おいしさと健康

Glico

Annual Report 2012

(Year ended 31st March, 2012)

Contents

Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	2012	2011	2010	2009	2008	2012
Net sales	**289,980**	284,048	284,537	289,015	278,686	**3,528,167**
Income before income taxes and minority interests	**4,678**	5,964	11,721	2,633	4,425	**56,914**
Net income	**242**	3,786	7,031	(1,067)	1,407	**2,948**
	Yen					U.S. dollars
Per share of common stock:						
Net income						
Primary	**2.13**	33.36	61.93	(8.66)	10.89	**0.03**
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	**107,354**	108,629	108,288	100,108	122,514	**1,306,174**
Total assets	**207,293**	194,055	200,989	193,052	202,677	**2,522,115**

Message from the President

In the consolidated fiscal year under review, the Japanese economy showed signs of mild recovery from the effects of the Great East Japan Earthquake. Outside Japan, however, the European sovereign debt crisis and the soaring price of crude oil caused an economic slowdown. Floods in Thailand also had a negative impact, while a restricted supply of electricity, continuing deflation, and increasing concern for employment conditions in Japan have also led to uncertainty about the future. The food industry continued to face difficulties due to the considerable rise in the cost of raw materials and a defensive mindset among consumers that affected spending.

In light of this situation, our corporate group has proactively implemented various measures: expanding sales of our mainstay products, launching new products and products of affiliates, and aggressively implementing sales strategies for stirring the market as well as retail support measures for in-store bargain sale campaigns. These efforts, based on Glico Group Action Guidelines, indicate our commitment to business operations that are capable of earning the trust and respect of stakeholders. Our efforts were also concentrated on helping our Thai subsidiary to quickly restore its operations from the damage caused by floods.

Consequently, our confectionery, ice cream, food, and milk and dairy product sales increased from the previous fiscal year although the meat segment posted decreased sales due to the reduction in production caused by the damage from the Great East Japan Earthquake. Overall, consolidated net sales amounted to ¥289,980 million, an increase of 2.1% from the ¥284,048 million total of the previous fiscal year.

Regarding earnings, the cost-to-sales ratio increased due to rising prices of raw materials and changes in the product portfolio. 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 ¥4,738 million, or a ¥5,259 million decrease from the previous fiscal year (¥9,997 million). Ordinary income was ¥5,252 million, or a ¥5,347 million decrease from the previous fiscal year (¥10,600 million).

During the consolidated fiscal year under review, the reversal of a provision for damage caused by natural disasters was posted as extraordinary income, while losses on revaluation of investment securities were posted as an extraordinary loss. In addition, we reviewed the possibility of recovering deferred tax assets for some consolidated subsidiaries, and implemented a reversal of deferred tax assets in response to the application of a revised income tax rate for the next fiscal year and beyond. As a result, net income was ¥242 million, or a decrease of ¥3,543 million from the previous fiscal year (¥3,785 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 31st March , 2012. 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 2012

江崎勝久

Katsuhisa Ezaki, President and CEO

Operating Results and Financial Status

(1) Operating Results

Results by segment

(Unit: millions of yen)

Segment \ Period	FY2010 1st Apr.,2010 to 31st Mar.,2011		FY2011 1st Apr.,2011 to 31st Mar.,2012		Increase (Decrease)	Pct.
	Amount	Ratio	Amount	Ratio		
		%		%		%
Confectioneries	77,461	27.3	81,599	28.1	4,138	105.3
Ice Cream	63,400	22.3	63,872	22.0	472	100.7
Food Products	24,257	8.5	25,965	9.0	1,708	107.0
Milk and Dairy Products	83,074	29.2	85,236	29.4	2,162	102.6
Meat Products	31,072	10.9	28,274	9.8	(2,798)	91.0
Others	4,784	1.8	5,034	1.7	250	105.2
Total	284,048	100.0	289,980	100.0	5,931	102.1

[Confectioneries Division]

In Japan, sales of ‘Pocky’ and ‘Pretz’ groups as well as ‘Bisco’ increased from the previous fiscal year, and the new ‘Almond Peak’ also marked a steady sales rise. Outside Japan, the subsidiary in Shanghai recorded sales growth over the previous fiscal year, but floods in Thailand led to a sales drop at the Thai subsidiary.

As a result, divisional sales amounted to ¥81,599 million, a 5.3% increase from the ¥77,461 million total posted during the previous fiscal year.

[Ice Cream Division]

Although ‘Panapp’ and ‘mini sele’ experienced decreased sales from the previous fiscal year, mainstay ‘Papico’ and ‘Vanillatier’ enjoyed sales growth over the previous fiscal year. Wholesale subsidiaries in the Kansai region recorded increased sales revenue, while sales of subsidiaries in the Tohoku region decreased due to the adverse effects of the earthquake.

As a result, divisional sales totaled ¥63,872 million, a 0.7% increase from the ¥63,400 million total recorded during the previous fiscal year.

[Food Products Division]

‘2-dan Juku Hayashi’ enjoyed a steady sales increase, with ‘Snack Soup’ and ‘Curry Shokunin’ also marking greater sales compared to the previous year.

As a result, divisional sales amounted to ¥25,965 million, a 7.0% increase from the ¥24,257 million total recorded during the previous fiscal year.

[Milk and Dairy Products Division]

Sales of dessert products such as ‘Dororich’ and fruit juices declined from the previous fiscal year. However, ’Mild Café Au Lait’ sales grew, and sales operations subcontracted by Kirin Beverage Co., Ltd. also contributed to sales increase.

As a result, divisional sales totaled ¥85,236 million, a 2.6% increase from the ¥83,074 million total achieved during the previous fiscal year.

[Meat Products Division]

Sales of starch and other food ingredients were up compared to the previous fiscal year. However, sales of mainstay ham and sausage products declined to a level lower than the previous fiscal year. Reasons for this include severe market competition and reduced production at the manufacturing subsidiary in Nasu due to the damage caused by the Great East Japan Earthquake.

As a result, divisional sales were ¥28,274 million, a 9.0% decrease from the ¥31,072 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 future of the economy will remain unclear due to a number of factors causing concern. These include the effects of restricted electricity supply and nuclear hazards, as well as continuing deflation and a worsening employment situation. Against the backdrop of Europe’s sovereign debt problem and elevated crude oil prices, economies 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 spread of a budget-oriented mindset 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 ¥300,000 million in the next fiscal year, or a 3.5% increase from the fiscal year under review. Our profit targets are: an operating income of ¥6,000 million (up 26.6% from the fiscal year under review), ordinary income of ¥6,100 million (up 16.1%) and a net income of ¥3,200 million.

Divisional consolidated sales forecasts for the next fiscal year

Divisional sales projections are as follows: Confectionery Division sales of ¥82,000 million (up 0.5% from the fiscal year under review), Ice Cream Division sales of ¥66,000 million (up 3.3%), Food Products Division sales of ¥26,600 million (up 2.4%), Milk and Dairy Products Division sales of ¥91,000 million (up 6.8%), and Meat Products Division sales of ¥21,000 million (up 4.1%), and Food Ingredients Division sales of ¥8,500 million (up 0.4%).

As of 2nd April,2012, Glico Foods Co., Ltd., a consolidated subsidiary, spun off its Food Ingredients Department into a new company. Alongside this reorganization, effective from the next fiscal year, the conventional Meat Products Division will be divided into the Meat Products Division and the Food Ingredients Division.

(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	14,853	10,236	(4,617)
Cash flow – investing activities	(6,647)	(11,907)	(5,260)
Cash flow – financing activities	(6,314)	5,912	12,226
Balance of cash and cash equivalents at beginning of term	26,789	28,400	1,611
Balance of cash and cash equivalents at end of term	28,400	32,410	4,010

Free cash flow during the fiscal year under review (31st March, 2012), calculated by subtracting net cash for investing activities from net cash provided by operating activities, totaled minus ¥1,671 million, a decrease of ¥9,877 million from the ¥8,206 million generated during the previous fiscal year (31st March, 2011). This decrease was mainly due to the increase in trade receivables and the increase in inventories.

Net cash provided by financing activities was ¥5,912 million, an increase of ¥12,226 million from the previous fiscal year. This was mainly attributable to increases in long-term and short-term debts.

As a result, the balance of cash and cash equivalents at the end of the fiscal year under review (31st March, 2012) totaled ¥32,410 million, an increase of ¥4,010 million from the ¥28,400 million at the end of the previous fiscal year (31st March, 2011).

Cash flow indicator trends

	Mar. 2010	Mar. 2011	Mar. 2012
Net worth ratio (%)	52.8	54.8	50.7
Net worth ratio on market value basis (%)	61.6	56.4	54.4
Debt coverage ratio (years)	0.8	1.1	2.4
Interest coverage ratio (times)	90.5	54.5	44.3

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 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 9th December, 2011, 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 strengthen our product development and sales capabilities through unified group efforts, aiming to become the leader in each category. At the same time, we will seek to lay the foundation for our health-related business. Specific measures we will take include:

- Development of products intended to grow into future core products
- Promotion of sales activities leveraging our comprehensive group power
- Laying the foundation for new health-related business
- Improvement of sales promotion cost efficiency
- Enhancement of profitability through reduction of procurement, production and logistics costs.

2) Promotion of global business, with focus on Asia

We will aim to expand into global markets as quickly as possible with our confectionery products centered on ‘Pocky’ and ‘Pretz’ by concentrating management resources in China, Thailand and the rest of Asia.

3) Enhancement of competitive strength through concentration of management resources

We will strive to maximize group-wide synergy through the integration of group operations. We will seek to reinforce our competitive strength by combining our resources across the group. Specifically, we will work to address compliance and environmental issues, integrate back-office operations, promote development and efficient deployment of human resources, and carry out measures to demonstrate the comprehensive strengths of production and sales departments.

4. Others

(1) Changes of Executives (as of 28th June, 2012)

1) Changes of representative directors

None applicable

2) Changes of other directors

A. A candidate for new corporate auditor

Non-standing Corporate Auditor Matao Miyamoto (presently, Professor Emeritus at Osaka University)

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

B. Retiring corporate auditor

Non-standing Corporate Auditor Eiji Tamai

Consolidated Financial Statements

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Years ended 31st March, 2012 and 2011

Consolidated Balance Sheets

31st March, 2012 and 2011

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Assets			
Current assets:			
Cash and deposits *(Note 4,6)*	**¥ 16,599**	¥ 15,289	**$ 201,959**
Marketable securities *(Note6,7)*	**17,511**	15,170	**213,059**
Notes and accounts receivable *(Note 5,6)*	**34,231**	28,822	**416,480**
Less allowance for doubtful accounts	**(272)**	(201)	**(3,310)**
Inventories *(Note 8)*	**19,425**	16,383	**236,343**
Deferred income taxes *(Note 17)*	**2,234**	2,747	**27,177**
Other current assets	**3,775**	2,895	**45,931**
Total current assets	**93,503**	81,105	**1,137,639**
Property, plant and equipment:			
Land	**15,518**	11,865	**188,805**
Buildings and structures	**75,555**	68,968	**919,273**
Machinery and vehicles *(Notes 9)*	**127,637**	125,415	**1,552,955**
Tools, furniture and fixtures *(Note 9)*	**19,984**	19,299	**243,143**
Lease	**629**	587	**7,648**
Construction in progress	**1,718**	5,937	**20,899**
	241,041	232,071	**2,932,723**
Less accumulated depreciation	**(173,857)**	(168,253)	**(2,115,303)**
Property, plant and equipment, net	**67,184**	63,818	**817,420**
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates	**321**	158	**3,900**
Investments in securities *(Note6,7)*	**32,152**	31,120	**391,207**
Long-term loans receivable	**505**	607	**6,142**
Deferred income taxes *(Note 17)*	**4,251**	6,467	**51,724**
Software	**3,743**	4,864	**45,539**
Software in progress	**9**	55	**105**
Other assets*(Notes9)*	**5,756**	6,005	**70,027**
Less allowance for doubtful accounts	**(131)**	(144)	**(1,588)**
Total investments and other assets	**46,606**	49,132	**567,056**
Total assets	**¥ 207,293**	¥ 194,055	**$ 2,522,115**

See accompanying notes to the consolidated financial statements.

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable *(Note 5,6)*	**¥ 30,030**	¥ 25,888	**$ 365,375**
Short-term loans *(Note 6,10)*	**9,050**	6,053	**110,112**
Current portion of long-term debts *(Note 6,10)*	**1**	1	**7**
Accrued expenses *(Note 5)*	**20,601**	18,136	**250,654**
Accrued income taxes *(Note 17)*	**966**	1,374	**11,751**
Accrued bonuses for directors and corporate auditors	**51**	90	**621**
Accrued expense for sales promotion	**1,537**	1,225	**18,701**
Provision for business structure improvement	**376**	714	**4,577**
Provision for loss on disasters	**-**	725	**-**
Other current liabilities	**6,027**	4,175	**73,315**
Total current liabilities	**68,639**	58,381	**835,113**
Long-term liabilities:			
Long-term debts *(Note 10)*	**15,391**	10,497	**187,262**
Accrued retirement benefits for employees *(Note 11)*	**10,570**	10,973	**128,607**
Provision for business structure improvement	**620**	620	**7,543**
Other long-term liabilities	**4,719**	4,955	**57,416**
Total long-term liabilities	**31,300**	27,045	**380,828**
Contingent liabilities *(Note 15)*			
Net assets:			
Shareholders' equity *(Note 12)*:			
Common stock:			
Authorized – 470,000,000 shares			
Issued – 144,860,138 shares in 2012 and 2011	**7,774**	7,774	**94,582**
Capital surplus	**7,434**	7,427	**90,450**
Retained earnings *(Notes 12 and 21)*	**118,886**	120,346	**1,446,483**
Treasury stock, at cost – 31,388,967 shares in 2012, and 31,350,577 shares in 2011	**(26,621)**	(26,723)	**(323,895)**
Total shareholders' equity	**107,473**	108,824	**1,307,620**
Other comprehensive income:			
Net unrealized holding gain on securities	**(250)**	(464)	**(3,038)**
Loss on deferred hedges	**(204)**	(347)	**(2,487)**
Translation adjustments	**(1,956)**	(1,755)	**(23,796)**
Total other comprehensive income	**(2,410)**	(2,566)	**(29,321)**
Minority interests	**2,291**	2,371	**27,875**
Total net assets	**107,354**	108,629	**1,306,174**
Total liabilities and net assets	**¥ 207,293**	¥ 194,055	**$ 2,522,115**

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, 2012 and 2011

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Net sales	**¥ 289,980**	¥ 284,048	**$ 3,528,167**
Cost of sales *(Note 16)*	**166,664**	160,146	**2,027,793**
Gross profit	**123,316**	123,902	**1,500,374**
Selling, general and administrative expenses *(Note 16)*	**118,578**	113,904	**1,442,726**
Operating income	**4,738**	9,998	**57,648**
Other income (expenses):			
Interest and dividend income	**997**	910	**12,129**
Interest expense	**(232)**	(259)	**(2,822)**
Gain on sales of marketable securities	**0**	2	**0**
Loss on disposal of property, plant and equipment	**(183)**	(168)	**(2,228)**
Loss on impairment of fixed assets *(Note 9)*	**(161)**	(1,527)	**(1,959)**
Gain on evaluation of investments in securities	**40**	40	**483**
Loss on devaluation of investments in securities	**(986)**	(75)	**(11,993)**
Gain on redemption of investment securities	**119**	-	**1,446**
Gain from foreign exchange	**97**	-	**1,179**
Loss from foreign exchange	**-**	(127)	**-**
Reversal of provision for doubtful accounts	**-**	10	**-**
Provision for doubtful accounts	**-**	(41)	**-**
Reversal of provision for business structure improvement	**126**	-	**1,536**
Provision for business structure improvement	**-**	(1,334)	**-**
Reversal of provision for loss on disaster	**265**	-	**3,230**
Gain on insurance adjustment	**131**	-	**1,595**
Loss on disasters	**-**	(1,451)	**-**
Other, net	**(273)**	(14)	**(3,330)**
Income before income taxes and minority interests	**4,678**	5,964	**56,914**
Income taxes *(Note 17)*:			
Current	**2,286**	3,091	**27,811**
Deferred	**1,996**	(1,196)	**24,281**
	4,282	1,895	**52,092**
Income before minority interests	**396**	4,069	**4,822**
Minority interests	**154**	283	**1,874**
Net income	**242**	3,786	**2,948**
Minority interests	**154**	283	**1,874**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Income before minority interests	**396**	4,069	**4,822**
Other comprehensive Income			
Net unrealized holding gain on securities	**214**	(1,415)	**2,607**
Loss on deferred hedges	**142**	147	**1,733**
Translation adjustments	**(412)**	(701)	**(5,015)**
Total other comprehensive income	**(56)**	(1,969)	**(675)**
Comprehensive Income	**¥ 340**	¥ 2,100	**$ 4,147**
Total comprehensive income attributable to:			
Shareholders of Ezaki Glico Co.,Ltd.	**¥ 398**	¥ 1,863	**$ 4,849**
Minority interests	**¥ (58)**	¥ 237	**$ (702)**

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Shareholders' equity:			
Common stock			
Balance at beginning of year	¥ **7,774**	¥ 7,774	$ **94,582**
Balance at end of year	¥ **7,774**	¥ 7,774	$ **94,582**
Capital surplus			
Balance at beginning of year	¥ **7,427**	¥ 7,427	$ **90,364**
Disposition of treasury stock	**7**	0	**86**
Balance at end of year	¥ **7,434**	¥ 7,427	$ **90,450**
Retained earnings			
Balance at beginning of year	¥ **120,346**	¥ 118,263	$ **1,464,246**
Cash dividends	**(1,135)**	(1,135)	**(13,806)**
Interim cash dividends	**(567)**	(568)	**(6,905)**
Net income	**242**	3,786	**2,948**
Balance at end of year	¥ **118,886**	¥ 120,346	$ **1,446,483**
Treasury stock			
Balance at beginning of year	¥ **(26,723)**	¥ (26,685)	$ **(325,138)**
Acquisition of treasury stock	**(17)**	(40)	**(204)**
Disposition of treasury stock	**119**	2	**1,447**
Balance at end of year	¥ **(26,621)**	¥ (26,723)	$ **(323,895)**
Other comprehensive income:			
Net unrealized holding gains on securities			
Balance at beginning of year	¥ **(464)**	¥ 951	$ **(5,644)**
Net changes during the year	**214**	(1,415)	**2,606**
Balance at end of year	¥ **(250)**	¥ (464)	$ **(3,038)**
Loss on deferred hedges			
Balance at beginning of year	¥ **(347)**	¥ (494)	$ **(4,220)**
Net changes during the year	**143**	147	**1,733**
Balance at end of year	¥ **(204)**	¥ (347)	$ **(2,487)**
Translation adjustments			
Balance at beginning of year	¥ **(1,755)**	¥ (1,100)	$ **(21,357)**
Net changes during the year	**(201)**	(655)	**(2,439)**
Balance at end of year	¥ **(1,956)**	¥ (1,755)	$ **(23,796)**
Minority interests:			
Balance at beginning of year	¥ **2,371**	¥ 2,152	$ **28,845**
Net changes during the year	**(80)**	219	**(969)**
Balance at end of year	¥ **2,291**	¥ 2,371	$ **27,876**

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

Years ended 31st March, 2012 and 2011

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars) (Note 1)*
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 4,678**	¥ 5,964	**$ 56,914**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation and amortization	**11,304**	10,976	**137,538**
Loss on impairment of fixed assets	**161**	1,527	**1,959**
(Decrease) Increase in provision for business structure improvement	**(338)**	1,334	**(4,113)**
Loss on disasters	**-**	1,451	**-**
(Decrease) in accrued retirement benefits for employees	**(403)**	(582)	**(4,906)**
(Decrease) in accrued retirement benefits for directors and corporate auditors	**-**	(193)	**-**
(Decrease) in accrued bonuses for directors and corporate auditors	**(39)**	(19)	**(475)**
Increase (decrease) in accrued expense for sales promotion	**312**	(67)	**3,796**
Increase (decrease) in provision for doubtful accounts	**57**	(488)	**702**
Interest and dividend income	**(997)**	(910)	**(12,129)**
Interest expense	**232**	259	**2,822**
Exchange (gain) loss	**(41)**	202	**(508)**
Loss on disposal of property, plant and equipment	**183**	168	**2,228**
Loss on devaluation of investment in securities	**985**	75	**11,993**
(Increase) decrease in notes and accounts receivable	**(5,475)**	446	**(66,615)**
(Increase) decrease in inventories	**(3,073)**	1,913	**(37,391)**
Increase in notes and accounts payable	**4,165**	467	**50,684**
Other	**1,234**	(2,856)	**15,011**
Subtotal	**12,945**	19,667	**157,510**
Income taxes paid	**(2,709)**	(4,814)	**(32,963)**
Net cash provided by operating activities	**10,236**	14,853	**124,547**
Cash flows from investing activities:			
Increase in time deposits	**(1,477)**	(804)	**(17,981)**
Decrease in time deposits	**1,237**	1,731	**15,050**
Purchases of marketable securities	**(1,001)**	(2,454)	**(12,181)**
Proceeds from sales of marketable securities	**1,631**	4,309	**19,846**
Purchases of investments in securities	**(2,732)**	(29)	**(33,248)**
Proceeds from sales of investments in securities	**1,707**	3,058	**20,771**
Purchases of property, plant and equipment	**(12,221)**	(11,725)	**(148,692)**
Proceeds from sales of property, plant and equipment	**84**	8	**1,026**
Purchases of intangible assets	**(120)**	(1,688)	**(1,464)**
Increase in loans receivable	**(8)**	(228)	**(100)**
Collection of loans receivable	**127**	230	**1,548**
Interest and dividends received	**1,028**	945	**12,518**
Other	**(162)**	-	**(1,974)**
Net cash used in investing activities	**(11,907)**	(6,647)	**(144,881)**
Cash flows from financing activities:			
Increase (decrease) in short-term loans, net	**2,996**	(4,677)	**36,453**
Increase (decrease) in long-term loans, net	**4,893**	491	**59,547**
Interest and dividends paid	**(1,933)**	(1,974)	**(23,522)**
Cash dividends paid to minority shareholders	**(21)**	(18)	**(267)**
Acquisition of treasury stock	**(17)**	(40)	**(204)**
Proceeds from sales of treasury stock	**126**	2	**1,531**
Other	**(132)**	(98)	**(1,604)**
Net cash (used in) provided by financing activities	**5,912**	(6,314)	**71,934**
Effect of exchange rate changes on cash and cash equivalents	**(231)**	(281)	**(2,803)**
Net increase (decrease) in cash and cash equivalents	**4,010**	1,611	**48,797**
Cash and cash equivalents at beginning of the year	**28,400**	26,789	**345,542**
Cash and cash equivalents at end of the year *(Note 4)*	**¥ 32,410**	¥ 28,400	**$ 394,339**

See accompanying notes to the consolidated financial statements.

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, 2011 to conform them to the 2012 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 ¥82.19 = U.S. $1.00, the approximate rate of exchange in effect prevailing on 31st March, 2012, 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 31st March, 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. Additional Information

（Accounting Standard for Accounting Changes and Error Corrections）

For accounting changes and correction of past errors since the beginning of the fiscal year under review, the company and its subsidiaries have adopted “Accounting Standard for Accounting Changes and Error Corrections” (ABSJ Statement No.24 December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ABSJ Guidance No.24, December 4, 2009).

（Accounting policy on Trust-type employee stock ownership plan (ESOP))

To make good use of the Group employee shareholding association, to ensure the welfare and to improve the corporate value, the Company and its subsidiaries have introduced a trust-type ESOP. Under this plan, trust-type ESOP that is established to transfer the Company’s stocks to the trust will acquire in advance the number of shares that is to be acquired by the Employee shareholding association within the period, and sell the shares to the Employee shareholding association.

The company transferred 1,140,000 stocks to the trust on 12th July, 2011.The Company and its subsidiaries guarantees the debts in the trust account resulting from the purchase and sale of the stocks of the company and accounts for the transactions involving the trust as its own.

Accordingly, stocks of the company held by the trust and the assets, liabilities, expenses and income of the trust were recorded in the accompanying consolidated financial statements. As of 31st March, 2012, the number of treasury stocks of the company held by the ESOP trust was 1,002,000 stocks.

4. Cash and Cash Equivalents

The balances of cash and deposits reflected in the consolidated balance sheets at 31st March, 2012 and 2011 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:

	2012	**2011**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and deposits	**¥ 16,599**	¥ 15,289	**$ 201,959**
Time deposits with original maturities in excess of three months included in cash and deposits	**(1,100)**	(807)	**(13,381)**
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	**16,911**	13,918	**205,761**
Short-term investments which mature within three months of the dates of acquisition included in other current assets	**—**	—	**—**
Cash and cash equivalents	**¥ 32,410**	¥ 28,400	**$ 394,339**

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

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

	2012	**2011**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Notes and Account receivable	**¥ 2,759**	¥ —	**$ 33,556**
Notes and Account payable	**2,800**	—	**34,066**
Accrued expenses	**1,136**	—	**13,816**

6. Financial Instruments

For the year ended 31st March, 2012 and 2011

・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, 2012, 2011 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)

	2012			2011		
	Carrying Value	**Estimated fair value**	**Difference**	**Carrying Value**	**Estimated fair value**	**Difference**
	(Millions of yen)			*(Millions of yen)*		
Assets:						
Cash and deposits	**¥ 16,599**	**¥16,599**	—	¥ 15,289	¥15,289	—
Notes and accounts receivable	**34,231**	**34,231**	—	28,822	28,822	—
Marketable securities and investments in securities	**48,430**	**48,430**	—	44,940	44,940	—
Total assets	**99,260**	**99,260**	—	89,051	89,051	—
Liabilities:						
Notes and accounts payable	**¥30,030**	**¥30,030**	—	¥25,888	¥25,888	—
Short-term loans and current portion of long-term debt	**9,051**	**9,051**	—	6,054	6,054	—
Long-term debt	**15,391**	**15,352**	**(39)**	10,497	10,491	(6)
Total liabilities	**54,472**	**54,433**	**(39)**	42,439	42,433	(6)
Derivatives*	**¥ (49)**	**¥ (49)**	—	¥ (83)	¥ (83)	—

	2012		
	Carrying Value	**Estimated fair value**	**Difference**
	(Thousands of U.S. dollars)		
Assets:			
Cash and deposits	**$ 201,959**	**$ 201,959**	—
Notes and accounts receivable	**416,480**	**416,480**	—
Marketable securities and investments in securities	**589,248**	**589,248**	—
Total assets	**1,207,687**	**1,207,687**	—
Liabilities:			
Notes and accounts payable	**$365,375**	**$365,375**	—
Short-term loans and current portion of long-term debt	**110,118**	**110,118**	—
Long-term debt	**187,262**	**186,784**	**(478)**
Total liabilities	**662,755**	**662,277**	**(478)**
Derivatives*	**$ (598)**	**$ (598)**	—

*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

	2012	**2011**	**2012**
	(Millions of yen)	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Unlisted stocks	**¥1,555**	¥1,509	**$18,918**

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, 2012 for receivables and marketable securities with maturity dates is summarized as follows:

	(Millions of yen)			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Deposits	¥ 16,527	—	—	—
Notes and accounts receivable	34,230	—	—	—
Bonds	600	400	1,000	7,200
Other securities	—	400	340	—

	(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	$ 201,080	—	—	—
Notes and accounts receivable	416,480	—	—	—
Bonds	7,300	4,867	12,167	87,602
Other securities	—	4,867	4,137	—

7. Marketable Securities and Investments in Securities

a) Marketable securities classified as held-to-maturity debt securities and other securities at 31st March, 2012 and 2011 are summarized as follows:

Held-to-maturity debt securities:

	2012			2011		
	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:						
Bonds	¥ –	¥ –	¥ –	¥ —	¥ —	¥ —
Securities whose carrying value exceeds their estimated fair value:						
Bonds	–	–	–	–	–	–
Total	¥ –	¥ –	¥ –	¥ —	¥ —	¥ —

	2012		
	Carrying value	**Estimated fair value**	**Unrealized gain**
	(Thousands of U.S. dollars)		
Securities whose estimated fair value exceeds their carrying value:			
Bonds	$ –	$ –	$ –
Securities whose carrying value exceeds their estimated fair value:			
Bonds	–	–	–
Total	$ –	$ –	$ –

The Company and consolidated subsidiaries had no marketable securities classified as held-to-maturity debt securities at 31st March, 2012 and 2011.

7. Marketable Securities and Investments in Securities (continued)

Other securities:

	2012			2011		
	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	**¥ 3,193**	**¥ 5,712**	**¥ 2,519**	¥ 4,498	¥ 7,104	¥ 2,606
Bonds	**1,981**	**2,060**	**79**	2,769	3,075	306
Other	**100**	**100**	—	—	—	—
Subtotal	**5,274**	**7,872**	**2,598**	7,267	10,179	2,912
Securities whose acquisition cost exceeds their carrying value:						
Stocks	**21,049**	**18,615**	**(2,434)**	17,266	14,281	(2,985)
Bonds	**5,223**	**4,731**	**(492)**	7,318	6,205	(1,113)
Other	**17,283**	**17,211**	**(72)**	14,322	14,274	(48)
Subtotal	**43,555**	**40,557**	**(2,998)**	38,906	34,760	(4,146)
Total	**¥ 48,829**	**¥ 48,429**	**¥ (400)**	¥ 46,173	¥ 44,939	¥(1,234)

	2012		
	Acquisition cost	**Carrying value**	**Unrealized holding gain (loss)**
	(Thousands of U.S. dollars)		
Securities whose carrying value exceeds their acquisition cost:			
Stocks	**$ 38,844**	**$ 69,499**	**$ 30,655**
Bonds	**24,105**	**25,065**	**960**
Other	**1,217**	**1,219**	**2**
Subtotal	**64,166**	**95,783**	**31,617**
Securities whose acquisition cost exceeds their carrying value:			
Stocks	**256,105**	**226,489**	**(29,616)**
Bonds	**63,551**	**57,567**	**(5,984)**
Other	**210,275**	**209,409**	**(866)**
Subtotal	**529,931**	**493,465**	**(36,466)**
Total	**$ 594,097**	**$ 589,248**	**$ (4,849)**

7. Marketable Securities and Investments in Securities (continued)

b) Sales of securities classified as other securities for the years ended 31st March, 2012 and 2011 are summarized as follows:

	2012	**2011**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales	**¥ 2**	¥0	**$ 22**
Gain on sales	**2**	0	**22**
Loss on sales	—	—	—

c) The carrying value of investments in non-marketable securities at 31st March, 2012 and 2011 was as follows:

	2012	**2011**	**2012**
	(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)	**1,555**	1,509	**18,918**
Convertible bonds	—	—	—
Other	—	—	—

d) The securities which was impaired

Loss on devaluation of investment in securities amounted to ¥986 million ($11,993 thousand) for the year ended 31st March, 2012.
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, 2012 and 2011 consisted of the following:

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Finished goods and Commercial goods	**¥ 7,951**	¥ 6,755	**$ 96,743**
Work in process	**772**	631	**9,392**
Raw materials and Supplies	**10,702**	8,997	**130,208**
	¥19,425	¥16,383	**$236,343**

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 ¥249 million ($3,027 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 ¥161 million ($1,959 thousand) has been recorded in the consolidated statement of income for the year ended 31st March, 2012. The details of the loss on impairment are as follows:

	2012	2012
	(Millions of yen)	*(Thousands of U.S. dollars)*
Machinery held in Saga City, Kyusyu Prefecture and other locations:		
Buildings and structures	¥ 1	$ 9
Land	18	216
Machinery	142	1,729
Other assets	0	5
Total	¥ 161	$ 1,959

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 0.86% and 1.09% at 31st March, 2012 and 2011, respectively.

Long-term debts at 31st March, 2012 and 2011 consisted of the following:

	2012	2011	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Secured:			
Loans from banks or other	**¥ –**	¥ –	**$ –**
Unsecured:			
Loans from banks	**15,391**	10,498	**187,269**
Lease Obligation	**360**	443	**4,383**
	15,751	10,941	**191,652**
Less current portion:			
Loans from banks	**(1)**	(1)	**(7)**
Lease Obligation	**(134)**	(131)	**(1,625)**
	(135)	(132)	**(1,632)**
	¥15,616	¥10,809	**$190,020**

The aggregate annual maturities of long-term debts and lease obligation subsequent to 31st March, 2012 are summarized below:

	long-term debts		*lease obligation*	
	(Millions of yen)	*(Thousands of U.S. dollars)*	*(Millions of yen)*	*(Thousands of U.S. dollars)*
Year ending 31st March,				
2013	¥ 1	$ 7	¥ 134	$ 1,625
2014	893	10,865	112	1,366
2015	10,201	124,111	68	833
2016	4,201	51,109	38	466
2017	95	1,160	8	93
2018 and thereafter	0	17	—	—
	¥ 15,391	$187,269	¥ 360	$4,383

11. Accrued Retirement Benefits for Employees

The Company and certain of its domestic consolidated subsidiaries (Glico Dairy 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, 2012 and 2011 for the defined benefit plans of the Company and the consolidated subsidiaries:

	2012	**2011**	**2012**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Retirement benefit obligation	**¥ (25,854)**	¥ (25,732)	**$ (314,573)**
Plan assets at fair value	**13,801**	13,178	**167,919**
Unfunded retirement benefit obligation	**(12,053)**	(12,554)	**(146,654)**
Unrecognized actuarial loss	**1,472**	1,913	**17,914**
Unrecognized prior service cost	**11**	(332)	**133**
Accrued retirement benefits for employees	**¥ (10,570)**	¥ (10,973)	**$ (128,607)**

11. Accrued Retirement Benefits for Employees (continued)

The components of retirement benefit expenses for the years ended 31st March, 2012 and 2011 are outlined as follows:

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Service cost	**¥1,264**	¥1,154	**$ 15,381**
Interest cost	**575**	572	**7,002**
Expected return on plan assets	**(395)**	(450)	**(4,810)**
Amortization:			
Actuarial loss	**660**	436	**8,024**
Prior service cost	**(120)**	(129)	**(1,461)**
Retirement benefit expenses	**¥1,984**	¥1,583	**$ 24,136**

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, 2012 and 2011 are as follows:

	2012	2011
Discount rate	**2.5%**	2.5%
Expected rates of return on plan assets	**3.0%**	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 ($23,645 thousand) at 31st March, 2012 and 2011.

12. Shareholders' Equity (continued)

Treasury stock

Movements in treasury stock for the year ended 31st March, 2012 are summarized as follows:

	Number of Shares			
	2012			
	31st March, 2011	Increase	Decrease	31st March, 2012
Treasury Stock	31,388,967	18,463	139,590	31,267,840

Decrease in the number of treasury stock includes the sale of 138,000 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 31st March, 2012 and 2011, 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:

	2012			
	Acquisition costs	**Accumulated depreciation**	**Loss on impairment**	**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**

	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**

13. Leases (continued)

	2012			
	Acquisition costs	**Accumulated depreciation**	**Loss on impairment**	**Net book value**
	(Thousands of U.S. dollars)			
Buildings and structures	$ –	$ –	$ –	$ –
Machinery and vehicles	**1,766**	**1,628**	–	**138**
Tools, furniture and fixtures	**888**	**828**	–	**60**
Total	**$ 2,654**	**$ 2,456**	$ –	**$ 198**

Lease payments relating to finance leases in the accompanying consolidated financial statements (which is included loss on impairment) amounted to ¥113 million ($1,380 thousand) and ¥175 million ($2,124 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, 2012 and 2011, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to 31st March, 2012 for finance leases are summarized as follows:

Year ending 31st March,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2013	¥ 16	$ 191
2014 and thereafter	0	7
Total	¥ 16	$ 198

Future minimum lease payments subsequent to 31st March, 2012 for operating leases are summarized as follows:

Year ending 31st March,	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2013	¥ 235	$ 2,860
2014 and thereafter	603	7,335
Total	¥ 838	$ 10,195

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:

	2012			2012		
	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**	**¥ (49)**	**¥ (49)**	**$ 60,835**	**$ (598)**	**$ (598)**

	2011		
	Notional amounts	**Market value**	**Unrealized gain (loss)**
	(Millions of yen)		
Interest rate swap:			
Pay floating/			
Receive fixed rate	**¥5,000**	**¥ (97)**	**¥ (97)**
Currency swap:			
Pay dollar			
Receive yen	**765**	**14**	**14**
Forward exchange contract:			
Short position			
-Canadian dollar	**23**	**(0)**	**(0)**

15. Contingent Liabilities

The Company was contingently liable as a guarantor for employees' housing loans in the aggregate amount of ¥1 million ($14 thousand) at 31st March, 2012.

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, 2012 and 2011 totaled ¥4,464 million ($54,313 thousand) and ¥4,625 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, 2012 and 2011. 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, 2012 and 2011 are as follows:

	2012	**2011**
Statutory tax rate	**40.6%**	40.6%
Permanent non-deductible expenses	**4.3**	3.1
Inhabitants' per capita taxes	**1.3**	1.0
Valuation allowance	**42.6**	(5.2)
Tax deduction	**(4.5)**	(4.2)
Effects of changes in Income tax rate	**13.3**	—
Other	**(6.1)**	(3.5)
Effective tax rates	**91.5%**	31.8%

17. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at 31st March, 2012 and 2011 are summarized as follows:

	2012	2011	2012
	(Millions of yen)		*(Thousands of U.S. dollars)*
Current portion			
Deferred tax assets:			
Accrued expenses	**¥ 854**	¥ 835	**$ 10,385**
Accrued bonuses	**1,009**	1,120	**12,276**
Deferred hedge	**125**	237	**1,523**
Other	**1,038**	1,201	**12,629**
Gross deferred tax assets	**3,026**	3,393	**36,813**
Less valuation allowance	**(189)**	(19)	**(2,296)**
Total deferred tax assets – current	**¥ 2,837**	¥ 3,374	**$ 34,517**
Deferred tax liabilities:			
Gain on interest-rate swaps	**(603)**	(626)	**(7,340)**
Other	**–**	(1)	**–**
Total deferred tax liabilities	**(603)**	(627)	**(7,340)**
Net deferred tax assets	**¥ 2,234**	¥ 2,747	**$ 27,177**
Non-current portion			
Deferred tax assets:			
Accrued retirement benefits for employees	**¥ 4,170**	¥ 4,776	**$ 50,733**
Loss on impairment of fixed assets	**2,309**	2,506	**28,094**
Amortization of deferred assets	**23**	25	**285**
Depreciation	**653**	657	**7,947**
Other	**4,107**	4,392	**49,962**
Gross deferred tax assets	**11,262**	12,356	**137,021**
Less valuation allowance	**(6,705)**	(5,575)	**(81,581)**
Total deferred tax assets – non-current	**4,557**	6,781	**55,450**
Deferred tax liabilities:			
Net unrealized holding gain on securities	**(16)**	(5)	**(199)**
Reserve for special depreciation included in retained earnings	**(38)**	(22)	**(465)**
Reserve for deferred gain on property included in retained earnings	**(252)**	(287)	**(3,052)**
Total deferred tax liabilities	**(306)**	(314)	**(3,716)**
Net deferred tax assets	**¥ 4,251**	¥ 6,467	**$ 51,724**

17. Income Taxes (continued)

(Effects caused by Changes in the Income Tax Rate, etc.)

The "Act for Partial Revision of the Income Tax Act, etc. for the purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No.114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake" (Act No. 117 of 2011) were introduced on 2nd December, 2011.As a result, the income tax rate applied to the Company and its consolidated domestic companies will be lowered and a special income tax for reconstruction will be imposed from fiscal year starting on or after 1st April, 2012.In step with these changes, from the consolidated fiscal year starting on 1st April, 2012, the effective statutory tax rate used to calculate deferred tax assets and deferred tax liabilities will change from the current rate 40.6% to 38.0% for temporary differences expected to disappear on 1st April, 2014 and to 35.6% for such differences predicted to disappear in or after the consolidated fiscal year starting on 1st April, 2015.These revisions in the effective statutory tax rate that are applicable to the companies and its consolidated domestic companies will cause its deferred tax assets (such assets after deduction of deferred tax liabilities) to decrease by ¥605 million($7,359 thousand), income taxes-deferred to increase by ¥575 million ($6,997 thousand).

18. Other Comprehensive Income

Each component of other comprehensive income for the year ended 31st March, 2012 was the following:

	2012	**2012**
	(Millions of yen)	*(Thousands of U.S. dollars)*
Net unrealized holding gain on securities		
Gain arising during the year	87	**1,065**
Reclassification adjustments to profit or loss	748	**9,099**
Amount before income tax effect	835	**10,164**
Income tax effect	(621)	**(7,557)**
Total	214	**2,607**
Loss on deferred hedges		
Gain arising during the year	-	-
Reclassification adjustments to profit or loss	255	**3,099**
Amount before income tax effect	255	**3,099**
Income tax effect	(113)	**(1,366)**
Total	142	**1,733**
Translation adjustments		
Adjustments arising during the year	(412)	**(5,015)**
Total other comprehensive income	(56)	**(675)**

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 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

2012 *(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	81,599	63,872	25,965	85,236	28,274	284,946
Inter-segment sales and transfers	2	-	-	166	135	303
Net Sales	81,601	63,872	25,965	85,402	28,409	285,249
Segment income(loss)	1,838	4,261	768	99	(683)	6,283
Segment assets	43,371	15,090	6,477	31,386	12,362	108,686
Depreciation	2,967	2,187	263	3,075	610	9,102
Increase in property, plants and equipment/ intangible fixed assets	9,172	2,459	358	1,729	777	14,495

	Other	Total	Adjustments and eliminations	Consolidated
Sales Sales to third parties	5,034	289,980	-	289,980
Inter-segment sales and transfers	2,981	3,284	(3,284)	
Net Sales	8,015	293,264	(3,284)	289,980
Segment income(loss)	(71)	6,212	(1,474)	4,738
Segment assets	791	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

19. Segment information (continued)

	2012 (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	992,813	777,128	315,911	1,037,060	344,008	3,466,920
Inter-segment sales and transfers	23	-	-	2,022	1,645	3,690
Net Sales	992,836	777,128	315,911	1,039,082	345,653	3,470,610
Segment income(loss)	22,366	51,840	9,347	1,199	(8,308)	76,444
Segment assets	527,694	183,595	78,807	381,871	150,402	1,322,369
Depreciation	36,091	26,605	3,206	37,419	7,422	110,743
Increase in property, plants and equipment/ intangible fixed assets	111,599	29,914	4,351	21,040	9,450	176,354

	Other	Total	Adjustments and eliminations	Consolidated
Sales Sales to third parties	61,247	3,528,167	-	3,528,167
Inter-segment sales and transfers	36,265	39,955	(39,955)	-
Net Sales	97,512	3,568,122	(39,955)	3,528,167
Segment income(loss)	(862)	75,582	(17,934)	57,648
Segment assets	9,622	1,331,991	1,190,124	2,522,115
Depreciation	109	110,852	26,686	137,538
Increase in property, plants and equipment/ intangible fixed assets	253	176,607	2,855	179,462

19. Segment information (continued)

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
Increase in property, plants and equipment/ intangible fixed assets	1,967	1,556	101	2,228	557	6,409

	Others	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
Increase in property, plants and equipment/ intangible fixed assets	166	6,575	6,098	12,673

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, 2012 and 2011 and for the years then ended were as follows:

	2012	2011	2012
	(Yen)		*(U.S. dollars)*
Net income	**¥ 2.13**	¥ 33.36	**$ 0.03**
Cash dividends	**15.00**	15.00	**0.18**
Net assets	**924.92**	936.43	**11.25**

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, 2012 and 2011 has not been disclosed because no potential for dilution existed at 31st March, 2012 and 2011.

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, 2012, was approved at a shareholders' meeting held on 28th June, 2012:

	(Millions of yen)	*(Thousands of U.S. dollars)*
Cash dividends (¥10.00 = U.S.$0.12 per share)	¥1,136	$13,821

Corporate Information

Board of Directors and Statutory Auditors (as of 31st March, 2012)

President & CEO
Katsuhisa Ezaki

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

Standing Corporate Auditor
Masaaki Shibaike

Corporate Auditors
Eiji Tamai
Haruo Kuramochi
Shintaro Iwai

Corporate Data (as of 31st March, 2012)

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Tokyo Branch
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Tokyo 108-0023, Japan

Capital Paid
¥7,774 Million
（U.S. $94,582 Thousand）

Number of Employee
1,074

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

Sumitomo Trust & Banking Co., Ltd. merged with Chuo Mitsui Asset Trust and Banking and Chuo Mitsui Trust and Banking Co., Ltd. on 1st April, 2012, and its name was changed to Mitsui Sumitomo Trust & Banking Co., Ltd..