

[Notes of caution]

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August 4, 2022

Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Second Quarter of the Fiscal Year Ending December 31, 2022

Listed company name: Ezaki Glico Co., Ltd.

Listed stock exchange: Tokyo Stock Exchange

Securities Code: 2206

URL: <https://www.glico.com/jp/>

Representative: Katsuhisa Ezaki, Chairman

Scheduled filing date of quarterly report: August 5, 2022

Scheduled commencement date of dividend payments: September 5, 2022

Preparation of explanatory materials for financial results: Yes

Holding of a briefing on financial results: Yes

(Amounts less than ¥ million are rounded down.)

1. Consolidated Financial Results for the Second Quarter of the Fiscal Year Ending December 31, 2022

(January 1, 2022 to June 30, 2022)

(1) Consolidated results of operations

(The percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Six months ended	¥ million	%	¥ million	%	¥ million	%	¥ million	%
June 30, 2022	139,147	-	6,877	(31.0)	7,965	(28.8)	4,723	(40.1)
June 30, 2021	160,300	(3.4)	9,971	14.2	11,186	15.7	7,880	25.4

(Note) Comprehensive Income: Six months ended June 30, 2022: ¥17,758 million [28.9%]

Six months ended June 30, 2021: ¥13,773 million [-%]

	Earnings per share (basic)	Earnings per share (diluted)
Six months ended	¥	¥
June 30, 2022	73.36	-
June 30, 2021	121.54	-

(Note) The company has been applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the first quarter consolidated accounting period. Therefore, the change in net sales against the same quarter of the previous year is not given for the first quarter of the business year ending June 2021. The change calculated assuming said accounting standards, etc., were applied to the term ended June 2021 would be a increase of 0.9%

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of June 30, 2022	365,007	250,959	68.6
As of December 31, 2021	356,745	241,177	67.5

(Reference) Shareholders' equity: As of June 30, 2022: ¥250,539 million

As of December 31, 2021: ¥240,791 million

2. Dividend Status

	Annual dividends				
	1Q end	2Q end	3Q end	Year end	Total
	¥	¥	¥	¥	¥
Fiscal year ended December 31, 2021	-	35.00	-	35.00	70.00
Fiscal year ending December 31, 2022	-	40.00			
Fiscal year ending December 31, 2022 (Forecast)			-	40.00	80.00

(Note) Revisions to dividend forecasts published most recently: None

Dividends for the second quarter of the fiscal year ending December 31, 2022: Ordinary dividends: ¥35
Commemorative dividends: ¥5

3. Consolidated Performance Forecasts for the Fiscal Year Ending December 31, 2022 (January 1, 2022 - December 31, 2022)
(The percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
Full year	301,000	-	15,000	(22.3)	16,000	(26.3)	11,000	(18.6)	170.84

(Note) Revisions to financial forecasts published most recently: Yes

The company has been applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the first quarter consolidated accounting period. The above forecasts are based on this standard. Therefore, the percentage indicating the year-on-year change in net sales compared to the fiscal year ended December 31, 2021, which was before the application of the said standard, is not presented. The net sales in the above consolidated performance forecasts represent an increase of 2.9% compared to the net sales calculated on the assumption that the said standards are applied to the fiscal year ended December 31, 2021 (¥292,557 million).

* Notes to the Consolidated Financial Statements

(1) Transfers of important subsidiaries during fiscal period (transfers of designated subsidiaries incidental to changes in scope of consolidation): Yes

New 1 Company (company name), Shanghai Ezaki Glico Minfa Foods Co., Ltd.

Eliminated – Company (company name)

(2) Application of special accounting treatments for the creation of the quarterly consolidated financial statements: None

(3) Changes in accounting practices, changes in accounting estimates, retrospective restatements

(i) Changes in accounting practices due to a revision of accounting standards, etc.: Yes

(ii) Changes in accounting practices other than (i): None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

(i) Number of shares issued as of term-end (including treasury shares)

As of June 30, 2022 68,468,569 shares

As of December 31, 2021 68,468,569 shares

(ii) Number of treasury shares as of term-end

As of June 30, 2022 4,889,788 shares

As of December 31, 2021 3,576,677 shares

(iii) Average number of shares during fiscal year

Six months ended June 30, 2022 64,387,282 shares

Six months ended June 30, 2021 64,839,893 shares

* Quarterly summaries of financial results are exempt from review conducted by certified public accountants or an audit corporation.

* Explanation of appropriate use of earnings projections, other explanatory notes

Earnings projections and other forward-looking statements indicated in these materials are based on information available at the time and on certain assumptions deemed reasonable at the time. These statements do not represent any guarantee of achievement by the Company. Furthermore, there is the possibility of significant changes in actual earnings due to various factors.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: ¥ million)

	As of December 31, 2021	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	102,026	91,298
Notes and accounts receivable - trade	42,898	38,625
Securities	219	242
Merchandise and finished goods	15,000	19,152
Work in process	838	963
Raw materials and supplies	12,316	13,260
Other	5,409	9,564
Allowance for doubtful accounts	(83)	(89)
Total current assets	178,626	173,019
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	39,638	38,982
Machinery, equipment and vehicles, net	30,374	28,755
Tools, furniture and fixtures, net	4,132	4,271
Land	15,969	16,102
Leased assets, net	697	2,022
Construction in progress	10,268	16,736
Total property, plant and equipment	101,080	106,870
Intangible assets		
Software	4,340	4,053
Software in progress	11,020	13,603
Goodwill	391	421
Other	214	199
Total intangible assets	15,967	18,277
Investments and other assets		
Investment securities	41,627	46,867
Retirement benefit asset	4,340	4,626
Investment property, net	12,213	12,235
Other	3,223	3,150
Allowance for doubtful accounts	(334)	(39)
Total investments and other assets	61,071	66,840
Total non-current assets	178,118	191,988
Total assets	356,745	365,007

(Unit: ¥ million)

	As of December 31, 2021	As of June 30, 2022
Liabilities		
Current liabilities		
Notes and accounts payable - trade	32,373	31,721
Short-term borrowings	232	180
Accrued expenses	25,293	20,186
Income taxes payable	3,207	2,781
Refund liability	—	7,181
Provision for sales promotion expenses	4,106	—
Provision for bonuses for directors (and other officers)	67	—
Provision for share awards	21	—
Provision for loss on guarantees	—	122
Other	6,848	5,723
Total current liabilities	72,150	67,897
Non-current liabilities		
Convertible-bond-type bonds with share acquisition rights	30,044	30,033
Long-term borrowings	77	—
Retirement benefit liability	1,299	1,418
Deferred tax liabilities	7,006	8,178
Other	4,988	6,520
Total non-current liabilities	43,416	46,150
Total liabilities	115,567	114,048
Net assets		
Shareholders' equity		
Share capital	7,773	7,773
Capital surplus	9,959	9,967
Retained earnings	214,795	216,352
Treasury shares	(9,057)	(13,869)
Total shareholders' equity	223,470	220,224
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,277	13,251
Deferred gains or losses on hedges	253	1,065
Foreign currency translation adjustment	4,758	15,084
Remeasurements of defined benefit plans	1,030	912
Total accumulated other comprehensive income	17,320	30,314
Non-controlling interests	386	419
Total net assets	241,177	250,959
Total liabilities and net assets	356,745	365,007

(2) Consolidated Statements of Income and Comprehensive Income

(Unit: ¥ million)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Net sales	160,300	139,147
Cost of sales	83,582	87,696
Gross profit	76,717	51,451
Selling, general and administrative expenses		
Transportation and storage costs	15,172	12,740
Promotion expenses	19,803	3,928
Provision for promotion expenses	3,625	—
Advertising expenses	4,380	3,753
Retirement benefit expenses	234	128
Other	23,528	24,023
Total selling, general and administrative expenses	66,745	44,574
Operating profit	9,971	6,877
Non-operating income		
Interest income	170	188
Dividend income	333	365
Foreign exchange gains	43	—
Subsidy income	317	416
Rental income from real estate	278	262
Other	665	832
Total non-operating income	1,809	2,065
Non-operating expenses		
Interest expenses	19	45
Foreign exchange losses	—	55
Loss on retirement of non-current assets	74	71
Loss on abandonment of non-current assets	9	256
Provision for loss on guarantees	—	122
Other	491	425
Total non-operating expenses	594	977
Ordinary profit	11,186	7,965
Extraordinary income		
Gain on sale of non-current assets	739	—
Gain on sale of investment securities	—	20
Total extraordinary income	739	20
Extraordinary losses		
Loss on sale of investment securities	40	—
Loss on COVID-19	—	476
Total extraordinary losses	40	476
Profit before income taxes	11,885	7,510
Income taxes - current	3,894	2,753
Income taxes - deferred	104	21
Total income taxes	3,998	2,775
Profit	7,886	4,734
Profit attributable to		
Profit attributable to owners of parent	7,880	4,723
Profit attributable to non-controlling interests	6	11

(Unit: ¥ million)

	Six months ended June 30, 2021	Six months ended June 30, 2022
Other comprehensive income		
Valuation difference on available-for-sale securities	2,473	1,974
Deferred gains or losses on hedges	452	812
Foreign currency translation adjustment	2,831	9,689
Remeasurements of defined benefit plans, net of tax	(56)	(117)
Share of other comprehensive income of entities accounted for using equity method	185	665
Total other comprehensive income	5,886	13,023
Comprehensive income	13,773	17,758
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	13,745	17,718
Comprehensive income attributable to non-controlling interests	28	40

(Segment Information, etc.)

[Segment Information]

I. Six months ended June 30, 2021 (January 1, 2021- June 30, 2021)

1. Information on net sales and profit or losses by reportable segment

(Unit: ¥ million)

	Reportable Segment						Others (Note) 1	Total	Adjusted amount (Note) 2	Amounts indicated on quarterly consolidated financial statements (Note 3)
	Confec- tionaries and Food- Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal				
Net sales										
Sales to third parties	38,994	39,470	39,399	5,110	28,006	150,980	9,319	160,300	-	160,300
Inter-segment sales and transfers	313	34	2	118	-	468	6,046	6,515	(6,515)	-
Total	39,307	39,504	39,401	5,228	28,006	151,449	15,365	166,815	(6,515)	160,300
Segment profit	2,314	2,088	1,089	558	2,126	8,178	645	8,823	1,147	9,971

(Notes)

1. The “Other” category is a business segment not included in reporting segments, and includes the Health segment , Office Glico segment, and the Systems Maintenance & Development Business segment.
2. The adjusted amount of ¥1,147 million in segment profit or losses includes ¥801 million for the elimination of intersegment transactions and other adjustment amounts of ¥346 million in companywide expenses not allocated to any reporting segment.
3. The total amount for segment profit is adjusted based on the operating profit recorded for quarterly consolidated financial statements.

2. Impairment losses on fixed assets and information concerning goodwill, etc., for each reporting segment.

Not applicable.

II. Six months ended June 30, 2022 (January 1, 2022- June 30, 2022)

1. Information on net sales and profit or losses by reportable segment

(Unit: ¥ million)

	Reportable Segment						Others (Note) 1	Total	Adjusted amount (Note) 2	Amounts indicated on quarterly consolidated financial statements (Note 3)
	Confec- tionaries and Food- Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal				
Net sales										
Sales to third parties	31,750	35,760	33,018	5,246	24,638	130,235	8,912	139,147	—	139,147
Inter-segment sales and transfers	352	25	2	114	—	495	5,312	5,807	(5,807)	—
Total	31,922	35,785	33,021	5,361	24,638	130,730	14,224	144,954	(5,807)	139,147
Segment profit	2,599	1,046	128	645	(322)	4,098	612	4,710	2,166	6,877

(Notes)

1. The “Other” category is a business segment not included in reporting segments, and includes the Health segment , Office Glico segment, and the Systems Maintenance & Development Business segment.
2. The adjusted amount of ¥2,166 million in segment profit or losses includes ¥813 million for the elimination of intersegment transactions and other adjustment amounts of ¥1,352 million in companywide expenses not allocated to any reporting segment.

3. The total amount for segment profit is adjusted based on the operating profit recorded for quarterly consolidated financial statements.
2. Impairment losses on fixed assets and information concerning goodwill, etc., for each reporting segment.
Not applicable.
3. Matters related to change in reporting segments
Since the company has been applying the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020), etc., from the beginning of the first quarter consolidated accounting period, and has changed its accounting procedures for revenue recognition, the company has also changed its methods for measuring segment profit or loss accordingly.

Supplementary Information

For the Second Quarter of the Fiscal Year Ending December 31, 2022

Ezaki Glico Co., Ltd.

1. Consolidated results of operations (Cumulative)

*Amounts less than one million yen, one million yuan and one million USD are each rounded down.

(1) Status of Net Sales and Profit

Unit: 1 million yen

	FYE Dec. '21 (Jan. to June) *new standards	FYE Dec. '22 (Jan. to June)	Change from previous period	
			Amount	%
Net sales	137,974	139,147	1,173	0.9
Operating profit	9,971	6,877	(3,094)	(31.0)
Ordinary profit	11,186	7,965	(3,220)	(28.8)
Profit	7,880	4,723	(3,157)	(40.1)

(2) Status of Operating Profit

Unit: 1 million yen

	FYE Dec. '22 *new standards		FYE Dec. '22	
	(Jan. to June)	%	(Jan. to June)	%
Net sales	137,974	100.0	139,147	100.0
Cost of sales	83,582	60.6	87,696	63.0
Gross profit	54,391	39.4	51,451	37.0
Freight and charges	11,959	8.7	12,740	9.2
Promotion expenses	4,315	3.1	3,928	2.8
Advertising expenses	4,380	3.2	3,753	2.7
Salaries and benefits	14,030	10.2	14,722	10.6
Expenses and depreciation	9,732	7.1	9,429	6.8
Total	44,419	32.2	44,574	32.0
Operating profit	9,971	7.2	6,877	4.9

Factors behind change in operating profit	vs FYE Dec. '21 (Jan. to June)	
		Of which, is domestic
(1) Change due increase/decrease in net sales	542	(279)
(2) Change due to fluctuation in composition of sales product varieties and other	(972)	(535)
(3) Change due to increase/decrease in raw materials prices	(2,610)	(1,781)
(4) Change due to fluctuation in freight and charges ratio	(679)	277
(5) Change due to increase/decrease in sales promotion expenses / advertising expenses	1,014	1,344
(6) Change due to increase/decrease in SG&A expenses	(389)	329
Total	(3,094)	(645)

(3) Status of Net Sales by Segment

*The following figures for net sales by category are aggregate figures for management accounting purposes.

Unit: 1 million yen

Segment	Category	FYE Dec. '21 (Jan. to June) *new standards	FYE Dec. '22 (Jan. to June)	Change from previous period	
				Results	%
Confectioneries and Food Products	Chocolate	16,430	15,715	(714)	(4.4)
	Cookies	9,257	9,301	43	0.5
	Food products	5,750	5,879	128	2.2
	Other	631	673	42	6.7
	Total	32,070	31,570	(499)	(1.6)
Ice Cream		34,607	35,760	1,152	3.3
Dairy	Yoghurt	7,699	6,271	(1,428)	(18.5)
	Drinking Milk	10,416	9,994	(421)	(4.1)
	Fruit juices, Carbonated drinks	9,710	9,477	(232)	(2.4)
	Western confections	4,894	5,225	331	6.8
	Baby care	2,061	2,048	(13)	(0.7)
	Total	34,782	33,018	(1,764)	(5.1)
Food Ingredients		5,098	5,246	148	2.9
Overseas		22,814	24,638	1,824	8.0
Other	Health	6,230	6,417	186	3.0
	Total	8,600	8,912	311	3.6
Total		137,974	139,147	1,173	0.9

(4)Status of Operating Profit by Segment

Unit:1 million yen

Segment	FYE Dec. '21 (Jan. to June) *new standards	FYE Dec. '22 (Jan. to June)	Change from previous period	
			Amount	%
Confectioneries and Food Products	2,314	2,599	284	12.3
(Of which, is confectioneries)	2,203	2,472	268	12.2
(Of which, is food products)	110	127	16	14.9
Ice Cream	2,088	1,046	(1,042)	(49.9)
Dairy	1,089	128	(960)	(88.2)
Food Ingredients	558	645	87	15.6
Overseas	2,126	(322)	(2,448)	-
Other	645	612	(33)	(5.1)
Adjustment	1,147	2,166	1,018	88.7
Total	9,971	6,877	(3,094)	(31.0)

(5)Status of overseas Business: Region-Specific Net Sales and Operating Income

*The following figures are based on management accounting and differ from the figures in the consolidated financial statements.
Geographic segment also differ from those in the figures in the consolidated financial statements.

◆China

Unit: 1 million CNY

	FYE Dec. '21 (Jan. to June) *new standards	FYE Dec. '22 (Jan. to June)	Change from previous period	
			Amount	%
Net sales	645	430	(214)	(33.2)
Operating profit	50	(47)	(98)	-

◆ASEAN

Unit: 1 million USD

	FYE Dec. '21 (Jan. to June) *new standards	FYE Dec. '22 (Jan. to June)	Change from previous period	
			Amount	%
Net sales	47	58	11	23.7
Operating profit	(3)	(3)	0	-

*Actual results for the 2Q of the fiscal year ended December 31, 2021 have been replaced by the average rate for the 2Q of the fiscal year ended December 31, 2022.

◆U.S.A.

Unit: 1 million USD

	FYE Dec. '21 (Jan. to June)	FYE Dec. '22 (Jan. to June)	Change from previous period	
			Amount	%
Net sales	48	54	5	11.7
Operating profit	18	13	(4)	(26.0)

*The figures for the U.S.A. are on a consolidated basis.