ 7,774**	¥ 7,774	**$ 82,655**
Capital surplus			
Balance at beginning of year	**¥ 7,434**	¥ 7,427	**$ 79,044**
Disposition of treasury stock	**9**	7	**91**
Balance at end of year	**¥ 7,443**	¥ 7,434	**$ 79,135**
Retained earnings			
Balance at beginning of year	**¥ 118,886**	¥ 120,346	**$ 1,264,077**
Cash dividends	**(1,136)**	(1,135)	**(12,078)**
Interim cash dividends	**(568)**	(567)	**(6,044)**
Net income	**3,287**	242	**34,952**
Balance at end of year	**¥ 120,469**	¥ 118,886	**$ 1,280,907**
Treasury stock			
Balance at beginning of year	**¥ (26,621)**	¥ (26,723)	**$ (283,051)**
Acquisition of treasury stock	**(18)**	(17)	**(193)**
Disposition of treasury stock	**165**	119	**1,754**
Balance at end of year	**¥ (26,474)**	¥ (26,621)	**$ (281,490)**
Other comprehensive income:			
Net unrealized holding gains on securities			
Balance at beginning of year	**¥ (250)**	¥ (464)	**$ (2,655)**
Net changes during the year	**6,296**	214	**66,939**
Balance at end of year	**¥ 6,046**	¥ (250)	**$ 64,284**
Loss on deferred hedges			
Balance at beginning of year	**¥ (204)**	¥ (347)	**$ (2,174)**
Net changes during the year	**162**	143	**1,732**
Balance at end of year	**¥ (42)**	¥ (204)	**$ (442)**
Translation adjustments			
Balance at beginning of year	**¥ (1,956)**	¥ (1,755)	**$ (20,795)**
Net changes during the year	**1,037**	(201)	**11,021**
Balance at end of year	**¥ (919)**	¥ (1,956)	**$ (9,774)**
Minority interests:			
Balance at beginning of year	**¥ 2,291**	¥ 2,371	**$ 24,361**
Net changes during the year	**(241)**	(80)	**(2,561)**
Balance at end of year	**¥ 2,050**	¥ 2,291	**$ 21,800**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended March 31st, 2013 and 2012

	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 5,028**	¥ 4,678	**$ 53,458**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**11,398**	11,304	**121,190**
Loss on impairment of fixed assets	**1,078**	161	**11,462**
(Decrease) in provision for business structure improvement	**(443)**	(338)	**(4,707)**
(Decrease) in accrued retirement benefits for employees	**(814)**	(403)	**(8,658)**
(Decrease) in accrued bonuses for directors and corporate auditors	**(7)**	(39)	**(72)**
Increase in accrued expense for sales promotion	**7**	312	**74**
Increase in provision for doubtful accounts	**118**	57	**1,257**
Interest and dividend income	**(1,020)**	(997)	**(10,847)**
Interest expense	**264**	232	**2,811**
Exchange (gain)	**(721)**	(41)	**(7,667)**
Loss on disposal of property, plant and equipment	**330**	183	**3,507**
Settlement package	**(225)**	-	**(2,389)**
Business structure improvement expenses	**215**	-	**2,288**
Loss on devaluation of investment in securities	**2**	985	**19**
(Increase) decrease in notes and accounts receivable	**740**	(5,475)	**7,873**
(Increase) in inventories	**(286)**	(3,073)	**(3,043)**
Increase in notes and accounts payable	**710**	4,165	**7,547**
Other	**173**	1,234	**1,830**
Subtotal	**16,547**	12,945	**175,933**
Settlement package received	**225**	-	**2,389**
Income taxes paid	**(2,221)**	(2,709)	**(23,610)**
Net cash provided by operating activities	**14,551**	10,236	**154,712**
Cash flows from investing activities:			
Increase in time deposits	**(1,395)**	(1,477)	**(14,831)**
Decrease in time deposits	**1,382**	1,237	**14,699**
Purchases of marketable securities	**(601)**	(1,001)	**(6,388)**
Proceeds from sales of marketable securities	**1,101**	1,631	**11,708**
Purchases of investments in securities	**(436)**	(2,732)	**(4,638)**
Proceeds from sales of investments in securities	**2,740**	1,707	**29,138**
Purchases of property, plant and equipment	**(14,493)**	(12,221)	**(154,102)**
Proceeds from sales of property, plant and equipment	**30**	84	**324**
Purchases of intangible assets	**(622)**	(120)	**(6,612)**
Increase in loans receivable	**(131)**	(8)	**(1,394)**
Collection of loans receivable	**249**	127	**2,652**
Interest and dividends received	**1,011**	1,028	**10,751**
Other	**(252)**	(162)	**(2,697)**
Net cash used in investing activities	**(11,417)**	(11,907)	**(121,389)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	**564**	2,996	**5,997**
Proceeds from long-term loans payable	**686**	4,894	**7,295**
Repayment of long-term loans payable	**(337)**	(1)	**(3,586)**
Interest and dividends paid	**(1,971)**	(1,933)	**(20,961)**
Cash dividends paid to minority shareholders	**(14)**	(21)	**(150)**
Acquisition of treasury stock	**(18)**	(17)	**(193)**
Proceeds from sales of treasury stock	**174**	126	**1,845**
Other	**(155)**	(132)	**(1,641)**
Net cash (used in) provided by financing activities	**(1,071)**	5,912	**(11,394)**
Effect of exchange rate changes on cash and cash equivalents	**905**	(231)	**9,623**
Net increase in cash and cash equivalents	**2,968**	4,010	**31,552**
Cash and cash equivalents at beginning of the year	**32,410**	28,400	**344,612**
Cash and cash equivalents at end of the year *(Note 4)*	**¥ 35,378**	¥ 32,410	**$376,164**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

March 31st, 2013

1. Basis of Presentation

Ezaki Glico Co., Ltd. (the “Company”) and its domestic subsidiaries maintain their books of account in conformity with generally accepted accounting principles 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 generally accepted accounting principles 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 March 31st, 2012 to conform them to the 2013 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 ¥94.05 = U.S. $1.00, the approximate rate of exchange in effect prevailing on March 31st, 2013, 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 December 31st. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1st through March 31st 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 April 1st, 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 31st, 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.

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 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.

(o) 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. Additional Information

（**Changes in the Method of Depreciation**）

The Company and certain domestic consolidated subsidiaries, in accordance with the revision of the Corporation Tax Act of Japan, have changed their accounting method of depreciation for tangible fixed assets acquired on or after April 1st, 2012. Thereby, compared with the conventional method, Operating income, Income before income taxes and minority interests of this consolidated-financial-accounting fiscal year, is increasing ¥277 million($2,950 thousand), respectively.

（**Application of the consolidated taxation system**）

The Company and certain domestic consolidated subsidiaries have obtained approval for the application of the consolidated taxation system from the year ending March 31st, 2014. As of the current fiscal year, the Company and certain domestic consolidated subsidiaries have adopted accounting treatment based on “Practical Solution on Tentative Treatment of Tax Effect Accounting under the Consolidated Taxation System (Part 1)” (ASBJ Practical Issues Task Force No.5, issued on March 18th,2011) and “Practical Solution on Tentative Treatment of Tax Effect Accounting under the Consolidated Taxation System(Part 2)” (ASBJ Practical Issues Task Force No.7 issued on June 30th,2010) under the assumption that the Company and certain domestic consolidated subsidiaries will apply the consolidated taxation system.

4. Cash and Cash Equivalents

The balances of cash and deposits reflected in the consolidated balance sheets at March 31st, 2013 and 2012 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:

	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	**¥ 17,890**	¥ 16,599	**$190,216**
Time deposits with original maturities in excess of three months included in cash and deposits	**(1,070)**	(1,100)	**(11,369)**
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	**18,558**	16,911	**197,317**
Short-term investments which mature within three months of the dates of acquisition included in other current assets	—	—	—
Cash and cash equivalents	**¥ 35,378**	¥ 32,410	**$376,164**

5. Notes / Account receivables/Account payable/Accrued expense

The balance sheet date for the year ended March 31st, 2012 and 2013 fell on a bank holiday.
Consequently, Notes / Account receivables/Account payable/Accrued expense with a maturity date of March 31st, 2012 and 2013 were included in the account balance and were settled on the next business day.

	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Notes and Account receivable	**¥ 2,612**	¥ 2,759	**$ 27,769**
Notes and Account payable	**2,869**	2,800	**30,504**
Accrued expenses	**935**	1,136	**9,946**

6. Financial Instruments

For the year ended March 31st, 2013 and 2012

・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 March 31st, 2013, 2012 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)

	2013			2012		
	Carrying Value	**Estimated fair value**	**Difference**	**Carrying Value**	**Estimated fair value**	**Difference**
	(Millions of yen)			*(Millions of yen)*		
Assets:						
Cash and deposits	**¥17,890**	**¥ 17,890**	—	¥ 16,599	¥ 16,599	—
Notes and accounts receivable	**33,921**	**33,921**	—	34,231	34,231	—
Marketable securities and investments in securities	**56,335**	**56,335**	—	48,430	48,430	—
Total assets	**108,146**	**108,146**	—	99,260	99,260	—
Liabilities:						
Notes and accounts payable	**¥30,976**	**¥30,976**	—	¥30,030	¥30,030	—
Short-term loans and current portion of long-term debt	**10,507**	**10,507**	—	9,051	9,051	—
Long-term debt	**15,368**	**15,380**	**12**	15,391	15,352	(39)
Total liabilities	**56,851**	**56,863**	**12**	54,472	54,433	(39)
Derivatives*	—	—	—	¥(49)	¥(49)	—

	2013		
	Carrying Value	**Estimated fair value**	**Difference**
	(Thousands of U.S. dollars)		
Assets:			
Cash and deposits	**$ 190,216**	**$190,216**	—
Notes and accounts receivable	**360,673**	**360,673**	—
Marketable securities and investments in securities	**598,990**	**598,990**	—
Total assets	**1,149,879**	**1,149,879**	—
Liabilities:			
Notes and accounts payable	**$329,357**	**$329,357**	—
Short-term loans and current portion of long-term debt	**111,716**	**111,716**	—
Long-term debt	**163,401**	**163,528**	**127**
Total liabilities	**604,474**	**604,601**	**127**
Derivatives*	—	—	—

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

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

	2013	**2012**	**2013**
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Unlisted stocks	**¥1,871**	¥1,555	**$19,896**

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 March 31st, 2013 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	¥ 17,797	—	—	—
Notes and accounts receivable	33,921	—	—	—
Bonds	100	1,400	600	4,100
Other securities	1,050	700	40	—

	(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	$ 189,229	—	—	—
Notes and accounts receivable	360,673	—	—	—
Bonds	1,063	14,886	6,380	43,594
Other securities	11,164	7,443	425	—

7. Marketable Securities and Investments in Securities

a) Marketable securities classified as held-to-maturity debt securities and other securities at March 31st, 2013 and 2012 are summarized as follows:

Held-to-maturity debt securities:

The Company and consolidated subsidiaries had no marketable securities classified as held-to-maturity debt securities at March 31st, 2013 and 2012.

7. Marketable Securities and Investments in Securities (continued)

Other securities:

	2013			2012		
	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	**¥ 18,169**	**¥26,700**	**¥ 8,531**	¥ 3,193	¥ 5,712	¥ 2,519
Bonds	**3,072**	**3,902**	**830**	1,981	2,060	79
Other	**98**	**99**	**1**	100	100	—
Subtotal	**21,339**	**30,701**	**9,362**	5,274	7,872	2,598
Securities whose acquisition cost exceeds their carrying value:						
Stocks	**6,381**	**5,809**	**(572)**	21,049	18,615	(2,434)
Bonds	**1,200**	**1,102**	**(98)**	5,223	4,731	(492)
Other	**18,781**	**18,723**	**(58)**	17,283	17,211	(72)
Subtotal	**26,362**	**25,634**	**(728)**	43,555	40,557	(2,998)
Total	**¥ 47,701**	**¥ 56,335**	**¥ 8,634**	¥ 48,829	¥ 48,429	¥ (400)

	2013		
	Acquisition cost	**Carrying value**	**Unrealized holding gain (loss)**
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	**$ 193,179**	**$ 283,889**	**$ 90,710**
Bonds	**32,666**	**41,494**	**8,828**
Other	**1,041**	**1,051**	**10**
Subtotal	**226,886**	**326,434**	**99,548**
Securities whose acquisition cost exceeds their carrying value:			
Stocks	**67,840**	**61,761**	**(6,079)**
Bonds	**12,763**	**11,722**	**(1,041)**
Other	**199,694**	**199,073**	**(621)**
Subtotal	**280,297**	**272,556**	**(7,741)**
Total	**$ 507,183**	**$598,990**	**$ 91,807**

7. Marketable Securities and Investments in Securities (continued)

b) Sales of securities classified as other securities for the years ended March 31st, 2013 and 2012 are summarized as follows:

	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales	**¥ 191**	¥ 2	**$2,030**
Gain on sales	**23**	2	**243**
Loss on sales	**0**	—	**0**

c) The carrying value of investments in non-marketable securities at March 31st, 2013 and 2012 was as follows:

	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Other securities:			
Free financial funds	**¥ —**	¥ —	**$ —**
Commercial paper	—	—	—
Bonds	—	—	—
Unlisted equity securities (except for shares traded on the over-the-counter market)	**1,871**	1,555	**19,896**
Convertible bonds	—	—	—
Other	—	—	—

d) The securities which was impaired

Loss on devaluation of investment in securities amounted to ¥2 million ($19 thousand) for the year ended March 31st, 2013.
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 March 31st, 2013 and 2012 consisted of the following:

	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Finished goods and Commercial goods	**¥ 9,058**	¥ 7,951	**$ 96,307**
Work in process	**947**	772	**10,072**
Raw materials and Supplies	**9,820**	10,702	**104,412**
	¥19,825	¥19,425	**$210,791**

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 ¥136 million ($1,449 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 ¥1,078 million ($11,462 thousand) has been recorded in the consolidated statement of income for the year ended March 31st, 2013. The details of the loss on impairment are as follows:

	2013	**2013**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Facilities held in Nasu-shiobara City, Tochigi Prefecture and other locations:		
Buildings and structures	¥ 883	$ 9,392
Land	17	181
Machinery	159	1,693
Other assets	19	196
Total	¥ 1,078	$11,462

Buildings in Nasu-shiobara City have been written down to the recoverable amount as it is expected to be difficult to recover the investment due to declining profitability. The estimated amounts included above are as follows:
Buildings :¥586million ($6,231thousand)

The recoverable amounts of the assets presented in the above table are measured by the value in use. The value in use is calculated based on future cash flows discounted by a certain rate. The discount rate was 1.175%

9. Loss on Impairment of Fixed Assets (continued)

And Buildings and structures in Milk and Dairy Products Division have been written down to the recoverable amounts as part of Milk and Dairy Products Division's structure improvement. The estimated amount included above are as follows:
Buildings and structures:¥280million ($2,977thousand)

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 0.99% and 0.86% at March 31st, 2013 and 2012, respectively.

Long-term debts at March 31st, 2013 and 2012 consisted of the following:

	2013	2012	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Secured:			
Loans from banks or other	**¥ –**	¥ –	**$ –**
Unsecured:			
Loans from banks	**15,924**	15,391	**169,318**
Lease Obligation	**572**	360	**6,077**
	16,496	15,751	**175,395**
Less current portion:			
Loans from banks	**(556)**	(1)	**(5,916)**
Lease Obligation	**(204)**	(134)	**(2,170)**
	(760)	(135)	**(8,086)**
	¥15,736	¥15,616	**$167,309**

The aggregate annual maturities of long-term debts and lease obligation subsequent to March 31st, 2013 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 March 31st,				
2014	¥ 556	$5,916	¥ 204	$ 2,170
2015	10,200	108,453	153	1,631
2016	4,411	46,906	125	1,317
2017	545	5,794	73	779
2018	212	2,249	15	159
2019 and thereafter	—	—	2	21
	¥ 15,924	$169,318	¥ 572	$6,077

11. Accrued Retirement Benefits for Employees

The Company and certain of its domestic consolidated subsidiaries (Glico Dairy Products Co., Ltd. , Glico Ham Co., Ltd. , and Glico Nutrition 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 March 31st, 2013 and 2012 for the defined benefit plans of the Company and the consolidated subsidiaries:

	2013	**2012**	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation	**¥ (28,021)**	¥ (25,854)	**$ (297,937)**
Plan assets at fair value	**15,541**	13,801	**165,241**
Unfunded retirement benefit obligation	**(12,480)**	(12,053)	**(132,696)**
Unrecognized actuarial loss	**2,658**	1,472	**28,258**
Unrecognized prior service cost	**64**	11	**684**
Accrued retirement benefits for employees	**¥ (9,758)**	¥ (10,570)	**$ (103,754)**

11. Accrued Retirement Benefits for Employees (continued)

The components of retirement benefit expenses for the years ended March 31st, 2013 and 2012 are outlined as follows:

	2013	2012	2013
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	**¥1,152**	¥1,264	**$ 12,263**
Interest cost	**579**	575	**6,153**
Expected return on plan assets	**(414)**	(395)	**(4,402)**
Amortization:			
Actuarial loss	**780**	660	**8,289**
Prior service cost	**(53)**	(120)	**(568)**
Retirement benefit expenses	**¥2,044**	¥1,984	**$ 21,735**

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 March 31st, 2013 and 2012 are as follows:

	2013	2012
Discount rate	**1.3%～2.5%**	2.5%
Expected rates of return on plan assets	**3.0%**	3.0%

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 ($20,664 thousand) at March 31st, 2013 and 2012.

12. Shareholders' Equity (continued)

Treasury stock

Movements in treasury stock for the year ended March 31st, 2013 are summarized as follows:

	Number of Shares			
	2013			
	March 31st, 2012	Increase	Decrease	March 31st, 2013
Treasury Stock	31,267,840	19,889	193,756	31,093,973

Decrease in the number of treasury stock includes the sale of 191,000 shares to the Employee shareholding association.

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 March 31st, 2013 and 2012, 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:

	2013		
	Acquisition costs	**Accumulated depreciation**	**Net book value**
		(Millions of yen)	
Buildings and structures	**¥ –**	**¥ –**	**¥ –**
Machinery and vehicles	**129**	**129**	**0**
Tools, furniture and fixtures	**30**	**30**	–
Total	**¥ 159**	**¥ 159**	**¥ 0**

	2012		
	Acquisition costs	**Accumulated depreciation**	**Net book value**
		(Millions of yen)	
Buildings and structures	¥ –	¥ –	¥ –
Machinery and vehicles	145	134	11
Tools, furniture and fixtures	73	68	5
Total	¥ 218	¥ 202	¥ 16

13. Leases (continued)

	2013		
	Acquisition costs	**Accumulated depreciation**	**Net book value**
	(Thousands of U.S. dollars)		
Buildings and structures	**$ –**	**$ –**	**$ –**
Machinery and vehicles	**1,375**	**1,371**	**4**
Tools, furniture and fixtures	**316**	**316**	**–**
Total	**$ 1,691**	**$ 1,687**	**$ 4**

Lease payments relating to finance leases in the accompanying consolidated financial statements (which is included loss on impairment) amounted to ¥14 million ($151 thousand) and ¥113 million ($1,206 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 March 31st, 2013 and 2012, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to March 31st, 2013 for finance leases are summarized as follows:

Year ending March 31st ,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2014	¥ 0	$ 4
2015 and thereafter	—	—
Total	¥ 0	$ 4

Future minimum lease payments subsequent to March 31st, 2013 for operating leases are summarized as follows:

Year ending March 31st,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2014	¥ 246	$ 2,615
2015 and thereafter	429	4,561
Total	¥ 675	$ 7,176

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:

	2013			**2013**		
	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	—	—	—	—	—	—

	2012		
	Notional amounts	**Market value**	**Unrealized gain (loss)**
	(Millions of yen)		
Interest rate swap:			
Pay floating/			
Receive fixed rate	¥5,000	¥ (49)	¥ (49)

15. Contingent Liabilities

The Company was contingently liable as a guarantor for employees' housing loans in the aggregate amount of ¥0 million ($3 thousand) at March 31st, 2013.

16. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses and manufacturing costs for the years ended March 31st, 2013 and 2012 totaled ¥4,413 million ($46,922 thousand) and ¥4,464 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 38.0% for the fiscal years ended March 31st, 2013 and 2012. 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 March 31st, 2013 and 2012 are as follows:

	2013	**2012**
Statutory tax rate	**38.0%**	40.6%
Permanent non-deductible expenses	**3.3**	4.3
Permanent non-taxable income	**(2.7)**	(2.7)
Inhabitants' per capita taxes	**1.1**	1.3
Valuation allowance	**3.2**	42.6
Tax deduction	**(5.2)**	(4.5)
Effects of changes in Income tax rate	**5.1**	13.3
Other	**(1.6)**	(3.4)
Effective tax rates	**41.2%**	91.5%

17. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at March 31st, 2013 and 2012 are summarized as follows:

	2013	2012	2013
	(Millions of yen)		(Thousands of U.S. dollars)
Current portion			
Deferred tax assets:			
Accrued expenses	**¥ 952**	¥ 854	**$ 10,125**
Accrued bonuses	**974**	1,009	**10,361**
Deferred hedge	**25**	125	**271**
Other	**956**	1,038	**10,148**
Gross deferred tax assets	**2,907**	3,026	**30,905**
Less valuation allowance	**(99)**	(189)	**(1,046)**
Total deferred tax assets	**¥ 2,808**	¥ 2,837	**$ 29,859**
Deferred tax liabilities:			
Gain on interest-rate swaps	**(622)**	(603)	**(6,613)**
Total deferred tax liabilities	**(622)**	(603)	**(6,613)**
Net deferred tax assets	**¥ 2,186**	¥ 2,234	**$ 23,246**
Net deferred tax liabilities	**(0)**	–	**(0)**
Non-current portion			
Deferred tax assets:			
Accrued retirement benefits for employees	**¥ 3,670**	¥ 4,170	**$ 39,017**
Loss on impairment of fixed assets	**2,670**	2,309	**28,384**
Amortization of deferred assets	**19**	23	**203**
Depreciation	**626**	653	**6,654**
Other	**6,066**	4,107	**64,509**
Gross deferred tax assets	**13,051**	11,262	**138,767**
Less valuation allowance	**(8,503)**	(6,705)	**(90,407)**
Total deferred tax assets	**4,548**	4,557	**48,360**
Deferred tax liabilities:			
Net unrealized holding gain on securities	**(2,589)**	(16)	**(27,523)**
Reserve for special depreciation included in retained earnings	**(33)**	(38)	**(351)**
Reserve for deferred gain on property included in retained earnings	**(250)**	(252)	**(2,659)**
Other	**(0)**	–	**(5)**
Total deferred tax liabilities	**(2,872)**	(306)	**(30,538)**
Net deferred tax assets	**¥ 2,516**	¥ 4,251	**$ 26,752**
Net deferred tax liabilities	**¥ (840)**	–	**$ (8,930)**

18. Other Comprehensive Income

Each component of other comprehensive income for the years ended March 31st, 2013 and 2012 are the following:

	2013	2012	**2013**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Net unrealized holding gain on securities			
Gain arising during the year	**9,073**	87	**96,466**
Reclassification adjustments to profit or loss	**(40)**	748	**(421)**
Amount before income tax effect	**9,033**	835	**96,045**
Income tax effect	**(2,737)**	(621)	**(29,106)**
Total	**6,296**	214	**66,939**
Loss on deferred hedges			
Gain arising during the year	-	-	-
Reclassification adjustments to profit or loss	**263**	255	**2,792**
Amount before income tax effect	**263**	255	**2,792**
Income tax effect	**(100)**	(113)	**(1,060)**
Total	**163**	142	**1,732**
Translation adjustments			
Adjustments arising during the year	**1,142**	(412)	**12,150**
Total other comprehensive income	**7,601**	(56)	**80,821**

19. Segment information

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 six segments: Confectioneries Division / Ice Cream Division / Food Products Division / Milk and Dairy Products Division / Meat Products Division / Food Ingredients Division

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

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

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

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

Meat Products Division mainly includes production and sale of ham, sausage.

Food Ingredients Division mainly includes production and sale of 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

2013 *(Millions of yen)*

	Reportable segments						
	Confectioneries Division	Ice Cream Division	Food Products Division	Milk and Dairy Products Division	Meat Products Division	Food Ingredients Division	Subtotal
Sales							
Sales to third parties	83,112	64,812	24,278	86,749	20,741	8,320	288,012
Inter-segment sales and transfers	205	-	-	179	259	230	873
Net Sales	83,317	64,812	24,278	86,928	21,000	8,550	288,885
Segment income(loss)	1,075	3,217	(417)	445	(495)	451	4,276
Segment assets	50,593	16,259	5,511	29,858	6,695	3,980	112,896
Depreciation	3,657	2,094	281	2,647	546	68	9,293
Increase in property, plants and equipment/ intangible fixed assets	10,152	2,462	110	1,573	472	110	14,879

	Other	Total	Adjustments and eliminations	Consolidated
Sales				
Sales to third parties	4,991	293,003	-	293,003
Inter-segment sales and transfers	3,431	4,304	(4,304)	-
Net Sales	8,422	297,307	(4,304)	293,003
Segment income(loss)	6	4,282	259	4,541
Segment assets	821	113,717	105,646	219,363
Depreciation	7	9,300	2,098	11,398
Increase in property, Plants and equipment/ intangible fixed assets	249	15,128	1,071	16,199

19. Segment information (continued)

	2013 (Thousands of U.S. dollars)						
	Reportable segments						
	Confectioneries Division	Ice Cream Division	Food Products Division	Milk and Dairy Products Division	Meat Products Division	Food Ingredients Division	Subtotal
Sales							
Sales to third parties	883,701	689,124	258,136	922,368	220,530	88,469	3,062,328
Inter-segment sales and transfers	2,182	-	-	1,902	2,752	2,448	9,284
Net Sales	885,883	689,124	258,136	924,270	223,282	90,917	3,071,612
Segment income(loss)	11,431	34,203	(4,433)	4,728	(5,260)	4,799	45,468
Segment assets	537,941	172,872	58,601	317,467	71,181	42,319	1,200,381
Depreciation	38,885	22,262	2,981	28,147	5,809	722	98,806
Increase in property, plants and equipment/ intangible fixed assets	107,945	26,181	1,170	16,721	5,021	1,163	158,201

	Other	Total	Adjustments and eliminations	Consolidated
Sales				
Sales to third parties	53,064	3,115,392	-	3,115,392
Inter-segment sales and transfers	36,479	45,763	(45,763)	-
Net Sales	89,543	3,161,155	(45,763)	3,115,392
Segment income(loss)	63	45,531	2,751	48,282
Segment assets	8,733	1,209,114	1,123,295	2,332,409
Depreciation	82	98,888	22,302	121,190
Increase in property, plants and equipment/ intangible fixed assets	2,652	160,853	11,380	172,233

19. Segment information (continued)

	2012 *(Millions of yen)*						
	Reportable segments						Subtotal
	Confectioneries Division	Ice Cream Division	Food Products Division	Milk and Dairy Products Division	Meat Products Division	Food Ingredients Division	
Sales Sales to third parties	81,599	63,872	25,965	85,236	20,281	8,351	285,304
Inter-segment sales and transfers	2	-	-	166	238	112	518
Net Sales	81,601	63,872	25,965	85,402	20,519	8,463	285,822
Segment income(loss)	1,838	4,261	768	99	(1,249)	606	6,323
Segment assets	43,371	15,090	6,477	31,386	8,587	3,888	108,799
Depreciation	2,967	2,187	263	3,075	529	81	9,102
Increase in property, plants and equipment/ intangible fixed assets	9,172	2,459	358	1,729	695	82	14,495

	Others	Total	Adjustments and eliminations	Consolidated
Sales Sales to third parties	4,676	289,980	-	289,980
Inter-segment sales and transfers	2,961	3,479	(3,479)	-
Net Sales	7,637	293,459	(3,479)	289,980
Segment income(loss)	(111)	6,212	(1,474)	4,738
Segment assets	678	109,477	97,816	207,293
Depreciation	9	9,111	2,193	11,304
Increase in property, plants and equipment/ intangible fixed assets	20	14,515	235	14,750

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, System Maintenance and Development Division, Warehousing business Division

In the fiscal year ended March 31st, 2013, Glico Foods company was partitioned to Glico Ham company and Glico Nutrition company. As a result, the reporting segments have changed from the Meat Products Division to the Meat Products Division and the Food Ingredients Division

20. Amounts per Share

Amounts per share at March 31st, 2013 and 2012 and for the years then ended were as follows:

	2013	2012	**2013**
	(Yen)		(U.S. dollars)
Net income	**¥ 28.91**	¥ 2.13	**$ 0.31**
Cash dividends	**15.00**	15.00	**0.16**
Net assets	**1,004.66**	924.92	**10.68**

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 March 31st, 2013 and 2012 has not been disclosed because no potential for dilution existed at March 31st, 2013 and 2012.

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 March 31st, 2013, was approved at a shareholders' meeting held on June 27th, 2013:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥10.00 = U.S.$0.11 per share)	¥1,138	$12,096

Corporate Information

Board of Directors and Statutory Auditors (as of March 31st, 2013)

President & CEO
Katsuhisa Ezaki

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

Standing Corporate Auditor
Masaaki Shibaike

Corporate Auditors
Haruo Kuramochi
Shintaro Iwai
Matao Miyamoto

Corporate Data (as of March 31st, 2013)

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

Capital Paid
¥7,774 Million
（U.S. $82,655 Thousand）

Number of Employee
1,101

Stock Exchanges Listed
Tokyo, Osaka

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

Established
1922