

[Notes of caution]

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August 6, 2020

Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Second Quarter of the Fiscal Year Ending December 31, 2020

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, President and CEO

Scheduled filing date of quarterly report: August 7, 2020

Scheduled commencement date of dividend payments: September 4, 2020

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, 2020

(January 1, 2020 to June 30, 2020)

(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, 2020	165,975	-	8,731	-	9,671	-	6,283	-
September 30, 2019	185,525	(0.2)	10,774	(16.3)	11,744	(20.1)	8,783	(11.6)

(Note) Comprehensive Income: Six months ended June 30, 2020: ¥3,900 million [-%]

Six months ended September 30, 2019: ¥6,939 million [(41.6)%]

	Earnings per share (basic)	Earnings per share (diluted)
Six months ended	¥	¥
June 30, 2020	96.79	-
September 30, 2019	134.98	-

The Company changed its fiscal year end from March 31 to December 31 upon the resolution of “Partial Amendment of Articles of Incorporation” at the 114th Annual Shareholders Meeting held on June 25, 2019. Accordingly, because the consolidation period for the six months ended June 30, 2020 (from January 1, 2020 to June 30, 2020) differs with the previous consolidation period for the six months ended September 30, 2019 (from April 1, 2019 to September 30, 2019), changes from the previous corresponding period have not been provided.

Additionally, for the six months ended September 30, 2019 for the Company and subsidiaries with fiscal year ended March 31, the consolidation period was the six months from April 1, 2019 to September 30, 2019 and for subsidiaries with fiscal year ended December 31, the consolidation period was the six months from January 1, 2019 to June 30, 2019.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
	¥ million	¥ million	%
As of June 30, 2020	335,541	222,964	64.2
As of December 31, 2019	343,812	220,915	62.0

(Reference) Shareholders' equity: As of June 30, 2020: ¥215,566 million

As of December 31, 2019: ¥213,181 million

2. Dividend Status

	Annual dividends				
	1Q end	2Q end	3Q end	Year end	Total
Fiscal year ended December 31, 2019	¥ -	¥ 30.00	¥ -	¥ 30.00	¥ 60.00
Fiscal year ending December 31, 2020	-	30.00			
Fiscal year ending December 31, 2020 (Forecast)			-	35.00	65.00

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

3. Consolidated Performance Forecasts for the Fiscal Year Ending December 31, 2020 (January 1, 2020 - December 31, 2020)

(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	358,000	-	18,000	-	18,500	-	12,500	-	192.57

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

Due to a change in the fiscal year, the previous consolidated fiscal year was the nine months starting on April 1, 2019 and ending on December 31, 2019. As a result, changes from the previous corresponding period have not been provided.

* 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) PT Glico Manufacturing Indonesia, 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.: None

(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, 2020 68,468,569 shares

As of December 31, 2019 68,468,569 shares

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

As of June 30, 2020 3,534,957 shares

As of December 31, 2019 3,557,196 shares

(iii) Average number of shares during fiscal year

Six months ended June 30, 2020 64,919,103 shares

Six months ended September 30, 2019 65,068,233 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, 2019	As of June 30, 2020
Assets		
Current assets		
Cash and deposits	99,640	94,291
Notes and accounts receivable - trade	43,788	40,785
Securities	5,968	3,142
Merchandise and finished goods	14,061	18,559
Work in process	795	948
Raw materials and supplies	15,016	14,052
Other	5,132	6,470
Allowance for doubtful accounts	(50)	(56)
Total current assets	184,352	178,195
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	40,656	40,398
Machinery, equipment and vehicles, net	35,953	34,971
Tools, furniture and fixtures, net	3,649	3,516
Land	15,259	15,267
Leased assets, net	513	655
Construction in progress	3,774	2,203
Total property, plant and equipment	99,807	97,012
Intangible assets		
Software	4,776	4,995
Goodwill	489	430
Other	1,721	3,096
Total intangible assets	6,987	8,521
Investments and other assets		
Investment securities	35,302	34,238
Retirement benefit asset	1,901	2,141
Investment property, net	12,240	12,224
Other	3,273	3,257
Allowance for doubtful accounts	(53)	(49)
Total investments and other assets	52,665	51,812
Total non-current assets	159,460	157,346
Total assets	343,812	335,541

(Unit: ¥ million)

	As of December 31, 2019	As of June 30, 2020
Liabilities		
Current liabilities		
Notes and accounts payable - trade	36,020	33,039
Short-term borrowings	244	359
Accrued expenses	28,413	23,484
Income taxes payable	4,266	3,177
Provision for sales promotion expenses	2,977	3,890
Provision for bonuses for directors (and other officers)	36	—
Provision for share-based remuneration	30	—
Provision for loss on guarantees	134	—
Other	8,565	6,271
Total current liabilities	80,689	70,223
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	30,087	30,076
Long-term borrowings	—	464
Retirement benefit liability	2,831	2,988
Deferred tax liabilities	4,186	3,560
Other	5,102	5,263
Total non-current liabilities	42,207	42,353
Total liabilities	122,897	112,576
Net assets		
Shareholders' equity		
Share capital	7,773	7,773
Capital surplus	7,459	7,472
Retained earnings	197,881	202,203
Treasury shares	(8,944)	(8,827)
Total shareholders' equity	204,169	208,621
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	8,835	7,546
Deferred gains or losses on hedges	73	32
Foreign currency translation adjustment	45	(709)
Remeasurements of defined benefit plans	56	75
Total accumulated other comprehensive income	9,011	6,945
Non-controlling interests	7,733	7,397
Total net assets	220,915	222,964
Total liabilities and net assets	343,812	335,541

(2) Consolidated Statements of Income and Comprehensive Income

(Unit: ¥ million)

	Six months ended September 30, 2019	Six months ended June 30, 2020
Net sales	185,525	165,975
Cost of sales	97,644	86,039
Gross profit	87,880	79,935
Selling, general and administrative expenses		
Transportation and storage costs	16,491	15,314
Promotion expenses	26,373	22,474
Provision for promotion expenses	2,632	3,890
Advertising expenses	7,373	6,145
Retirement benefit expenses	287	374
Other	23,947	23,005
Total selling, general and administrative expenses	77,105	71,204
Operating profit	10,774	8,731
Non-operating income		
Interest income	248	201
Dividend income	376	347
Subsidy income	543	465
Rental income from real estate	393	414
Other	465	515
Total non-operating income	2,027	1,944
Non-operating expenses		
Interest expenses	13	16
Foreign exchange losses	222	208
Loss on retirement of non-current assets	89	116
Loss on abandonment of non-current assets	231	31
Other	500	629
Total non-operating expenses	1,057	1,003
Ordinary profit	11,744	9,671
Extraordinary income		
Gain on sales of non-current assets	1,173	—
Gain on sales of investment securities	90	—
Total extraordinary income	1,263	—
Extraordinary losses		
Impairment loss	120	—
Business restructuring expenses	75	—
Extra retirement payments	18	115
Loss on termination of retirement benefit plan	—	246
Total extraordinary losses	215	362
Profit before income taxes	12,793	9,309
Income taxes - current	3,940	3,244
Income taxes - deferred	(170)	(204)
Total income taxes	3,770	3,039
Profit	9,022	6,270
Profit attributable to		
Profit attributable to owners of parent	8,783	6,283
Profit (loss) attributable to non-controlling interests	239	(13)

(Unit: ¥ million)

	Six months ended September 30, 2019	Six months ended June 30, 2020
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,404)	(1,288)
Deferred gains or losses on hedges	(90)	(41)
Foreign currency translation adjustment	(375)	(911)
Remeasurements of defined benefit plans, net of tax	29	16
Share of other comprehensive income of entities accounted for using equity method	(241)	(144)
Total other comprehensive income	(2,082)	(2,369)
Comprehensive income	6,939	3,900
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,538	4,217
Comprehensive income attributable to non-controlling interests	401	(316)

(Segment Information, etc.)

[Segment Information]

I. Six months ended September 30, 2019 (April 1, 2019- September 30, 2019)

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	43,647	55,350	45,634	5,723	25,275	175,632	9,892	185,525	-	185,525
Inter-segment sales and transfers	325	67	5	107	-	506	2,720	3,227	(3,227)	-
Total	43,973	55,418	45,640	5,831	25,275	176,139	12,613	188,753	(3,227)	185,525
Segment profit	2,203	5,615	1,813	505	(125)	10,012	53	10,065	708	10,774

(Notes)

1. The "Other" category is a business segment not included in reporting segments, and includes the Health segment (includes former Sports Foods segment), Office Glico segment, and the Systems Maintenance & Development Business segment.
2. The adjusted amount of ¥708 million in segment profit or losses includes ¥1,025 million for the elimination of intersegment transactions and other adjustment amounts of negative ¥316 million in companywide expenses not allocated to any reporting segment.
3. The total amount for segment income 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.

Omitted due to lack of significance.

II. Six months ended June 30, 2020 (January 1, 2020- June 30, 2020)

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	44,323	42,734	41,541	4,909	23,739	157,248	8,727	165,975	-	165,975
Inter-segment sales and transfers	327	29	4	112	-	474	4,085	4,559	(4,559)	-
Total	44,650	42,764	41,545	5,022	23,739	157,722	12,812	170,535	(4,559)	165,975
Segment profit	2,620	2,943	1,229	411	861	8,066	(217)	7,849	881	8,731

(Notes)

1. The "Other" category is a business segment not included in reporting segments, and includes the Health segment (includes

former Sports Foods segment), Office Glico segment, and the Systems Maintenance & Development Business segment.

2. The adjusted amount of ¥881 million in segment profit or losses includes ¥634 million for the elimination of intersegment transactions and other adjustment amounts of ¥247 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.

Supplementary Information

For the Fiscal Year Ending December 31, 2020

Ezaki Glico Co.,Ltd.

1. Consolidated results of operations (Cumulative)

(1) Status of Net Sales and Profit Unit:1 million yen

	FYE Dec. '19 2Q (Adjusted)	FYE Dec. '20 2Q Results	Change from previous period	
			Amount	%
Net sales	166,395	165,975	(419)	(0.3)
Operating profit	5,349	8,731	3,381	63.2
Ordinary profit	6,330	9,671	3,340	52.8
Profit	3,676	6,283	2,607	70.9

(2) Status of Net Sales by Geographic Segment Unit:1 million yen

	FYE Dec. '19 2Q (Adjusted)	FYE Dec. '20 2Q Results	Change from previous period	
			Amount	%
Japan	-	142,235	-	-
China	-	12,398	-	-
Southeast Asia	-	6,893	-	-
Others	-	4,447	-	-
Total	-	165,975	-	-

*1 Sales information is based on the geographical location of customers, and it is classified by country or region.

*2 Due to the change of the fiscal year end, adjusted net sales results by geographic segment for the fiscal year ended December 31, 2019 are not calculated.

(3) Status of Operating Profit Unit:1 million yen

	FYE Dec. '19 2Q (Adjusted)		FYE Dec. '20 2Q Results	
	Results	%	Results	%
Net sales	166,395	100.0	165,975	100.0
Cost of sales	87,635	52.7	86,039	51.8
Gross profit	78,759	47.3	79,935	48.2
Freight and charges	15,160	9.1	15,314	9.2
Sales promotion	26,762	16.1	26,364	15.9
Advertising expenses	7,008	4.2	6,145	3.7
Salaries and benefits	14,279	8.6	14,449	8.7
Expenses and depreciation	10,199	6.1	8,930	5.4
Total	73,410	44.1	71,204	42.9
Operating profit	5,349	3.2	8,731	5.3

Factors behind change in operating income	vs FYE Dec. '19 2Q (Adjusted)	Of which, is domestic
(1) Change due increase/decrease in net sales	(142)	387
(2) Change due to fluctuation in composition of sales product varieties and other	1,579	307
(3) Change due to increase/decrease in raw materials prices	(154)	(50)
(4) Change due to fluctuation in freight and charges ratio	(192)	(129)
(5) Change due to increase/decrease in sales promotion ratio / advertising expenses	1,192	772
(6) Change due to increase/decrease in SG&A	1,099	985
Total	3,382	2,272

(4) Status of Net Sales by Segment

Unit:1 million yen

	FYE Dec. '19 2Q (Adjusted)	FYE Dec. '20 2Q Results	Change from previous period	
			Amount	%
Confectioneries and Food Products	45,911	44,323	(1,587)	(3.5)
(Of which, is confectioneries)	37,074	34,642	(2,431)	(6.6)
(Of which, is food products)	8,836	9,680	843	9.5
Ice Cream	38,041	42,734	4,692	12.3
Dairy	42,868	41,541	(1,326)	(3.1)
Food Ingredients	5,125	4,909	(215)	(4.2)
Overseas	25,332	23,739	(1,592)	(6.3)
Other	9,116	8,727	(389)	(4.3)
Total	166,395	165,975	(419)	(0.3)

(5) Status of Operating Profit by Segment

Unit:1 million yen

	FYE Dec. '19 2Q (Adjusted)	FYE Dec. '20 2Q Results	Change from previous period	
			Amount	%
Confectioneries and Food Products	2,362	2,620	257	10.9
(Of which, is confectioneries)	2,477	2,136	(341)	(13.8)
(Of which, is food products)	(115)	483	598	-
Ice Cream	2,302	2,943	640	27.8
Dairy	954	1,229	275	28.8
Food Ingredients	397	411	14	3.6
Overseas	(249)	861	1,111	-
Other	91	(217)	(309)	-
Adjustment	(509)	881	1,391	-
Total	5,349	8,731	3,381	63.2

<Reference>

The following rates have been used for currency conversion.

FYE Dec. '19 2Q (Adjusted)	FYE Dec. '20 2Q Results
1CNY= 16.22YEN	1CNY= 15.37YEN
1THB= 3.47YEN	1THB= 3.45YEN
1USD=110.12YEN	1USD=108.43YEN

2. Consolidated financial position

Unit: 1 million yen

	Dec. '19	Jun.'20	Change		Dec. '19	Jun.'20	Change
Total current assets	184,352	178,195	(6,157)	Total current liabilities	80,689	70,223	(10,465)
Cash and deposits	99,640	94,291	(5,349)	Notes and accounts payable-trade	36,020	33,039	(2,981)
Notes and accounts receivable-trade	43,788	40,785	(3,002)	Short-term loans payable	244	359	115
Inventories	29,873	33,560	3,687	Other	44,424	36,824	(7,600)
Other	11,050	9,557	(1,492)	Total non-current liabilities	42,207	42,353	145
Total non-current assets	159,460	157,346	(2,113)	Convertible bond-type bonds with share acquisition rights	30,087	30,076	(10)
Property, plant and equipment	99,807	97,012	(2,794)	Retirement benefit liability	2,831	2,988	156
Intangible assets	6,987	8,521	1,534	Other	9,289	9,288	0
Investment securities	35,302	34,238	(1,064)	Total liabilities	122,897	112,576	(10,320)
Real estate for investment	12,240	12,224	(16)	Total net assets	220,915	222,964	2,049
Other	5,122	5,349	227	Shareholders' equity	204,169	208,621	4,451
				Accumulated other comprehensive income	9,011	6,945	(2,066)
				Non-controlling interests	7,733	7,397	(336)
Total assets	343,812	335,541	(8,271)		343,812	335,541	(8,271)