

Annual Report 2021

(Fiscal year ended 31st December, 2021)

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Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	December 2021	December 2020	December 2019	March 2019	March 2018	December 2021
Net sales	338,571	344,048	288,187	350,270	353,432	2,943,583
Profit before income taxes	20,806	19,683	20,183	18,798	22,473	180,890
Profit attributable to owners of the parent	13,519	11,836	12,047	11,844	15,216	117,536
	Yen					
Per share of common stock:						
Profit *	208.44	182.48	185.31	180.02	231.34	1.81
Cash dividends	70.00	65.00	60.00	60.00	50.00	0.60
	Millions of yen					
Balance sheet data:						
Shareholders' equity	223,470	213,682	204,169	201,098	192,694	1,942,879
Total assets	356,745	340,081	343,812	348,452	341,024	3,101,591

* Diluted profit per share has not been disclosed because no dilutive potential shares with dilutive effect existed.

* 'Partial Amendments to Accounting Standard for Tax Effect Accounting' (Accounting Standards Board of Japan ('ASBJ') Statement No. 28, revised on 16th February, 2018) has been applied from the beginning of the year ended 31st March, 2019. This accounting standard has been retrospectively applied to the summary financial information for the year ended 31st March, 2018.

* The revision of the purchase price allocation following the finalisation of the tentative accounting treatment related to business combination in the year ended 31st March, 2019 has been reflected to the summary financial information for the year ended 31st March, 2018.

* For the fiscal period ended 31st December, 2019, the period for consolidated accounting of the Company and its consolidated subsidiaries whose fiscal year end was on 31st March is the nine-month period from 1st April, 2019 until 31st December, 2019 following the change of the fiscal year end.

* Fractions of one million yen and thousands of U.S. dollars are rounded off.

Message from the President

The forward-looking statements in this text are based on judgments made as of the end of the consolidated fiscal year under review.

In the consolidated fiscal year under review, the Japanese economy continued to face severe conditions. Although the Japanese economy showed signs of recovery due to the effects of various policies and improvements in overseas economies as prevention measures were taken against the spread of COVID-19, due to a resurgence of infections, restrictions on economic activities, etc. were once again put in place.

In light of this situation, under the management principle of “A Wholesome Life in the Best of Taste,” our corporate group has focused its management resources on the following initiatives in order to transform itself from a luxury food product company to a daily essential food product company, while making efforts to accelerate the growth of overseas business. These initiatives include: 1) continuous growth and rebuilding of long-selling brands; 2) continuous growth and habitualisation of added-value health brands; and 3) creation and expansion of new markets to resolve social issues.

As a result, our Food Ingredients and Overseas Divisions as well as other segments including the health business posted increased sales from the previous fiscal year. However, sales of our Confectioneries and Food Products, Ice Cream, Dairy Divisions decreased from the previous fiscal year. Consequently, consolidated net sales amounted to ¥338,571 million, a decrease of 1.6% from the ¥344,048 million total of the previous fiscal year.

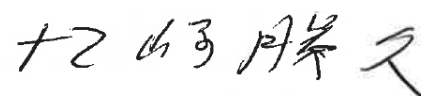
Regarding earnings, our overall cost-to-sales ratio increased by 0.5 points from the previous fiscal year due to the increase in the cost-to-sales ratio of all divisions excluding the others segment. As for selling, general and administrative expenses, advertising expenses and sales promotion expenses, among others, decreased.

As a result, operating income amounted to ¥19,307 million, an increase of ¥784 million from the previous fiscal year (¥18,523 million). Ordinary income was ¥21,708 million, an increase of ¥2,067 million from the previous fiscal year (¥19,641 million) due mainly to the increase in operating income and foreign exchange gains. Profit attributable to owners of the parent was ¥13,519 million, an increase of ¥1,682 million from the previous fiscal year (¥11,836 million).

Although we expect increasing difficulties in our business environment, 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.

April 2022



Katsuhisa Ezaki, Chairman

1. Operating Results and Financial Position

(1) Operating Results

The operating results of each segment are as follows.

Results by segment

(Unit: millions of yen, %)

Segment	Net Sales				Operating Income			
	Previous consolidated fiscal year	Consolidated fiscal year under review	vs. Previous consolidated fiscal year	YoY (%)	Previous consolidated fiscal year	Consolidated fiscal year under review	vs. Previous consolidated fiscal year	YoY (%)
Confectioneries and Food Products	89,280	79,164	(10,116)	(11.3)	4,963	5,098	135	2.7
Ice Cream	92,302	87,766	(4,536)	(4.9)	6,134	3,799	(2,334)	(38.1)
Dairy	83,445	79,892	(3,552)	(4.3)	2,522	2,095	(427)	(17.0)
Food Ingredients	10,059	10,524	465	4.6	879	919	39	4.5
Overseas	50,998	60,991	9,992	19.6	2,581	3,915	1,334	51.7
Others	17,961	20,231	2,269	12.6	281	1,525	1,243	441.1
Adjusted amount	—	—	—	—	1,159	1,954	794	68.5
Total	344,048	338,571	(5,477)	(1.6)	18,523	19,307	784	4.2

Note: The adjusted amount in the above table includes the eliminated amount of intersegment transactions and company-wide expenses not allocated to any reporting segment. The company-wide expenses mainly include the selling, general and administrative expenses not allocated to any reporting segment.

[Confectioneries and Food Products Division]

Although sales of ‘Cratz’ increased from the previous fiscal year, sales of ‘Kobe Roasted Chocolate’ and ‘Pretz’ decreased from the previous fiscal year. As a result, divisional sales amounted to ¥79,164 million, an 11.3% decrease from the previous fiscal year (¥89,280 million).

As for divisional profits, sales promotion expenses and advertising expenses decreased. As a result, operating income was ¥5,098 million, an increase of ¥135 million from the previous fiscal year (¥4,963 million).

[Ice Cream Division]

Sales of ‘Seventeen Ice’ and sales in wholesale sales subsidiaries increased from the previous fiscal year, while sales of ‘Papico’ and ‘Ice-no-Mi’ decreased from the previous fiscal year. As a result, divisional sales totaled ¥87,766 million, a 4.9% decrease from the previous fiscal year (¥92,302 million).

As for divisional profits, sales decreased and cost-to-sales ratio increased. As a result, operating income was ¥3,799 million, a decrease of ¥2,334 million compared to the previous fiscal year (¥6,134 million).

[Dairy Division]

While sales of ‘Putchin Pudding’ increased from the previous fiscal year, sales of ‘BifiX Yogurt’ and ‘Café au Lait’ decreased from the previous fiscal year. As a result, divisional sales totaled ¥79,892 million, a decrease of 4.3% from the previous fiscal year (¥83,445 million).

As for divisional profits, sales decreased and cost-to-sales ratio increased. As a result, operating income was ¥2,095 million, a decrease of ¥427 million from the previous fiscal year (¥2,522 million).

[Food Ingredients Division]

While sales of starch decreased from the previous fiscal year, sales of the fine chemical 'A-glu' increased from the previous fiscal year. As a result, divisional sales were ¥10,524 million, a 4.6% increase from the previous fiscal year (¥10,059 million).

As for divisional profits, gross profit increased due to the increase in sales. As a result, operating income was ¥919 million, an increase of ¥39 million from the previous fiscal year (¥879 million).

[Overseas Division]

Sales by region in China, the ASEAN region and the U.S. increased from the previous fiscal year. As a result, divisional sales were ¥60,991 million, a 19.6% increase from the previous fiscal year (¥50,998 million).

As for divisional profits, gross profit increased due to the increase in sales. As a result, operating income was ¥3,915 million, an increase of ¥1,334 million from the previous fiscal year (¥2,581 million).

[Others (including health business)]

Sales of health food products such as 'Almond Koka' and 'Power Production' increased from the previous fiscal year. As a result, sales in this segment totaled ¥20,231 million, a 12.6% increase from the previous fiscal year (¥17,961 million). Out of the above, for the health business, sales were ¥15,311 million, an 18.5% increase from the previous fiscal year (¥12,921 million).

As for profits, sales increased and cost-to-sales ratio decreased. As a result, operating income was ¥1,525 million, an increase of ¥1,243 million from the previous fiscal year (¥281 million).

(2) Financial Position

Assets

As of 31st December, 2021, current assets were ¥178,626 million, an increase of ¥812 million from the end of the previous fiscal year. The main component of this increase was a ¥4,121 million increase in cash and deposits, despite a ¥621 million decrease in notes and accounts receivable, trade, a ¥511 million decrease in marketable securities, and a ¥1,949 million decrease in raw materials and supplies. Non-current assets were ¥178,118 million, an increase of ¥15,851 million from the end of the previous fiscal year. The main components of this increase were a ¥5,590 million increase in construction in progress, a ¥6,393 million increase in software in progress, and a ¥6,235 million increase in investments in securities. Consequently, total assets were ¥356,745 million, an increase of ¥16,663 million compared to the end of the previous fiscal year.

Liabilities

As of 31st December, 2021, current liabilities were ¥72,150 million, a decrease of ¥3,439 million from the end of the previous fiscal year. The main component of this decrease was a ¥1,977 million decrease in income taxes payable. Long-term liabilities were ¥43,416 million, an increase of ¥1,476 million from the end of the previous fiscal year. The main component of this increase was a ¥1,877 million increase in deferred tax liabilities. Consequently, total liabilities were ¥115,567 million, a decrease of ¥1,962 million compared to the end of the previous fiscal year.

Net Assets

As of 31st December, 2021, net assets were ¥241,177 million, an increase of ¥18,626 million compared to the end of the previous fiscal year. Main contributors to this increase included a profit attributable to owners of the parent amounting to ¥13,519 million, an increase of ¥3,041 million in net unrealised holding gain on securities, and an increase of ¥5,428 million in translation adjustments, which were offset by a decrease of ¥4,545 million due to cash dividends. Consequently, shareholders' equity ratio was 67.5%, up 2.3 percentage points from the end of the previous fiscal year.

(3) Cash flows

(Unit: millions of yen)

	Previous consolidated fiscal year	Consolidated fiscal year under review	Increase (Decrease)
Cash flows from operating activities	17,218	28,651	11,433
Cash flows from investing activities	(12,444)	(29,194)	(16,750)
Cash flows from financing activities	(9,738)	(4,859)	4,878
Balance of cash and cash equivalents at beginning of current period	98,005	92,449	(5,556)
Balance of cash and cash equivalents at end of current period	92,449	89,463	(2,986)

As of 31st December, 2021, cash and cash equivalents totaled ¥89,463 million, a decrease of ¥2,986 million compared to the end of the previous fiscal year. The main reason for this decrease was because net cash used in investing activities and financing activities exceeded net cash provided by operating activities.

Cash flows and reasons for changes during the consolidated fiscal year under review are as follows:

Cash flows from operating activities

Net cash provided by operating activities totaled ¥28,651 million. The main components of cash inflows included profit before income taxes amounting to ¥20,806 million recorded during the fiscal year under review, depreciation and amortisation of ¥14,249 million, a decrease in notes and accounts receivable, trade of ¥1,566 million, and a decrease in inventories of ¥1,034 million, while cash outflows occurred mainly with a decrease in notes and accounts payable, trade of ¥765 million, and income taxes paid amounting to ¥8,720 million.

Cash flows from investing activities

Net cash used in investing activities totaled ¥29,194 million. The main components of cash outflows included ¥16,554 million spent for purchases of property, plant and equipment, ¥10,403 million of payment into time deposits, and ¥7,210 million spent for purchases of intangible assets, partially offset by cash inflows from proceeds from withdrawal of time deposits of ¥5,000 million, and interest and dividends received amounting to ¥1,011 million.

Cash flows from financing activities

Net cash used in financing activities totaled ¥4,859 million. The main components of cash outflows included ¥4,545 million spent for cash dividends paid and ¥268 million spent for repayment of long-term bank loans.

	Dec. 2019	Dec. 2020	Dec. 2021
Shareholders' equity ratio (%)	62.0	65.2	67.5
Shareholders' equity ratio on market value basis (%)	91.9	86.4	66.6
Debt-to-cash flow ratio (years)	0.0	0.0	0.0
Interest coverage ratio (times)	1,501.4	530.3	760.6

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets

Shareholders' equity ratio on market value basis: Market capitalization / Total assets

Debt-to-cash flow ratio: Interest-bearing liabilities / Cash flows from operating activities

Interest coverage ratio: Cash flows from 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 flows from operating activities in the consolidated cash flow statements are used for the above equations. 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.

(4) Outlook for the Next Fiscal Year

It is predicted that the Japanese economy will gradually pick up on the back of various policies and improvements in overseas economies as prevention measures are taken against the spread of COVID-19. However, the future outlook is expected to remain uncertain due to factors including a downside risk from the spread of infections both in Japan and abroad, supply constraints, raw material price trends, and fluctuations in the financial and capital markets.

In light of this situation, we expect net sales of ¥303,300 million in the next fiscal year (a twelve-month period from 1st January, 2022 until 31st December, 2022). Our profit projections are: an operating income of ¥20,500 million, ordinary income of ¥22,000 million, and a profit attributable to owners of the parent of ¥14,000 million.

Divisional consolidated sales forecasts for the next fiscal year

Divisional sales projections are as follows: Confectioneries and Food Products Division sales of ¥63,800 million, Ice Cream Division sales of ¥79,600 million, Dairy Division sales of ¥68,900 million, Food Ingredients Division sales of ¥11,000 million, Overseas Division sales of ¥58,800 million and others segment sales of ¥21,200 million.

2. Basic Policy for Selection of Accounting Standards

As a basic policy for the time being, our corporate group will prepare our consolidated financial statements in accordance with Japanese accounting standards based on the consideration of the comparability between accounting periods and between entities.

As for the application of the International Financial Reporting Standards (IFRS), we will handle the matter appropriately by taking into account the situations inside and outside of Japan.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Financial Statements

Year ended 31st December, 2021

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Independent Auditor’s Report

The Board of Directors
Ezaki Glico Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Ezaki Glico Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at 31st December, 2021, and the consolidated statements of comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31st December, 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Estimation of the provision for sales promotion expenses	
Description of Key Audit Matter	Auditor’s Response
Ezaki Glico Co., Ltd. (the Company) and its consolidated subsidiaries provide rebates to certain customers for sales promotion activities for its products. As described in Note 2, “Summary of Significant Accounting Policies (t),” Significant accounting estimate, the Group recognizes sales promotion expenses in accordance with the contractual	<p>The audit procedures we performed to assess the estimation of the provision for sales promotion expenses include the following, among others:</p> <ul style="list-style-type: none"> • With regard to the estimates of the provision for sales promotion expenses, we evaluated the design and operating effectiveness of certain internal controls



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terms of the related agreements, and has recorded the amounts for which the payment obligation is undetermined at the end of the current fiscal year. As of 31st December, 2021, the Group recorded a provision for sales promotion expenses of ¥4,106 million in the consolidated balance sheet with the Company's stand-alone portion amounting to ¥2,286 million.

The Company's sales promotion expenses include sales incentives, which may be paid at a fixed rate over a certain period of time, at a variable rate depending on sales performance over a certain period of time, or in accordance with the terms of a contract whenever necessary. Sales incentives are also characterized by the fact that the amount payable is fixed after a certain period of time has elapsed from the point of sales. As of the end of the fiscal year, provision for sales promotion expenses, which is recognized for these sales incentives, is calculated by incorporating key assumptions derived from sales amount during the promotion period and the rate based on the past performance at each sales customer. Given that there is uncertainty in estimating the provision for sales promotion expenses, we determined the estimation of the provision for sales promotion expenses as a key audit matter.

over the accuracy of the aggregated amounts of sales to the customers for which the estimation applies, calculation method for estimates of rebate rates and cash payments, and confirmation of the results.

- We evaluated the significant assumptions by making inquiries of management regarding the bases of the significant assumptions used in estimating the provision for sales promotion expenses.
- With regard to the accuracy and completeness of the calculation sheet used to record the estimates, we verified the consistency between related data. In addition, we examined the calculation sheet by comparing related evidence on a sample basis and recalculated the amounts.
- We obtained the actual sales performance up to the end of the fiscal year for customers receiving incentives based on the achievement of sales targets and for which the measurement period has not yet ended. In addition, we examined related evidence on a sample basis and evaluated the likelihood that the contract provisions will be achieved by comparing the actual sales performance for the fiscal year ended with actual sales in the past.
- We analyzed the monthly trends in net sales and sales promotion expenses and compared those trends with past performance in order to evaluate the payment rates based on past performance used by the Company as significant assumptions.
- We evaluated the accuracy of estimates by comparing actual amount of sales promotion expenses and the provision for sales promotion expenses recorded in the prior period.



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Responsibilities of Management, the Audit and Supervisory Board Members and the Audit and Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit and Supervisory Board Members and the Audit and Supervisory Board are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.



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- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Board Members and the Audit and Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit and Supervisory Board Members and the Audit and Supervisory Board with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit and Supervisory Board Members and the Audit and Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st December, 2021 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.



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Ernst & Young ShinNihon LLC
Osaka, Japan

24th March, 2022

松浦 大

Dai Matsuura
Designated Engagement Partner
Certified Public Accountant

美和 三馬

Kazuma Miwa
Designated Engagement Partner
Certified Public Accountant

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

31st December, 2021

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
Assets			
Current assets:			
Cash and deposits <i>(Notes 4 and 5)</i>	¥ 102,026	¥ 97,904	\$ 887,028
Marketable securities <i>(Notes 4, 5 and 7)</i>	219	731	1,904
Notes and accounts receivable, trade <i>(Note 5)</i>	42,898	43,520	372,961
Inventories <i>(Note 8)</i>	28,155	28,863	244,783
Other current assets	5,409	6,875	47,026
Less allowance for doubtful accounts	(83)	(81)	(721)
Total current assets	<u>178,626</u>	<u>177,813</u>	<u>1,552,999</u>
Property, plant and equipment <i>(Notes 9, 10, 12, 17 and 23):</i>			
Land	15,969	15,659	138,836
Buildings and structures	82,062	80,403	713,458
Machinery and vehicles	128,736	125,472	1,119,248
Tools, furniture and fixtures	25,929	24,789	225,430
Leased assets	2,133	1,976	18,544
Construction in progress	10,268	4,678	89,271
	<u>265,099</u>	<u>252,979</u>	<u>2,304,807</u>
Less accumulated depreciation	(164,019)	(155,394)	(1,426,004)
Property, plant and equipment, net	<u>101,080</u>	<u>97,584</u>	<u>878,803</u>
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates <i>(Note 5)</i>	5,895	5,298	51,251
Investments in securities <i>(Notes 5 and 7)</i>	35,732	30,093	310,659
Long-term loans receivable	24	49	208
Deferred tax assets <i>(Note 20)</i>	894	737	7,772
Asset for retirement benefits <i>(Note 15)</i>	4,340	3,175	37,732
Real estate for investment, net <i>(Note 22)</i>	12,213	12,184	106,181
Software	4,340	5,425	37,732
Software in progress	11,020	4,627	95,809
Goodwill <i>(Note 23)</i>	391	411	3,399
Other assets	2,518	2,717	21,891
Less allowance for doubtful accounts <i>(Note 13)</i>	(334)	(37)	(2,903)
Total investments and other assets	<u>77,038</u>	<u>64,683</u>	<u>669,779</u>
Total assets <i>(Note 23)</i>	<u>¥ 356,745</u>	<u>¥ 340,081</u>	<u>\$ 3,101,591</u>

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
Liabilities and Net Assets			
Current liabilities:			
Notes and accounts payable, trade <i>(Notes 5 and 6)</i>	¥ 32,373	¥ 32,552	\$ 281,455
Short-term loans payable <i>(Notes 3, 5 and 14)</i>	232	232	2,017
Current portion of lease obligation <i>(Note 14)</i>	240	283	2,086
Accrued expenses	25,293	24,767	219,900
Income taxes payable <i>(Note 20)</i>	3,207	5,185	27,882
Provision for bonuses of directors and audit and supervisory board members	67	82	582
Provision for sales promotion expenses	4,106	3,730	35,698
Provision for stock-based compensation	21	29	182
Other current liabilities <i>(Note 15)</i>	6,607	8,725	57,442
Total current liabilities	72,150	75,590	627,282
Long-term liabilities:			
Convertible bonds <i>(Notes 5, 14 and 24)</i>	30,044	30,066	261,206
Long-term debt <i>(Notes 3, 5 and 14)</i>	545	892	4,738
Liability for retirement benefits <i>(Note 15)</i>	1,299	1,228	11,293
Deferred tax liabilities <i>(Note 20)</i>	7,006	5,128	60,911
Other long-term liabilities <i>(Note 15)</i>	4,519	4,624	39,288
Total long-term liabilities	43,416	41,939	377,464
Net assets:			
Shareholders' equity <i>(Note 16)</i> :			
Common stock:			
Authorised – 270,000,000 shares in 2021 and 2020			
Issued – 68,468,569 shares in 2021 and 2020	7,773	7,773	67,579
Capital surplus	9,959	9,479	86,584
Retained earnings	214,795	205,821	1,867,457
Treasury stock <i>(Note 3)</i> – 3,576,677 shares in 2021 and 3,645,167 shares in 2020	(9,057)	(9,392)	(78,742)
Total shareholders' equity	223,470	213,682	1,942,879
Accumulated other comprehensive income:			
Net unrealised holding gain on securities	11,277	8,236	98,043
Deferred gain (loss) on hedges	253	(179)	2,199
Translation adjustments	4,758	(669)	41,366
Retirement benefits liability adjustments	1,030	686	8,954
Total accumulated other comprehensive income	17,320	8,073	150,582
Non-controlling interests	386	795	3,355
Total net assets <i>(Note 24)</i>	241,177	222,551	2,096,826
Total liabilities and net assets	¥ 356,745	¥ 340,081	\$ 3,101,591

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year ended 31st December, 2021

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Net sales <i>(Note 23)</i>	¥ 338,571	¥ 344,048	\$ 2,943,583
Cost of sales <i>(Note 8)</i>	180,537	181,640	1,569,613
Gross profit	<u>158,033</u>	<u>162,407</u>	<u>1,373,961</u>
Selling, general and administrative expenses <i>(Notes 18 and 19)</i>	<u>138,726</u>	<u>143,884</u>	<u>1,206,103</u>
Operating income <i>(Note 23)</i>	<u>19,307</u>	<u>18,523</u>	<u>167,857</u>
Other income (expenses):			
Interest and dividend income	980	1,032	8,520
Interest expense	(37)	(32)	(321)
Gain on sales of property, plant and equipment <i>(Note 9)</i>	746	1,307	6,485
Loss on impairment of property, plant and equipment <i>(Notes 10 and 23)</i>	(119)	(555)	(1,034)
Business structure improvement expenses <i>(Note 12)</i>	–	(364)	–
Gain on sales of investments in securities <i>(Note 7)</i>	172	–	1,495
Gain on investments in investment partnerships	432	44	3,755
Share of profit of entities accounted for using equity method	467	261	4,060
Rental income on real estate <i>(Note 22)</i>	541	818	4,703
Subsidy income	328	468	2,851
Gain (loss) on foreign exchange, net	261	(258)	2,269
Loss on termination of retirement benefit plan <i>(Note 15)</i>	–	(251)	–
Depreciation of inactive property, plant and equipment	(144)	(207)	(1,251)
Donation	(83)	(274)	(721)
Special retirement payment <i>(Note 15)</i>	–	(93)	–
Loss on disposal of property, plant and equipment	(641)	(805)	(5,572)
Loss on devaluation of investments in securities <i>(Note 7)</i>	(1,363)	–	(11,850)
Loss on sale of investments in securities	(42)	–	(365)
Provision of allowance for doubtful accounts <i>(Note 13)</i>	(294)	–	(2,556)
Other, net <i>(Note 22)</i>	297	70	2,582
Other income, net	<u>1,499</u>	<u>1,160</u>	<u>13,032</u>
Profit before income taxes	<u>20,806</u>	<u>19,683</u>	<u>180,890</u>
Income taxes <i>(Note 20)</i> :			
Current	7,082	5,874	61,571
Deferred	157	1,166	1,364
	<u>7,239</u>	<u>7,040</u>	<u>62,936</u>
Profit	<u>¥ 13,567</u>	<u>¥ 12,643</u>	<u>\$ 117,953</u>
Profit attributable to:			
Owners of the parent <i>(Note 24)</i>	¥ 13,519	¥ 11,836	\$ 117,536
Non-controlling interests	48	806	417

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income (continued)

Year ended 31st December, 2021

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
Other comprehensive income (loss) <i>(Note 21)</i> :			
Net unrealised holding gain (loss) on securities	¥ 3,041	¥ (599)	\$ 26,438
Deferred gain (loss) on hedges	433	(253)	3,764
Translation adjustments	5,116	(947)	44,479
Retirement benefits liability adjustments	344	629	2,990
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	332	(150)	2,886
Total other comprehensive income (loss)	<u>9,267</u>	<u>(1,320)</u>	<u>80,568</u>
Comprehensive income	<u>¥ 22,835</u>	<u>¥ 11,322</u>	<u>\$ 198,530</u>
Comprehensive income attributable to:			
Owners of the parent	¥ 22,766	¥ 10,898	\$ 197,930
Non-controlling interests	69	424	599

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended 31st December, 2021

	Shareholders' equity				Accumulated other comprehensive income							Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	
	<i>(Millions of yen)</i>											
Balance at 1st January, 2020	¥ 7,773	¥ 7,459	¥ 197,881	¥ (8,944)	¥ 204,169	¥ 8,835	¥ 73	¥ 45	¥ 56	¥ 9,011	¥ 7,733	¥ 220,915
Cash dividends	–	–	(3,895)	–	(3,895)	–	–	–	–	–	–	(3,895)
Profit attributable to owners of the parent	–	–	11,836	–	11,836	–	–	–	–	–	–	11,836
Acquisition of treasury stock	–	–	–	(699)	(699)	–	–	–	–	–	–	(699)
Disposition of treasury stock	–	12	–	251	263	–	–	–	–	–	–	263
Change in ownership interest of parent due to transaction with non-controlling interests	–	2,007	–	–	2,007	–	–	–	–	–	–	2,007
Net changes in items other than those in shareholders' equity	–	–	–	–	–	(599)	(253)	(715)	629	(938)	(6,937)	(7,876)
Balance at 1st January, 2021	7,773	9,479	205,821	(9,392)	213,682	8,236	(179)	(669)	686	8,073	795	222,551
Cash dividends	–	–	(4,545)	–	(4,545)	–	–	–	–	–	–	(4,545)
Profit attributable to owners of the parent	–	–	13,519	–	13,519	–	–	–	–	–	–	13,519
Acquisition of treasury stock	–	–	–	(7)	(7)	–	–	–	–	–	–	(7)
Disposition of treasury stock	–	14	–	342	356	–	–	–	–	–	–	356
Change in ownership interest of parent due to transaction with non-controlling interests	–	465	–	–	465	–	–	–	–	–	–	465
Net changes in items other than those in shareholders' equity	–	–	–	–	–	3,041	433	5,428	344	9,246	(409)	8,837
Balance at 31st December, 2021	¥ 7,773	¥ 9,959	¥ 214,795	¥ (9,057)	¥ 223,470	¥ 11,277	¥ 253	¥ 4,758	¥ 1,030	¥ 17,320	¥ 386	¥ 241,177

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries
Consolidated Statement of Changes in Net Assets (continued)

Year ended 31st December, 2021

	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non- controlling interests	Total net assets
	<i>(Thousands of U.S. dollars) (Note 1)</i>											
Balance at 1st January, 2021	\$ 67,579	\$ 82,411	\$ 1,789,436	\$ (81,655)	\$ 1,857,781	\$ 71,604	\$ (1,556)	\$ (5,816)	\$ 5,964	\$ 70,187	\$ 6,911	\$ 1,934,889
Cash dividends	-	-	(39,514)	-	(39,514)	-	-	-	-	-	-	(39,514)
Profit attributable to owners of the parent	-	-	117,536	-	117,536	-	-	-	-	-	-	117,536
Acquisition of treasury stock	-	-	-	(60)	(60)	-	-	-	-	-	-	(60)
Disposition of treasury stock	-	121	-	2,973	3,095	-	-	-	-	-	-	3,095
Change in ownership interest of parent due to transaction with non-controlling interests	-	4,042	-	-	4,042	-	-	-	-	-	-	4,042
Net changes in items other than those in shareholders' equity	-	-	-	-	-	26,438	3,764	47,191	2,990	80,386	(3,555)	76,830
Balance at 31st December, 2021	\$ 67,579	\$ 86,584	\$ 1,867,457	\$ (78,742)	\$ 1,942,879	\$ 98,043	\$ 2,199	\$ 41,366	\$ 8,954	\$ 150,582	\$ 3,355	\$ 2,096,826

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended 31st December, 2021

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
Cash flows from operating activities:			
Profit before income taxes	¥ 20,806	¥ 19,683	\$ 180,890
Adjustments:			
Depreciation and amortisation	14,249	14,577	123,882
Loss on impairment of property, plant and equipment	119	555	1,034
Net changes in asset and liability for retirement benefits	(616)	(1,968)	(5,355)
(Decrease) increase in provision for bonuses of directors and audit and supervisory board members	(15)	46	(130)
Decrease in provision for stock-based compensation	(7)	(0)	(60)
Increase in provision for sales promotion expenses	375	753	3,260
Decrease in provision for loss on guarantees	–	(134)	–
Increase in allowance for doubtful accounts	308	15	2,677
Interest and dividend income	(980)	(1,032)	(8,520)
Interest expense	37	32	321
Gain on investments in investment partnerships	(432)	(44)	(3,755)
Share of profit of entities accounted for using equity method	(467)	(261)	(4,060)
Loss on foreign exchange, net	16	89	139
Gain on sales of property, plant and equipment	(746)	(1,307)	(6,485)
Loss on disposal of property, plant and equipment	641	805	5,572
Gain on sales of investments in securities, net	(129)	–	(1,121)
Loss on valuation of investments in securities	1,363	–	11,850
Decrease (increase) in notes and accounts receivable, trade	1,566	(108)	13,615
Decrease in inventories	1,034	887	8,989
Decrease in notes and accounts payable, trade	(765)	(3,302)	(6,651)
Other, net	1,010	(6,868)	8,781
Subtotal	37,372	22,418	324,917
Income taxes paid	(8,720)	(5,199)	(75,812)
Net cash provided by operating activities	28,651	17,218	249,095

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended 31st December, 2021

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Cash flows from investing activities:			
Payment into time deposits	(10,403)	(6,110)	(90,445)
Proceeds from withdrawal of time deposits	5,000	5,000	43,470
Proceeds from sales and redemption of marketable securities	58	2,500	504
Purchases of investments in securities	(3,853)	(957)	(33,498)
Proceeds from sales and redemption of investments in securities	839	2	7,294
Proceeds from distribution of investments in investment partnerships	709	–	6,164
Purchases of property, plant and equipment	(16,554)	(10,907)	(143,922)
Proceeds from sales of property, plant and equipment	801	2,095	6,964
Purchases of intangible assets	(7,210)	(5,837)	(62,684)
Proceeds from rental of real estate for investment	455	734	3,955
Collection of loans receivable	32	43	278
Interest and dividends received	1,011	1,048	8,789
Other, net	(81)	(57)	(704)
Net cash used in investing activities	(29,194)	(12,444)	(253,816)
Cash flows from financing activities:			
Decrease in short-term loans payable, net	–	(27)	–
Proceeds from long-term bank loans	–	696	–
Repayment of long-term bank loans	(268)	(334)	(2,330)
Interest paid	(37)	(32)	(321)
Cash dividends paid	(4,545)	(3,895)	(39,514)
Cash dividends paid to non-controlling interests	(7)	(19)	(60)
Purchase of treasury stock	(7)	(699)	(60)
Proceeds from sales of treasury stock	325	234	2,825
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(5)	(5,343)	(43)
Other, net	(314)	(316)	(2,729)
Net cash used in financing activities	(4,859)	(9,738)	(42,244)
Effect of exchange rate changes on cash and cash equivalents	2,416	(591)	21,005
Net decrease in cash and cash equivalents	(2,986)	(5,556)	(25,960)
Cash and cash equivalents at beginning of the year	92,449	98,005	803,764
Cash and cash equivalents at end of the year <i>(Note 4)</i>	¥ 89,463	¥ 92,449	\$ 777,803

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

31st December, 2021

1. Basis of Presentation

The accompanying consolidated financial statements of Ezaki Glico Co., Ltd. (the “Company”) and its consolidated subsidiaries (collectively, the “Group”) are prepared on the basis of accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”), and have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information. Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended 31st December, 2020 to the presentation for the year ended 31st December, 2021. Such reclassification had no effect on consolidated profit.

Yen figures less than one million yen are rounded down to the nearest million yen and U.S. dollar figures less than one thousand dollars are rounded down to the nearest thousand dollars, except for per share data. As a result, the totals shown in the accompanying consolidated financial statements in yen and U.S. dollars do not necessarily agree with the sums of the individual amounts.

Amounts in U.S. dollars are included solely for the convenience of the reader. The rate of ¥115.02 = U.S. \$1.00, the approximate rate of exchange in effect on 31st December, 2021, has been utilised. The inclusion of such amounts is not intended to imply that yen amounts have been or could be readily converted, realised or settled in U.S. dollars at that or any other rate.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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 its 23 significant subsidiaries at 31st December, 2021 and 2020, respectively.

Two subsidiaries are excluded from the scope of consolidation because the effect of their total assets, net sales, profit or loss, and retained earnings (each amount of profit or loss and retained earnings in proportion to the interest held by the Company) on the accompanying consolidated financial statements are not significant.

The number of affiliates accounted for by the equity method was two at 31st December, 2021 and 2020, respectively.

Investments in two unconsolidated subsidiaries and an affiliate are not accounted for by the equity method but stated at cost, because the effect of their profit or loss and retained earnings (each amount in proportion to the interest held by the Company) on the accompanying consolidated financial statements are not significant individually or in the aggregate.

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the exchange rates in effect at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the average exchange rate in effect during the period. The resulting exchange gains and losses are credited or charged to profit.

The revenue and expense accounts of the foreign subsidiaries are translated into yen at the average exchange rate in effect during the period. Except for the components of net assets excluding non-controlling interests, the balance sheet accounts are also translated into yen at the rates of exchange in effect at the balance sheet date. The components of net assets excluding non-controlling interests are translated at their historical exchange rates. Differences arising from the translation are presented as translation adjustments and non-controlling interests in the consolidated balance sheet.

(c) Cash and cash equivalents

For purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, bank deposits available for withdrawal 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(d) Allowance for doubtful accounts

The allowance for doubtful accounts is provided to cover possible losses on collection. With respect to normal accounts receivables, loan receivables and others, allowance for doubtful accounts is stated at an amount based on the actual rate of historical bad debts, and for certain doubtful receivable, the uncollectible amount has been individually estimated.

(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 realised and unrealised, is credited or charged to profit. Held-to-maturity debt securities are carried at amortised cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealised 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. For hybrid financial instruments containing an embedded derivative that cannot be reliably identified and measured separately, the entire hybrid financial instrument as a whole is measured at fair value.

(f) Inventories

Inventories are stated at the lower of cost, determined principally by the gross average method, or net realisable value.

(g) Property, plant and equipment and real estate for investment (except for leased assets)

Property, plant and equipment and real estate for investment are stated at cost. Depreciation is principally determined by the declining-balance method over the estimated useful lives of the respective assets, except for buildings (excluding structures attached to the buildings) acquired on or after 1st April, 1998 and facilities attached to the buildings as well as structures acquired on or after 1st April, 2016 to which the straight-line method is applied.

(h) Software (except for leased assets)

Expenditures relating to the cost of computer software intended for internal use are charged to profit as incurred, except if these are deemed to contribute to the generation of future income or cost savings. Such expenditures are capitalised and amortised by the straight-line method over an estimated useful life of five years.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(i) Goodwill

Goodwill is amortised by the straight-line method principally over a period of five to ten years.

(j) Leased assets

Leased assets under finance lease contracts that do not transfer ownership to the lessee are depreciated to a residual value of nil by the straight-line method using the term of the contract as the useful life.

(k) Provision for bonuses of directors and audit and supervisory board members

Provision for bonuses of directors and audit and supervisory board members is provided at the estimated amount of bonuses to be paid to directors and audit and supervisory board members subsequent to the balance sheet date for services rendered in the current fiscal year.

(l) Provision for sales promotion expenses

Provision for sales promotion expenses is provided at the estimated amount of sales promotion expenses to be paid to customers subsequent to the balance sheet date.

(m) Provision for stock-based compensation

Provision for stock-based compensation in accordance with the restricted stock unit plan is provided using the stock price at the end of the current fiscal year.

(n) Research and development costs

Research and development costs are expensed as incurred.

(o) Income taxes

Deferred tax assets and liabilities are determined based on the differences between financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws which will be in effect when the differences are expected to reverse.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(p) Retirement benefits

Liability for retirement benefits has been provided 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. The retirement benefit obligation is attributed to each period by the benefit formula method over the remaining years of service of the eligible employees.

Prior service cost is amortised in the period in which it is recognised by the straight-line method over a period of five years, which is within the average remaining years of service of the eligible employees.

Actuarial gain or loss is amortised from the following year in which the gain or loss is recognised by the straight-line method over a period of five years, which is within the average remaining years of service of the eligible employees.

Certain consolidated subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount which would be payable at the year-end if all eligible employees terminated their services voluntarily (the “simplified method”).

(q) Derivative financial instruments and hedging activities

The Group enters into derivative transactions to effectively hedge foreign exchange fluctuation risk, in accordance with the Company’s internal policies.

Hedging instruments are forward exchange contracts and hedged items are accounts payable denominated in foreign currencies and forecasted transactions denominated in foreign currencies related to the import of raw materials.

All derivatives are stated at fair value with any changes in fair value included in profit or loss for the period in which they arise, except for derivatives which qualify as hedges and meet the criteria for deferral hedge accounting under which unrealised gain or loss, net of the applicable income taxes, is deferred as a component of net assets.

Hedge effectiveness is evaluated by comparing the cumulative changes in cash flows or fair value of the hedging instruments and the hedged items.

(r) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(s) Adoption of consolidated tax return system

The Company and certain wholly owned domestic subsidiaries adopt the consolidated tax return system of Japan.

For the transition to the group tax sharing system established in the “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8, 2020) and the items for which non-consolidated taxation system was reviewed in conjunction with the transition to the group tax sharing system, the Company and certain domestic consolidated subsidiaries do not apply the provisions of Paragraph 44 of the “Implementation Guidance on Tax Effect Accounting” (Accounting Standards Board of Japan (“ASBJ”) Guidance No. 28, 16th February, 2018) in accordance with Paragraph 3 of the “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (ASBJ Practical Issues Task Force (“PITF”) No. 39, 31st March, 2020). The amounts of deferred tax assets and deferred tax liabilities are recognised in accordance with the provisions of the tax law before the revision.

(t) Significant accounting estimate

(Provision for sales promotion expenses)

(1) Amount recorded in the consolidated balance sheet at 31st December, 2021

Provision for sales promotion expenses ¥4,106 million (\$35,698 thousand)

(2) Information on the nature of significant accounting estimates for identified items

The Group recognizes sales promotion expenses on an accrual basis in accordance with the contractual terms of the related agreements, and has recorded the amounts for which the payment obligation is undetermined at the end of the current fiscal year. Sales promotion expenses include sales incentives, which may be paid at a fixed rate over a certain period of time, at a variable rate depending on sales performance over a certain period of time, or in accordance with the terms of a contract whenever necessary. Sales incentives are also characterized by the fact that the amount payable is fixed after a certain period of time has elapsed from the point of sales. Provision for sales promotion expenses, which is recognized for these sales incentives, is calculated by incorporating key assumptions derived from sales amount during the promotion period and the rate based on the past performance at each sales customer.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(t) Significant accounting estimate (continued)

(Provision for sales promotion expenses) (continued)

- (2) Information on the nature of significant accounting estimates for identified items (continued)

The sales amount during the sales promotion period and rate based on past performance by each sales customer are subject to a high degree of uncertainty. If the estimated sales amount differs from the actual amount due to unforeseeable circumstances, it may affect the profit or loss in the consolidated financial statements for the following fiscal year.

(u) Accounting standards issued but not yet effective

(Accounting Standard and Implementation Guidance for Revenue Recognition)

- (1) Overview

The ASBJ issued “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29) on 31st March, 2020, “Implementation Guidance on Accounting Standard for Revenue Recognition” (ASBJ Guidance No. 30) on 26th March, 2021, and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19) on 31st March, 2020. The International Accounting Standards Board (“IASB”) and the Financial Accounting Standards Board (“FASB”) in the United States co-developed comprehensive accounting standards for revenue recognition and issued “Revenue from Contracts with Customers” (issued as IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on the fact that IFRS 15 will be applied from fiscal years starting on or after 1st January, 2018 and Topic 606 will be applied from fiscal years starting after 15th December, 2017.

As the basic policy in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to accounting practices, etc. common in Japan.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(u) Accounting standards issued but not yet effective (continued)

***(Accounting Standard and Implementation Guidance for Revenue Recognition)
(continued)***

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending 31st December, 2022.

(3) Effect of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the impact of adopting the accounting standard and the implementation guidance on the consolidated financial statements.

(Accounting Standard and Implementation Guidance for Fair Value Measurement)

(1) Overview

The ASBJ issued “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30), “Accounting Standards for Measurement of Inventories” (ASBJ Statement No. 9), and “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10) on 4th July, 2019. The ASBJ also issued “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31) on 17th June, 2021 and “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19) on 31st March, 2020. The ASBJ tried ensuring consistency between Japanese standards and international standards mainly for guidance and disclosures on estimated fair value of financial instruments and issued “Accounting Standard for Fair Value Measurement”, etc. based on the fact that the IASB and the FASB in the United States had already issued detailed guidance on fair value measurement (issued as IFRS 13 “Fair Value Measurement” by the IASB and Topic 820 “Fair Value Measurement” in the Accounting Standards Codification by the FASB), which are almost identical to each other.

As the basic policy in developing accounting standards for fair value measurement, the ASBJ incorporated basically all of the matters defined in IFRS 13 from a standpoint of increasing comparability of financial statements among domestic and foreign companies by using a unified measurement method. Furthermore, the ASBJ defined alternative accounting treatment to the individual matters without impairing comparability considering related to accounting practices, etc. common in Japan.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(u) Accounting standards issued but not yet effective (continued)

***(Accounting Standard and Implementation Guidance for Fair Value Measurement)
(continued)***

(2) Scheduled date of adoption

The Company expects to adopt the accounting standard and implementation guidance from the beginning of the fiscal year ending 31st December, 2022.

(3) Effect of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the impact of adopting the accounting standard and the implementation guidance on the consolidated financial statements.

(Accounting standard for group tax sharing system)

(1) Overview

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 8, 2020), which was enacted on 27th March, 2020, requires revision of the consolidated taxation system and transition to the group tax sharing system. In line with such amendment, ASBJ issued “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ PITF No. 42) on 12th August, 2021 to clarify the accounting and disclosure treatment of corporate and local income taxes and tax effect accounting in the case of applying the group tax sharing system.

(2) Scheduled date of adoption

The Company expects to adopt the practical solution from the beginning of the fiscal year ending 31st December, 2023.

(3) Effect of the adoption of practical solution

The Company is currently evaluating the impact of adopting the practical solution on the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(v) *Changes in presentation*

Accounting Standard for Disclosure of Accounting Estimates

Effective from the year ended 31st December, 2021, the Company has adopted “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, 31st March, 2020) and has disclosed information in notes regarding significant accounting estimates in the consolidated financial statements.

However, in accordance with the transitional treatment stipulated in the provision of Paragraph 11 of said accounting standard, the notes do not include information for the previous fiscal year.

3. Additional Information

(a) *Trust Type Employee Shareholding Incentive Plan (E-Ship®)*

The Company has introduced a Trust Type Employee Shareholding Incentive Plan (E-Ship®) for the purpose of granting incentives to employees to contribute to enhancing corporate value of the Company in the mid and long term. The Company applied “Practical Solution on Transactions on Delivering the Company’s Own Stock to Employees, etc. through Trusts” (ASBJ PITF No. 30, revised on 26th March, 2015).

The plan is an incentive plan that covers all employees participating in the Shareholding Association.

Under the plan, the Company, as the trustor, set up the Ezaki Glico Shareholding Association Trust (the “E-Ship Trust”) at a trust bank, as the trustee. The E-Ship Trust purchases the number of shares of the Company in advance that the Shareholding Association expects to purchase over the trust period and subsequently sells the shares to the Shareholding Association periodically.

At the end of the trust period, the E-Ship Trust’s retained earnings, the accumulated of net gain on sales of its shares of the Company, are to be distributed to all eligible employees in accordance with the E-Ship Trust agreement.

On the other hand, the Company will guarantee retained loss, any accumulation of net loss on sales of its shares and will pay off the amount of outstanding debt at the end of the trust period, as it shall guarantee the debt of the E-Ship Trust.

The shares of the Company held by the E-Ship Trust were accounted for as treasury stock under net assets.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Additional Information (continued)

(a) Trust Type Employee Shareholding Incentive Plan (E-Ship®) (continued)

The book value and number of treasury stock held by the E-Ship Trust at 31st December, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Book value	¥ 237	¥ 562	\$ 2,060
	<u>2021</u>	<u>2020</u>	
	<i>(Thousands of shares)</i>		
Number of treasury stock	46	109	

The book value of bank loans of the E-Ship Trust recorded in the consolidated balance sheet as of 31st December, 2021 and 2020 were as follows.

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Book value	¥ 309	¥ 577	\$ 2,686

(b) Accounting estimates relating to the impact of the spread of new coronavirus infections (COVID-19)

Although it is difficult to predict how the COVID-19 infection may spread in the future and when it will settle down, the Company has assessed accounting estimates for impairment loss on property, plant and equipment and the recoverability of deferred tax assets based on the assumption that there is no significant impact for the current fiscal year. However, as the impact of the spread of COVID-19 involves many uncertainties, any changes in the conditions or assumptions for the accounting estimates, such as the Group's business activities being affected due to worsened situations, may affect the assessment of impairment loss on fixed assets and the recoverability of deferred tax assets in and after the next fiscal year.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Cash and Cash Equivalents

The balances of cash and deposits in the consolidated balance sheet at 31st December, 2021 and 2020 are reconciled to the balances of cash and cash equivalents as presented in the consolidated statement of cash flows for the years then ended as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and deposits	¥102,026	¥97,904	\$ 887,028
Time deposits with original maturities in excess of three months included in cash and deposits	(12,771)	(6,110)	(111,032)
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	209	655	1,817
Cash and cash equivalents	¥ 89,463	¥92,449	\$ 777,803

5. Financial Instruments

(a) Policy for financial instruments

The Group raises funds mainly through bank borrowings and bond issuances taking into consideration its capital investment plan and other long-term capital needs. The Group raises short-term working capital through bank borrowings. The Group manages cash surpluses through highly liquid financial instruments, low-risk financial instruments like bonds issued by issuers with high credit ratings and stocks of other companies with which the Group has business relationships. Derivative transactions are utilised to reduce the risks described below; however, the Group does not enter into derivatives for speculative trading purposes.

(b) Types of financial instruments and related risk

Trade receivables such as notes and accounts receivable are exposed to credit risk of customers. Marketable securities and investments in securities consist of bonds other than held-to-maturity debt securities and stocks; and those securities are exposed to credit risk, market fluctuation risk and interest rate fluctuation risk.

Trade payables such as notes and accounts payable are mostly due within six months. Short-term loans payable are utilised for the purpose of business activities and long-term loans payable and corporate bonds raised mainly for the purpose of making capital expenditures. Variable interest rate debt is exposed to interest rate fluctuation risk.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

(b) Types of financial instruments and related risk (continued)

As for derivative financial instruments, forward exchange contracts are utilised for the purpose of reducing foreign exchange fluctuation risk from transactions denominated in foreign currencies. For information on hedge accounting policies of the Group, see Note 2 Summary of Significant Accounting Policies, (q) Derivative financial instruments and hedging activities.

(c) Risk management for financial instruments

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

The Group manages the due dates of collection and the balances of trade receivables in accordance with the credit management internal rules of each component, and regularly monitors the status of customers to identify an early point and mitigate the risk of bad debt from customers having financial difficulties. In addition, the Group utilises business credit insurance for some trade receivables.

The Group only acquires marketable securities and investments in securities issued by companies with high credit ratings. Accordingly, the Group believes that the credit risk deriving from such securities is insignificant.

In addition, the Group deals with only highly rated financial institutions to reduce counterparty risk in conducting derivative transactions.

(2) Monitoring of market risk (the risks arising from fluctuations in foreign exchange rates or interest rates)

For marketable securities and investments in securities, the Group periodically reviews the fair values of such securities 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 business relationships with the issuers. Execution and management of derivative transactions are conducted under the internal policies, which set forth the delegation of authority. The officer in charge periodically reports actual transaction data to the Board of Directors.

(3) Monitoring of liquidity risk (the risk that the Company cannot meet its obligations on scheduled due dates)

The Company has introduced a cash management system for the Company and its main domestic subsidiaries. Based on the business plan of the Company and each subsidiary, the finance department prepares and updates its cash flow plans taking into consideration actual operating results.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

(d) Supplementary explanation of the fair value of financial instruments

The estimated 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.

(e) Estimated fair value of financial instruments

Carrying value of financial instruments on the consolidated balance sheet, estimated fair value and the differences between them at 31st December, 2021 and 2020 are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	2021		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
Assets:			
Cash and deposits	¥ 102,026	¥ 102,026	¥ –
Notes and accounts receivable, trade	42,898	42,898	–
Marketable securities and investments in securities	26,447	26,447	–
Total assets	<u>¥ 171,372</u>	<u>¥ 171,372</u>	<u>¥ –</u>
Liabilities:			
Notes and accounts payable, trade	¥ 32,373	¥ 32,373	¥ –
Short-term loans payable	232	232	–
Convertible bonds	30,044	29,760	(284)
Long-term bank loans	77	77	(0)
Total liabilities	<u>¥ 62,727</u>	<u>¥ 62,443</u>	<u>¥ (284)</u>
Derivative financial instruments (*)	¥ 365	¥ 365	¥ –

(*) Assets and liabilities arising from derivative financial instruments are shown at net value with the amount in parentheses representing net liability position.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

(e) Estimated fair value of financial instruments (continued)

	2020		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
Assets:			
Cash and deposits	¥ 97,904	¥ 97,904	¥ –
Notes and accounts receivable, trade	43,520	43,520	–
Marketable securities and investments in securities	24,872	24,872	–
Total assets	<u>¥ 166,297</u>	<u>¥ 166,297</u>	<u>¥ –</u>
Liabilities:			
Notes and accounts payable, trade	¥ 32,552	¥ 32,552	¥ –
Short-term loans payable	232	232	–
Convertible bonds	30,066	29,850	(216)
Long-term bank loans	345	345	(0)
Total liabilities	<u>¥ 63,196</u>	<u>¥ 62,979</u>	<u>¥ (216)</u>
Derivative financial instruments (*)	¥ (258)	¥ (258)	¥ –

(*) Assets and liabilities arising from derivative financial instruments are shown at net value with the amount in parentheses representing net liability position.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

(e) Estimated fair value of financial instruments (continued)

	2021		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
Assets:			
Cash and deposits	\$ 887,028	\$ 887,028	\$ –
Notes and accounts receivable, trade	372,961	372,961	–
Marketable securities and investments in securities	229,933	229,933	–
Total assets	<u>\$ 1,489,932</u>	<u>\$ 1,489,932</u>	<u>\$ –</u>
Liabilities:			
Notes and accounts payable, trade	\$ 281,455	\$ 281,455	\$ –
Short-term loans payable	2,017	2,017	–
Convertible bonds	261,206	258,737	(2,469)
Long-term bank loans	669	669	(0)
Total liabilities	<u>\$ 545,357</u>	<u>\$ 542,888</u>	<u>\$ (2,469)</u>
Derivative financial instruments (*)	<u>\$ 3,173</u>	<u>\$ 3,173</u>	<u>\$ –</u>

(*) Assets and liabilities arising from derivative financial instruments are shown at net value with the amount in parentheses representing net liability position.

The methods to determine the estimated fair value of financial instruments and details on securities and derivative financial instruments are as follows:

Assets:

Cash and deposits, and notes and accounts receivable, trade:

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. Refer to Note 7 “Marketable Securities and Investments in Securities” for the information on securities by holding purposes.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

(e) Estimated fair value of financial instruments (continued)

Liabilities:

Notes and accounts payable, trade, and short-term loans payable:

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

Convertible bonds:

The fair value of convertible bonds is determined based on quoted market prices.

Long-term bank loans:

The fair value of long-term bank loans is determined by discounting the sum of principal and interest by the interest rate expected to be applied if similar bank loan was newly financed.

Derivative financial instruments:

The fair value of derivative financial instruments is based on the prices provided by the financial institutions (Refer to Note 6 “Derivative Financial Instruments”).

Financial instruments for which it is extremely difficult to determine the fair value are shown in the following table. Because no quoted market price is available and it is extremely difficult to determine the fair value, the following financial instruments are not included in the above table. Although allowance for doubtful accounts has been recorded for convertible bonds, the allowance for doubtful accounts has not been deducted from the amount of the convertible bonds recorded on the consolidated balance sheets.

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unlisted stocks	¥ 15,400	¥ 11,250	\$ 133,889

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

(e) Estimated fair value of financial instruments (continued)

The redemption schedule at 31st December, 2021 for deposits, trade receivables and securities with maturity dates is summarised as follows:

	2021			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	<i>(Millions of yen)</i>			
Deposits	¥ 101,967	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	42,898	–	–	–
Marketable securities and investments in securities:				
Bonds	–	575	–	–
Other securities	10	–	6,346	–
Total	¥ 144,876	¥ 575	¥ 6,346	¥ –
	2021			
	Due in 1 year or less	Due after 1 year through 5 years	Due after 5 years through 10 years	Due after 10 years
	<i>(Thousands of U.S. dollars)</i>			
Deposits	\$ 886,515	\$ –	\$ –	\$ –
Notes and accounts receivable, trade	372,961	–	–	–
Marketable securities and investments in securities:				
Bonds	–	4,999	–	–
Other securities	86	–	55,173	–
Total	\$ 1,259,572	\$ 4,999	\$ 55,173	\$ –

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Derivative Financial Instruments

Derivative financial instruments to which hedge accounting is applied for the years ended 31st December, 2021 and 2020 are summarised as follows:

For the year ended 31st December, 2021

Method of hedge accounting	Type of derivative financial instruments	Primary hedged items	Contract amount (Millions of yen / Thousands of U.S. dollars)	Contract amount due after one year (Millions of yen)	Estimated fair value (Millions of yen / Thousands of U.S. dollars)
Deferred hedge accounting	Forward exchange contracts Buying U.S. dollars	Accounts payable	¥ 9,095 (\$ 79,073)	¥ –	¥ 365 (\$ 3,173)

The fair value of derivative financial instruments is determined based on the prices provided by the financial institutions.

For the year ended 31st December, 2020

Method of hedge accounting	Type of derivative financial instruments	Primary hedged items	Contract amount (Millions of yen)	Contract amount due after one year (Millions of yen)	Estimated fair value (Millions of yen)
Deferred hedge accounting	Forward exchange contracts Buying U.S. dollars	Accounts payable	¥ 8,776	¥ –	(¥ 258)

The fair value of derivative financial instruments is determined based on the prices provided by the financial institutions.

There were no derivative financial instruments to which hedge accounting is not applied for the years ended 31st December, 2021 and 2020, respectively.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Marketable Securities and Investments in Securities

Marketable securities classified as other securities at 31st December, 2021 and 2020 are summarised as follows:

	2021		
	Carrying value	Acquisition cost	Difference
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 24,713	¥ 10,437	¥ 14,276
Subtotal	<u>24,713</u>	<u>10,437</u>	<u>14,276</u>
Securities whose carrying value does not exceed their acquisition cost:			
Stock	1,524	2,028	(504)
Other	209	209	–
Subtotal	<u>1,733</u>	<u>2,238</u>	<u>(504)</u>
Total	<u>¥ 26,447</u>	<u>¥ 12,675</u>	<u>¥ 13,771</u>
	2020		
	Carrying value	Acquisition cost	Difference
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 21,246	¥ 9,946	¥ 11,299
Subtotal	<u>21,246</u>	<u>9,946</u>	<u>11,299</u>
Securities whose carrying value does not exceed their acquisition cost:			
Stock	2,971	3,217	(245)
Other	655	655	–
Subtotal	<u>3,626</u>	<u>3,872</u>	<u>(245)</u>
Total	<u>¥ 24,872</u>	<u>¥ 13,818</u>	<u>¥ 11,053</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Marketable Securities and Investments in Securities (continued)

	2021		
	Carrying value	Acquisition cost	Difference
	<i>(Thousands of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$ 214,858	\$ 90,740	\$ 124,117
Subtotal	214,858	90,740	124,117
Securities whose carrying value does not exceed their acquisition cost:			
Stock	13,249	17,631	(4,381)
Other	1,817	1,817	–
Subtotal	15,066	19,457	(4,381)
Total	\$ 229,933	\$ 110,198	\$ 119,727

The proceeds from sales and gross realised gain and loss on securities classified as other securities for the years ended 31st December, 2021 and 2020 are summarised as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Proceeds from sales:			
Stock	¥ 839	¥ 2	\$ 7,294
Gross realised gain:			
Stock	¥ 172	¥ –	\$ 1,495
Gross realised loss:			
Stock	¥ 42	¥ –	\$ 365

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Marketable Securities and Investments in Securities (continued)

The Company and its consolidated subsidiaries recognise loss on devaluation of investment securities in cases where the fair value at the balance sheet date of a security declines by more than 50% from its carrying value. The Company and its consolidated subsidiaries also recognise loss on devaluation of investment securities by considering the recoverability of fair value and so forth when the fair value at the balance sheet date declines by more than 30% and less than 50% from its carrying value.

The Company and its consolidated subsidiaries recognised ¥1,363 million (\$11,850 thousand) of loss on devaluation of investment in securities classified as other securities for the year ended 31st December, 2021.

There was no loss on devaluation of investments in securities for the year ended 31st December, 2020.

8. Inventories

Inventories at 31st December, 2021 and 2020 consisted of the following:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Finished goods and commercial goods	¥ 15,000	¥ 13,593	\$ 130,412
Work in process	838	1,004	7,285
Raw materials and supplies	12,316	14,265	107,077
	¥ 28,155	¥ 28,863	\$ 244,783

Cost of sales included loss on devaluation of inventories of ¥139 million (\$1,208 thousand) and ¥523 million for the years ended 31st December, 2021 and 2020, respectively.

9. Gain on Sales of Property, Plant and Equipment

The main component of gain on sales of property, plant and equipment for the years ended 31st December, 2021 and 2020 is summarised as below.

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Land, buildings and structures	¥ 746	¥ 1,307	\$ 6,485

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Loss on Impairment of Property, Plant and Equipment

Property, plant and equipment are grouped based on each unit which has decision-making authority for investing activities. Idle assets are grouped individually.

As to the grouping method of assets, for business assets, loss on impairment is recognised and measured based on the smallest grouping of assets that generate cash flows that are essentially independent classified by business segment, and for idle assets, loss on impairment is recognised and measured based on each individual unit. For goodwill, loss on impairment is recognised and measured based on each company.

The Group recognised loss on impairment of property, plant and equipment of ¥119 million (\$1,034 thousand) for the year ended 31st December, 2021 as follows:

- Ezaki Glico Headquarters
For idle assets at Ezaki Glico Headquarters not expected to be utilised in the future, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of machinery and vehicles of ¥65 million (\$565 thousand). These recoverable amounts were measured at net realisable value. Net realisable value was measured at zero.
- Kobe factory and other at Glico Manufacturing Japan CO., Ltd.
For idle assets at Glico Manufacturing Japan Co., Ltd. not expected to be utilised in the future, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of machinery and vehicles of ¥13 million (\$113 thousand). These recoverable amounts were measured at net realisable value. Net realisable value was measured at zero.
- Shanghai Ezaki Glico Foods Co., Ltd.
For idle assets at Shanghai Ezaki Glico Foods Co., Ltd. not expected to be utilised in the future, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of machinery and vehicles of ¥15 million (\$130 thousand). These recoverable amounts were measured at net realisable value. Net realisable value was measured at zero.
- TCHO Ventures, Inc.
For business assets at TCHO Ventures, Inc., as its business performance significantly decreased from the initial projection, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of buildings and structures of ¥0 million (\$0 thousand), machinery and vehicles of ¥1 million (\$8 thousand), and tools, furniture and fixtures of ¥22 million (\$191 thousand). These recoverable amounts were measured at value in use. Since the future cash flow is expected to be negative amount, the value in use was measured at memorandum value.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Loss on Impairment of Property, Plant and Equipment (continued)

The Group recognised loss on impairment of property, plant and equipment of ¥555 million for the year ended 31st December, 2020 as follows:

- Ezaki Glico Headquarters
For idle assets at Ezaki Glico Headquarters not expected to be utilised following the reorganisation of the Tsukamoto district, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of machinery, vehicles and others of ¥48 million. These recoverable amounts were measured at net realisable value. Net realisable value was measured at zero.
- Tohoku factory and other at Glico Manufacturing Japan CO., Ltd.
For idle assets due to the closing of the Tohoku factory at Glico Manufacturing Japan Co., Ltd. not expected to be utilised in the future, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of buildings and structures of ¥39 million and machinery, vehicles and others of ¥125 million. These recoverable amounts were measured at net realisable value. Net realisable value was measured at zero.
- TCHO Ventures, Inc.
For business assets at TCHO Ventures, Inc., as its business performance significantly decreased from the initial projection, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of buildings and structures of ¥16 million, machinery and vehicles of ¥316 million, and tools, furniture and fixtures of ¥5 million. These recoverable amounts were measured at value in use. Since the future cash flow is expected to be negative amount, the value in use was measured at memorandum value.

11. Business Combinations

Transactions under common control

Transfer of Business

(1) Outline of the transaction

1) Name and business descriptions of the target business

All operations of the Company's consolidated subsidiary, Glico Frozen (Thailand) Co., Ltd. (the "GFT")

2) Date of the business combination

1st December, 2021

3) Legal form of the business combination

Business transfer with GFT as the transferring company and Thai Glico Co., Ltd., the Company's consolidated subsidiary (a sub-subsidiary), as the transferee company

4) Name after the business combination

No change

5) Other matters regarding the outline of the transaction

This inter-group reorganisation was carried out with the aim of improving profitability and strengthening market competitiveness by optimizing group management and utilizing human resources.

(2) Outline of the accounting treatment applied

The transfer of business has been accounted for as a transaction under common control in accordance with "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, 16th January, 2019) and "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, 16th January, 2019).

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Business Structure Improvement Expenses

There were no business structure improvement expenses recognised for the year ended 31st December, 2021.

The Company recorded business structure improvement expenses of ¥364 million for the year ended 31st December, 2020, as the Company dissolved production subsidiaries, following the reorganisation and redeployment of domestic production facilities aiming at increasing operational efficiency. Business structure improvement expenses primarily consist of expenses incurred due to the relocation of major facilities and restructuring.

13. Provision of Allowance for Doubtful Accounts

Allowance for doubtful accounts was provided for convertible bonds held by the Company expected to be uncollectible at 31st December, 2021.

There was no such provision of allowance for doubtful accounts at 31st December, 2020.

14. Short-Term Loans Payable, Long-Term Debt and Convertible Bonds

Short-term loans payable principally represent bank loans of the consolidated subsidiary. The average interest rates on outstanding loans at 31st December, 2021 and 2020 were 0.097%, respectively.

Long-term debt at 31st December, 2021 and 2020 consisted of the following:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unsecured bank loans at average interest rates of 0.097%, due within 2023	¥ 77	¥ 345	\$ 669
Lease obligations	709	830	6,164
	786	1,176	6,833
Less current portion of lease obligation	(240)	(283)	(2,086)
Long-term debt	¥ 545	¥ 892	\$ 4,738

The aggregate annual maturities of long-term debt subsequent to 31st December, 2021 are summarised below:

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements (continued)

14. Short-Term Loans Payable, Long-Term Debt and Convertible Bonds (continued)

Year ending 31st December,	Bank loans		Lease obligations	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2022	¥ –	\$ –	¥ 240	\$ 2,086
2023	77	669	169	1,469
2024	–	–	149	1,295
2025	–	–	101	878
2026 and thereafter	–	–	46	399
	¥ 77	\$ 669	¥ 709	\$ 6,164

Convertible bonds at 31st December, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	¥ 30,044	¥ 30,066	\$ 261,206

The details of the above convertible bonds are as follows:

	<u>Euro-Yen denominated convertible bonds due 2024</u>
Class of shares to be issued	Common stock
Total issue price of stock acquisition rights	Nil
Initial conversion price	¥7,954.9 (\$69.16) per share
Total issue price	¥30,000 million (\$260,824 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	–
Percentage of stock acquisition rights granted	100.0%
Exercise period	13th February, 2017 through 16th January, 2024

(Note) The conversion price of the convertible bonds was subject to adjustment as it met certain conditions for adjustment of conversion price; therefore, it was adjusted from ¥7,954.9 (\$69.16) to ¥7,891.2 (\$68.60) from 1st January, 2022.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Short-Term Loans Payable, Long-Term Debt and Convertible Bonds (continued)

The repayment schedule of convertible bonds due within five years subsequent to 31st December, 2021 is as follows:

Year ending 31st December,	Convertible bonds	
	(Millions of yen)	(Thousands of U.S. dollars)
2022	¥ –	\$ –
2023	–	–
2024	30,044	261,206
2025	–	–
2026	–	–
	<u>¥ 30,044</u>	<u>\$ 261,206</u>

15. Retirement Benefits

The Company and certain of its domestic consolidated subsidiaries (Glico Nutrition Co., Ltd., and Koei Jyoho System Kabushiki Kaisha) have defined benefit plans, i.e., corporate pension fund plans in addition to lump-sum payment plans. The other consolidated subsidiaries only have lump-sum payment plans as defined benefit plans. The Company and 5 domestic consolidated subsidiaries have defined contribution pension plans. A retirement benefit trust has been set up for some of the lump-sum payment plans.

The changes in the retirement benefit obligation for the years ended 31st December, 2021 and 2020 are as follows:

	2021	2020	2021
	(Millions of yen)		(Thousands of U.S. dollars)
Beginning balance of retirement benefit obligation	¥ 19,839	¥ 20,872	\$ 172,483
Service cost	963	1,035	8,372
Interest cost	101	81	878
Actuarial loss (gain)	67	(212)	582
Prior service cost	–	3	–
Benefits paid	(1,633)	(1,794)	(14,197)
Decrease due to transfer to defined contribution pension plans	(13)	(287)	(113)
Decrease due to change from simplified method to standard method	–	(62)	–
Others	21	202	182
Ending balance of retirement benefit obligation	<u>¥ 19,345</u>	<u>¥ 19,839</u>	<u>\$ 168,188</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Retirement Benefits (continued)

Retirement benefit obligation calculated by the simplified method is included in the above table.

The changes in plan assets at fair value for the years ended 31st December, 2021 and 2020 are as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Beginning balance of plan assets at fair value	¥ 21,786	¥ 19,942	\$ 189,410
Expected return on plan assets	544	502	4,729
Actuarial gain	781	594	6,790
Contributions by the employers	332	336	2,886
Contribution to retirement benefit trust	–	1,500	–
Retirement benefits paid	(1,058)	(1,089)	(9,198)
Ending balance of plan assets at fair value	¥ 22,386	¥ 21,786	\$ 194,627

The Company and certain subsidiaries set up the retirement benefit trust.

The reconciliation of the ending balances of the retirement benefit obligation and plan assets to the asset and liability for retirement benefits recognised in the consolidated balance sheet at 31st December, 2021 and 2020 is as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 18,519	¥ 18,993	\$ 161,006
Plan assets at fair value	(22,386)	(21,786)	(194,627)
	(3,866)	(2,792)	(33,611)
Unfunded retirement benefit obligations	825	845	7,172
Net asset for retirement benefits	(3,041)	(1,947)	(26,438)
Liability for retirement benefits	1,299	1,228	11,293
Asset for retirement benefits	(4,340)	(3,175)	(37,732)
Net asset for retirement benefits	¥ (3,041)	¥ (1,947)	\$ (26,438)

Retirement benefit obligation calculated by the simplified method is included in the above table.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Retirement Benefits (continued)

The components of retirement benefit expenses for the years ended 31st December, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 963	¥ 1,035	\$ 8,372
Interest cost	101	81	878
Expected return on plan assets	(544)	(502)	(4,729)
Amortisation:			
Actuarial (gain) loss	(220)	125	(1,912)
Prior service cost	(14)	(20)	(121)
Reversal due to changing method from simplified method to standard method	–	(62)	–
Others	149	137	1,295
Retirement benefit expenses	<u>¥ 432</u>	<u>¥ 794</u>	<u>\$ 3,755</u>
Special retirement payment	¥ –	¥ 93	\$ –
Loss on termination of retirement benefit plan	¥ –	¥ 251	\$ –

(Notes) 1. Retirement benefit expenses calculated by the simplified method are included in “Service cost” of the above table.

2. “Special retirement payment” and “Loss on termination of retirement benefit plan” are included in “Other expenses.”

The components of retirement benefit liability adjustments included in other comprehensive loss (before tax effect) are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ (14)	¥ (24)	\$ (121)
Actuarial gain	492	932	4,277
Total	<u>¥ 478</u>	<u>¥ 908</u>	<u>\$ 4,155</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Retirement Benefits (continued)

The components of retirement benefit liability adjustments included in accumulated other comprehensive income (before tax effect) are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognised prior service cost	¥ (2)	¥ 12	\$ (17)
Unrecognised actuarial gain	1,469	976	12,771
Total	¥ 1,466	¥ 988	\$ 12,745

The fair value of plan assets, by major category, as a percentage of total plan assets as of 31st December, 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Bonds	46%	34%
Equities	34	32
General accounts at life insurance companies	6	6
Other	14	28
Total	100%	100%

The total amount of plan assets includes 20.3% and 19.7% of the retirement benefit trust for lump-sum payment plans at 31st December 2021 and 2020, respectively.

The assumptions used in accounting for the above plans are as follows:

	<u>2021</u>	<u>2020</u>
Discount rates	0.0%~0.8%	0.0%~0.8%
Expected long-term rate of return on plan assets	2.5%	2.5%
Expected rates of future salary increase	7.4%~14.0%	7.4%~14.0%

The expected long-term rate of return on plan assets is determined as a result of consideration of both the portfolio allocation at present and in the future and expected long-term rate of return from multiple plan assets at present and in the future.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Retirement Benefits (continued)

The amount of plan assets transferred to the defined contribution pension plans as a result of the transfer of a portion of the lump-sum payment plans to the defined contribution pension plan was ¥3,927 million (\$34,141 thousand) and the transfer is expected to be completed in four years from the beginning of the transfer. The portion of plan assets yet to be transferred at 31st December, 2021 in the amount of ¥174 million (\$1,512 thousand) is included in accounts payable, other under “Other current liabilities” and long-term accounts payable, other under “Other long-term liabilities” in consolidated balance sheet.

The amounts to be paid to the defined contribution plans by the Company and certain consolidated subsidiaries were ¥256 million (\$2,225 thousand) and ¥249 million for the years ended 31st December, 2021 and the 2020, respectively.

16. 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 the common stock account. 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 (\$16,892 thousand) at 31st December, 2021 and 2020, respectively.

Movements in issued shares of common stock and treasury stock during the years ended 31st December, 2021 and 2020 are summarised as follows:

For the year ended 31st December, 2021

	Number of Shares			31st December, 2021
	1st January, 2021	Increase	Decrease	
Issued shares:				
Common stock	68,468,569	–	–	68,468,569
Treasury stock	3,645,167	1,660	70,150	3,576,677

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Shareholders' Equity (continued)

The increase in treasury stock of 1,660 shares was due to the acquisition of fractional shares of less than one voting unit of 1,660 shares. The decrease in treasury stock of 70,150 shares was due to the sales of fractional shares of less than one voting unit of 50 shares, issuance of treasury stock through the E-Ship Trust of 63,500 shares, and granting from the Restricted Stock Unit Plan to Directors of 6,600 shares.

Treasury stock at 31st December, 2021 includes 46,300 shares held by the E-ship Trust.

For the year ended 31st December, 2020

	Number of Shares			31st December, 2020
	1st January, 2020	Year ended 31st December, 2020		
		Increase	Decrease	
Issued shares:				
Common stock	68,468,569	–	–	68,468,569
Treasury stock	3,557,196	136,414	48,443	3,645,167

The increase in treasury stock of 136,414 shares was due to the acquisition of fractional shares of less than one voting unit of 914 shares and acquisition by setting the E-Ship Trust of 135,500 shares. The decrease in treasury stock of 48,443 shares was due to the sales of fractional shares of less than one voting unit of 243 shares, issuance of treasury stock through the E-Ship Trust of 42,000 shares, and granting from the Restricted Stock Unit Plan to Directors of 6,200 shares.

Treasury stock at 31st December, 2020 includes 109,800 shares held by the E-ship Trust.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Shareholders' Equity (continued)

Information on stock acquisition rights and treasury stock acquisition rights during the years ended 31st December, 2021 and 2020 is as follows:

For the year ended 31st December, 2021

Company name	Details	Type of stock subject to acquisition rights	Number of shares subject to stock acquisition rights			31st December, 2021 (Millions of yen / Thousands of U.S. dollars)
			1st January, 2021	Increase	Decrease	
The Company	Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	Common stock	3,749,671	(Note 1) 21,589	–	3,771,260 (Note 2) –

- (Notes) 1. The increase in the Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights) was due to the adjustment of the conversion price.
2. Convertible bonds are accounted for using the lump-sum method, by which the bond portion and a stock acquisition right portion are treated as non-separable.

For the year ended 31st December, 2020

Company name	Details	Type of stock subject to acquisition rights	Number of shares subject to stock acquisition rights			31st December, 2020 (Millions of yen)
			1st January, 2020	Increase	Decrease	
The Company	Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	Common stock	3,734,594	(Note 1) 15,077	–	3,749,671 (Note 2) –

- (Notes) 1. The increase in the Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights) was due to the adjustment of the conversion price.
2. Convertible bonds are accounted for using the lump-sum method, by which the bond portion and a stock acquisition right portion are treated as non-separable.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Shareholders' Equity (continued)

Information on dividend payments and the effective date for the years ended 31st December, 2021 and 2020 is as follows:

For the year ended 31st December, 2021

Dividend payment:

<u>Resolution</u>	<u>Type of shares</u>	<u>Dividends paid (Millions of yen/ Thousands of U.S. dollars)</u>	<u>Dividend per share (Yen/ U.S. dollars)</u>	<u>Record date</u>	<u>Effective date</u>
Board of Directors' meeting held on 12th February, 2021	Common stock	¥ 2,272 (\$ 19,753)	¥ 35 (\$ 0.30)	31st December, 2020	5th March, 2021
Board of Directors' meeting held on 5th August, 2021	Common stock	¥ 2,272 (\$ 19,753)	¥ 35 (\$ 0.30)	30th June, 2021	3rd September, 2021

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 12th February, 2021 included ¥3 million (\$26 thousand) of cash dividends applicable to shares held by the E-Ship Trust.

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 5th August, 2021 included ¥2 million (\$17 thousand) of cash dividends applicable to shares held by the E-Ship Trust.

Dividend payment with an effective date in the following year:

<u>Resolution</u>	<u>Type of shares</u>	<u>Dividends paid (Millions of yen/ Thousands of U.S. dollars)</u>	<u>Source of dividend</u>	<u>Dividend per share (Yen/ U.S. dollars)</u>	<u>Record date</u>	<u>Effective date</u>
Board of Directors' meeting held on 14th February, 2022	Common stock	¥ 2,272 (\$ 19,753)	Retained earnings	¥ 35 (\$ 0.30)	31st December, 2021	4th March, 2022

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 14th February, 2022 included ¥1 million (\$8 thousand) of cash dividends applicable to shares held by the E-Ship Trust.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Shareholders' Equity (continued)

For the year ended 31st December, 2020

Dividend payment:

<u>Resolution</u>	<u>Type of shares</u>	<u>Dividends paid (Millions of yen)</u>	<u>Dividend per share (Yen)</u>	<u>Record date</u>	<u>Effective date</u>
Board of Directors' meeting held on 14th February, 2020	Common stock	¥ 1,947	¥ 30	31st December, 2019	6th March, 2020
Board of Directors' meeting held on 6th August, 2020	Common stock	¥ 1,948	¥ 30	30th June, 2020	4th September, 2020

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 14th February, 2020 included ¥0 million of cash dividends applicable to shares held by the E-Ship Trust.

17. Leases

Leased assets under finance lease transactions which do not transfer ownership to the lessee mainly consist of tools, furniture and fixtures, vehicles and software.

As described in Note 2 "Summary of Significant Accounting Policies, (j) Leased assets," leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalised and depreciated to a residual value of nil by the straight-line method using the term of the contracts as the useful life.

Future minimum lease payments under non-cancellable operating leases subsequent to 31st December, 2021 for operating leases are summarised as follows:

<u>Year ending 31st December,</u>	<u>(Millions of yen)</u>	<u>(Thousands of U.S. dollars)</u>
2022	¥ 298	\$ 2,590
2023 and thereafter	319	2,773
Total	¥ 618	\$ 5,372

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended 31st December, 2021 and 2020 were as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Freight and warehouse expenses	¥ 31,889	¥ 31,493	\$ 277,247
Sales promotion expenses	43,746	49,111	380,333
Provision for sales promotion expenses	4,106	3,730	35,698
Advertising expenses	10,021	12,131	87,123
(Reversal) provision of allowance for doubtful accounts	(2)	25	(17)
Salaries	17,619	17,459	153,182
Bonuses	5,415	5,349	47,078
Provision for bonuses of directors and audit and supervisory board members	67	82	582
Provision for stock-based compensation	21	29	182
Retirement benefit expenses	406	724	3,529
Welfare expenses	5,138	5,209	44,670
Depreciation and amortisation	3,641	3,557	31,655
Other	16,652	14,978	144,774
Total	¥ 138,726	¥ 143,884	\$ 1,206,103

19. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st December, 2021 and 2020 amounted to ¥5,077 million (\$44,140 thousand) and ¥5,472 million, respectively.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Income Taxes

The Company and its domestic consolidated subsidiaries are subject to several types of taxes: corporate taxes, local inhabitants taxes and enterprise taxes, which in aggregate resulted in a statutory tax rate of approximately 30.6% for the years ended 31st December, 2021 and 2020. Overseas subsidiaries are subject to the income and other taxes of the respective countries in which they operate.

The reconciliation between effective tax rate and the statutory tax rate for the years ended 31st December, 2021 and 2020 is as follows:

	2021	2020
Statutory tax rate	30.6%	30.6%
Permanent non-deductible expenses	0.6	0.7
Permanent non-taxable dividend income	(0.6)	(0.3)
Inhabitants' per capita taxes	0.4	0.4
Change in valuation allowance	2.5	0.3
Tax credits	(0.7)	(1.3)
Undistributed earnings of overseas subsidiaries	(1.0)	5.3
Withholding tax on dividends of overseas subsidiaries	3.1	0.4
Other	(0.1)	(0.3)
Effective tax rate	34.8%	35.8%

“Withholding tax on dividends of overseas subsidiaries” included in “Other” for the year ended 31st December, 2020 has been separately presented for the year ended 31st December, 2021 as it became more significant. To reflect this change of presentation, the amount during the year ended 31st December, 2020 has been reclassified.

As a result, 0.1% of “Other” for the year ended 31st December, 2020 has been reclassified into “Withholding tax on dividends of overseas subsidiaries” of 0.4% and “Other” of negative 0.3%.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at 31st December, 2021 and 2020 are summarised as follows:

	2021	2020	2021
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued bonuses	¥ 602	¥ 597	\$ 5,233
Accrued expenses	1,143	1,158	9,937
Liability for retirement benefits	385	718	3,347
Loss on impairment of property, plant and equipment	1,950	1,976	16,953
Loss on devaluation of investments in securities	954	568	8,294
Tax loss carry forwards	1,794	2,136	15,597
Depreciation	392	413	3,408
Deferred loss on hedges	–	79	–
Other	1,201	1,087	10,441
Total deferred tax assets	<u>8,426</u>	<u>8,735</u>	<u>73,256</u>
Less valuation allowance for tax loss carryforwards	(1,750)	(2,025)	(15,214)
Less valuation allowance for total deductible temporary differences and others	<u>(2,951)</u>	<u>(2,432)</u>	<u>(25,656)</u>
Total valuation allowance	(4,702)	(4,458)	(40,879)
Offset by deferred tax liabilities	<u>(2,829)</u>	<u>(3,539)</u>	<u>(24,595)</u>
Net deferred tax assets	<u>¥ 894</u>	<u>¥ 737</u>	<u>\$ 7,772</u>
Deferred tax liabilities:			
Net unrealised holding gain on securities	¥ (4,410)	¥ (3,135)	\$ (38,341)
Reserve for deferred gain on property for tax purposes	(2,690)	(2,697)	(23,387)
Deferred gain on hedges	(111)	–	(965)
Undistributed earnings of overseas subsidiaries	(2,622)	(2,834)	(22,796)
Other	(0)	(0)	(0)
Total deferred tax liabilities	<u>(9,835)</u>	<u>(8,668)</u>	<u>(85,506)</u>
Offset by deferred tax assets	2,829	3,539	24,595
Net deferred tax liabilities	<u>¥ (7,006)</u>	<u>¥ (5,128)</u>	<u>\$ (60,911)</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Income Taxes (continued)

Tax loss carryforwards and the related deferred tax assets expire as follows:

At 31st December, 2021

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
	<i>(Millions of yen)</i>						
Tax loss carryforwards (Note (a))	¥ 2	¥ 16	¥ 22	¥ 19	¥ 1	¥ 1,730	¥ 1,794
Less valuation allowance for tax loss carryforwards	(2)	(0)	–	(18)	(1)	(1,726)	(1,750)
Net deferred tax assets related to tax loss carryforwards	¥ –	¥ 16	¥ 22	¥ 1	¥ 0	¥ 4	¥ 44
	(Note (b))						
	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
	<i>(Thousands of U.S. dollars)</i>						
Tax loss carryforwards (Note (a))	\$ 17	\$ 139	\$ 191	\$ 165	\$ 8	\$ 15,040	\$ 15,597
Less valuation allowance for tax loss carryforwards	(17)	(0)	–	(156)	(8)	(15,006)	(15,214)
Net deferred tax assets related to tax loss carryforwards	\$ –	\$ 139	\$ 191	\$ 8	\$ 0	\$ 34	\$ 382
	(Note (b))						

(Notes) (a) The tax loss carry forwards in the table above are measured by multiplying the corresponding tax loss carry forwards by the statutory tax rate.

(b) Net deferred tax assets related to tax loss carry forwards of ¥44 million (\$382 thousand) were recorded on tax loss carry forwards of ¥1,794 million (\$15,597 thousand) (the amount multiplied by the statutory tax rate). Net deferred tax assets related to tax loss carry forwards of ¥44 million (\$382 thousand) were recognised for part of the balance of ¥104 million (\$904 thousand) of tax loss carry forwards (the amount multiplied by the statutory tax rate), for 2 consolidated subsidiaries. The Company does not recognise a valuation allowance for part of the tax loss carry forwards that the Company considers recoverable in light of future taxable income.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Other Comprehensive Income (Loss)

Other comprehensive income (loss) related to reclassification adjustments and tax effects allocated to each comprehensive income (loss) for the years ended 31st December, 2021 and 2020 are summarised as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net unrealised holding gain (loss) on securities:			
Amount arising during the year	¥ 3,087	¥ (937)	\$ 26,838
Reclassification adjustments	1,227	–	10,667
Amount before income tax effect	4,315	(937)	37,515
Income tax effect	(1,274)	337	(11,076)
Total	<u>3,041</u>	<u>(599)</u>	<u>26,438</u>
Deferred gain (loss) on hedges:			
Amount arising during the year	1,114	(418)	9,685
Reclassification adjustments	(490)	53	(4,260)
Amount before income tax effect	624	(365)	5,425
Income tax effect	(190)	111	(1,651)
Total	<u>433</u>	<u>(253)</u>	<u>3,764</u>
Translation adjustments:			
Amount arising during the year	5,116	(947)	44,479
Retirement benefits liability adjustments:			
Amount arising during the year	713	803	6,198
Reclassification adjustments	(235)	104	(2,043)
Amount before income tax effect	478	908	4,155
Income tax effect	(133)	(278)	(1,156)
Total	<u>344</u>	<u>629</u>	<u>2,990</u>
Share of other comprehensive loss of affiliates accounted for by the equity method:			
Adjustments arising during the year	332	(150)	2,886
Total other comprehensive income (loss)	<u>¥ 9,267</u>	<u>¥ (1,320)</u>	<u>\$ 80,568</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Investment and Rental Property

The Company and certain consolidated subsidiaries own rental office buildings, rental commercial facilities and others in Tokyo, Japan and other areas.

Rental revenues are recorded under “Rental income on real estate” and rental costs are recorded mainly under “Other, net” in the consolidated statement of comprehensive income for the years ended 31st December, 2021 and 2020. Net rental income, net of rental cost, for the years ended 31st December, 2021 and 2020 was ¥322 million (\$2,799 thousand) and ¥545 million, respectively.

The carrying value in the consolidated balance sheet and corresponding fair value of investment and rental properties as of 31st December, 2021 and 2020 are as follows:

	<i>Carrying value</i>			<i>Fair value</i>
	1st January, 2021	Net change	31st December, 2021	31st December, 2021
	<i>(Millions of yen)</i>			
Investment and rental property	¥ 12,435	¥ (11)	¥ 12,423	¥ 18,400
	<i>Carrying value</i>			<i>Fair value</i>
	1st January, 2020	Net change	31st December, 2020	31st December, 2020
	<i>(Millions of yen)</i>			
Investment and rental property	¥ 12,746	¥ (311)	¥ 12,435	¥ 20,197
	<i>Carrying value</i>			<i>Fair value</i>
	1st January, 2021	Net change	31st December, 2021	31st December, 2021
	<i>(Thousands of U.S. dollars)</i>			
Investment and rental property	\$ 108,111	\$ (95)	\$ 108,007	\$ 159,972

The carrying value represents the acquisition costs less accumulated depreciation and accumulated impairment loss.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

22. Investment and Rental Property (continued)

The main component of net change in the carrying value during the year ended 31st December, 2021 was the decrease due to the sales of the idle property in the amount of ¥40 million (\$347 thousand).

The main component of net change in the carrying value during the year ended 31st December, 2020 was the decrease due to the retirement of the idle property that had been recognised during the nine months ended 31st December, 2019 in the amount of ¥358 million.

For major property, the fair value is determined based on the real-estate appraisal assessed by external real-estate appraisers. For other property, the fair value is determined based on the land price index issued by government authorities and others. However, unless the appraisal or indicators that are regarded to reflect the fair value of the property appropriately change significantly since the date of acquisition or the date of the latest appraisal, the Company and certain consolidated subsidiaries measure the fair value of the property based on such appraisal or indicators obtained previously and adjusted as appropriate.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information

Summary of reportable segments

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 consists of business segments categorised by each business and the products and services based on the Company's consolidated subsidiaries as well as countries and regions.

The Group classifies its businesses into five reportable segments: Confectioneries and Food Products Division, Ice Cream Division, Milk and Dairy Division, Food Ingredients Division, and Overseas Division.

The Confectioneries and Food Products Division produces and sells chocolate, cookies, curry roux, retort-packed food and others.

The Ice Cream Division produces and sells ice cream and others.

The Dairy Division produces and sells milk, dairy products, western-style fresh confectioneries, baby formula and others.

The Food Ingredients Division produces and sells starch, food colouring and others.

The Overseas Division produces and sells snacks, ice cream and others overseas.

Calculation methods of sales, income or loss, assets and other items by reportable segment

The accounting policies of the reportable segments are substantially the same as those described in the Note 2 "Summary of Significant Accounting Policies", except for the valuation method of inventory and the depreciation method of property, plant and equipment. Certain inventories are valued at the amounts used in inter-segment sales transactions before application of lower of cost or net realisable value. Certain property, plant and equipment are depreciated using the straight-line method. Segment income is determined based on operating income. Inter-segment transactions are determined based on market prices.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Information on sales, income or loss, assets and other items by reportable segment

	Year ended 31st December, 2021					
	Reportable segments					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal
	<i>(Millions of yen)</i>					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	¥ 79,164	¥ 87,766	¥ 79,892	¥ 10,524	¥ 60,991	¥ 318,339
Inter-segment sales and transfers	677	74	5	222	–	980
Total	<u>¥ 79,841</u>	<u>¥ 87,840</u>	<u>¥ 79,898</u>	<u>¥ 10,747</u>	<u>¥ 60,991</u>	<u>¥ 319,319</u>
Segment income	¥ 5,098	¥ 3,799	¥ 2,095	¥ 919	¥ 3,915	¥ 15,827
Segment assets	45,635	36,775	26,690	6,010	38,014	153,126
Other items:						
Depreciation and amortisation	3,864	3,880	1,558	195	1,828	11,327
Increase in property, plant and equipment and intangible assets	1,722	2,603	688	276	7,533	12,823

	Year ended 31st December, 2021			
	Others	Total	Adjustments and eliminations	Consolidated
	<i>(Millions of yen)</i>			
Sales, income or loss and assets by reportable segment:				
Net sales:				
Sales to third parties	¥ 20,231	¥ 338,571	¥ –	¥ 338,571
Inter-segment sales and transfers	11,978	12,958	(12,958)	–
Total	<u>¥ 32,209</u>	<u>¥ 351,529</u>	<u>¥ (12,958)</u>	<u>¥ 338,571</u>
Segment income	¥ 1,525	¥ 17,353	¥ 1,954	¥ 19,307
Segment assets	928	154,055	202,689	356,745
Other items:				
Depreciation and amortisation	244	11,572	2,677	14,249
Increase in property, plant and equipment and intangible assets	85	12,909	8,739	21,649

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Information on sales, income or loss, assets and other items by reportable segment (continued)

	Year ended 31st December, 2020					
	Reportable segments					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal
	<i>(Millions of yen)</i>					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	¥ 89,280	¥ 92,302	¥ 83,445	¥ 10,059	¥ 50,998	¥ 326,087
Inter-segment sales and transfers	690	72	7	200	–	971
Total	<u>¥ 89,971</u>	<u>¥ 92,375</u>	<u>¥ 83,453</u>	<u>¥ 10,260</u>	<u>¥ 50,998</u>	<u>¥ 327,058</u>
Segment income	¥ 4,963	¥ 6,134	¥ 2,522	¥ 879	¥ 2,581	¥ 17,081
Segment assets	49,841	38,815	27,020	5,574	26,967	148,219
Other items:						
Depreciation and amortisation	3,904	4,057	1,652	156	1,704	11,473
Increase in property, plant and equipment and intangible assets	2,332	2,139	1,746	375	4,045	10,639
	Year ended 31st December, 2020					
	Others	Total	Adjustments and eliminations		Consolidated	
	<i>(Millions of yen)</i>					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	¥ 17,961	¥ 344,048	¥ –		¥ 344,048	
Inter-segment sales and transfers	9,026	9,997	(9,997)		–	
Total	<u>¥ 26,987</u>	<u>¥ 354,046</u>	<u>¥ (9,997)</u>		<u>¥ 344,048</u>	
Segment income	¥ 281	¥ 17,363	¥ 1,159		¥ 18,523	
Segment assets	2,507	150,726	189,354		340,081	
Other items:						
Depreciation and amortisation	277	11,751	2,825		14,577	
Increase in property, plant and equipment and intangible assets	153	10,792	7,021		17,814	

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Information on sales, income or loss, assets and other items by reportable segment (continued)

	Year ended 31st December, 2021					
	Reportable segments					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal
	<i>(Thousands of U.S. dollars)</i>					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	\$ 688,262	\$ 763,049	\$ 694,592	\$ 91,497	\$ 530,264	\$ 2,767,683
Inter-segment sales and transfers	5,885	643	43	1,930	–	8,250
Total	<u>\$ 694,148</u>	<u>\$ 763,693</u>	<u>\$ 694,644</u>	<u>\$ 93,435</u>	<u>\$ 530,264</u>	<u>\$ 2,776,204</u>
Segment income	\$ 44,322	\$ 33,029	\$ 18,214	\$ 7,989	\$ 34,037	\$ 137,602
Segment assets	396,757	319,727	232,046	52,251	330,499	1,331,298
Other items:						
Depreciation and amortisation	33,594	33,733	13,545	1,695	15,892	98,478
Increase in property, plant and equipment and intangible assets	14,971	22,630	5,981	2,399	65,492	111,484
	Year ended 31st December, 2021					
	Others	Total	Adjustments and eliminations		Consolidated	
			<i>(Thousands of U.S. dollars)</i>			
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	\$ 175,891	\$ 2,943,583	\$	–	\$ 2,943,583	
Inter-segment sales and transfers	104,138	112,658	(112,658)		–	
Total	<u>\$ 280,029</u>	<u>\$ 3,056,242</u>	<u>\$ (112,658)</u>		<u>\$ 2,943,583</u>	
Segment income	\$ 13,258	\$ 150,869	\$ 16,988		\$ 167,857	
Segment assets	8,068	1,339,375	1,762,206		3,101,591	
Other items:						
Depreciation and amortisation	2,121	100,608	23,274		123,882	
Increase in property, plant and equipment and intangible assets	739	112,232	75,978		188,219	

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Information on sales, income or loss, assets and other items by reportable segment (continued)

“Others” are businesses not included in the reportable segments, which mainly include the Health Division, the Office Glico Division and the System Maintenance and Development Division.

The adjustments and eliminations for segment income in the amounts of ¥1,954 million (\$16,988 thousand) and ¥1,159 million consisted of the elimination of inter-segment transactions and other adjustments of ¥1,523 million (\$13,241 thousand) and ¥1,401 million and corporate expenses not allocated to each reportable segment of ¥430 million (\$3,738 thousand) and ¥241 million for the years ended 31st December, 2021 and 2020, respectively.

Corporate expenses were mainly related to selling, general and administrative expenses not attributable to reportable segments for the years ended 31st December, 2021 and 2020. The adjustments and eliminations for segment assets in the amount of ¥202,689 million (\$1,762,206 thousand) and ¥189,354 million at 31st December, 2021 and 2020, respectively, consisted of corporate assets not attributable to reportable segments.

The adjustments and eliminations for depreciation and amortisation of ¥2,677 million (\$23,274 thousand) and ¥2,825 million and increase in property, plant and equipment and intangible assets of ¥8,739 million (\$75,978 thousand) and ¥7,021 million for the years ended 31st December, 2021 and 2020, respectively, consisted of depreciation and amortisation and acquisition of corporate assets not attributable to reportable segments.

Segment income corresponds to operating income in the consolidated statement of comprehensive income.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Related information

Information by products and services

Sales to third parties categorised by products and services for the years ended 31st December, 2021 and 2020 are summarised as follows:

Year ended 31st December, 2021						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Millions of yen)</i>						
¥ 79,164	¥ 87,766	¥ 79,892	¥ 10,524	¥ 60,991	¥ 20,231	¥ 338,571
Year ended 31st December, 2020						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Millions of yen)</i>						
¥ 89,280	¥ 92,302	¥ 83,445	¥ 10,059	¥ 50,998	¥ 17,961	¥ 344,048
Year ended 31st December, 2021						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Thousands of U.S. dollars)</i>						
\$ 688,262	\$ 763,049	\$ 694,592	\$ 91,497	\$ 530,264	\$ 175,891	\$ 2,943,583

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Related information (continued)

Geographical information

(1) Net sales

Net sales categorised by countries and regions based on locations of customers of the Group for the years ended 31st December, 2021 and 2020 are summarised as follows:

Year ended 31st December, 2021					
Japan	China	Southeast Asia	U.S.A.	Others	Total
<i>(Millions of yen)</i>					
¥ 277,579	¥ 32,381	¥ 14,239	¥ 10,716	¥ 3,654	¥ 338,571
Year ended 31st December, 2020					
Japan	China	Southeast Asia	U.S.A.	Others	Total
<i>(Millions of yen)</i>					
¥ 293,049	¥ 27,211	¥ 13,541	¥ 8,215	¥ 2,029	¥ 344,048
Year ended 31st December, 2021					
Japan	China	Southeast Asia	U.S.A.	Others	Total
<i>(Thousands of U.S. dollars)</i>					
\$ 2,413,310	\$ 281,524	\$ 123,795	\$ 93,166	\$ 31,768	\$ 2,943,583

Net sales for “U.S.A.” included in “Others” for the year ended 31st December, 2020 has been separately presented for the year ended 31st December, 2021 as its quantitative materiality increased. To reflect this change of presentation, the amount during the year ended 31st December, 2020 has been reclassified.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Related information (continued)

Geographical information (continued)

(2) Property, plant and equipment

Property, plant and equipment categorised by countries and regions as of 31st December, 2021 and 2020 are summarised as follows:

2021					
Japan	China	Southeast Asia	U.S.A.	Others	Total
<i>(Millions of yen)</i>					
¥ 80,507	¥ 8,633	¥ 11,560	¥ 52	¥ 325	¥ 101,080
2020					
Japan	China	Southeast Asia	U.S.A.	Others	Total
<i>(Millions of yen)</i>					
¥ 84,198	¥ 7,146	¥ 5,857	¥ 14	¥ 368	¥ 97,584
2021					
Japan	China	Southeast Asia	U.S.A.	Others	Total
<i>(Thousands of U.S. dollars)</i>					
\$ 699,939	\$ 75,056	\$ 100,504	\$ 452	\$ 2,825	\$ 878,803

Property, plant and equipment in the “U.S.A.” included in “Others” as of 31st December, 2020 has been separately presented as of 31st December, 2021 to increase clarity. To reflect this change of presentation, the amount as of 31st December, 2020 has been reclassified.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Related information (continued)

Information on loss on impairment of fixed assets

		Year ended 31st December, 2021						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Loss on impairment of property, plant and equipment		¥ 8	¥ 0	¥ 4	¥ –	¥ 41	¥ 65	¥ 119
		Year ended 31st December, 2020						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Loss on impairment of property, plant and equipment		¥ 0	¥ 28	¥ 139	¥ –	¥ 338	¥ 48	¥ 555
		Year ended 31st December, 2021						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Thousands of U.S. dollars)</i>						
Loss on impairment of property, plant and equipment		\$ 69	\$ 0	\$ 34	\$ –	\$ 356	\$ 565	\$ 1,034

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. Segment Information (continued)

Related information (continued)

Information on amortisation of goodwill and remaining unamortised balance by reportable segment

		Year ended 31st December, 2021						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Amortisation for the year	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 64	¥ –	¥ 64
Remaining unamortised balance	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 391	¥ –	¥ 391
		Year ended 31st December, 2020						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Amortisation for the year	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 59	¥ –	¥ 59
Remaining unamortised balance	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 411	¥ –	¥ 411
		Year ended 31st December, 2021						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Thousands of U.S. dollars)</i>						
Amortisation for the year	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 556	\$ –	\$ 556
Remaining unamortised balance	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 3,399	\$ –	\$ 3,399

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Amounts per Share

Amounts per share at 31st December, 2021 and 2020 and for the years ended 31st December, 2021 and 2020 were as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Profit attributable to owners of the parent	¥ 208.44	¥ 182.48	\$ 1.81
Cash dividends	70.00	65.00	0.60
Net assets	3,710.65	3,420.92	32.26

Profit attributable to owners of the parent per share has been computed based on the profit available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during each respective year. Net assets per share 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 balance sheet date.

The number of the Company's shares held by the E-Ship Trust of 46 thousand shares and 109 thousand shares at 31st December, 2021 and 2020, respectively were excluded from the number of shares of common stock used in the computation of net assets per share.

The weighted-average number of the Company's shares held by the E-Ship Trust of 80 thousand shares and 65 thousand shares for the years ended 31st December, 2021 and 2020, respectively were excluded from the number of shares of common stock used in the computation of profit attributable to owners of the parent.

Diluted profit per share for the years ended 31st December, 2021 and 2020 has not been disclosed because no dilutive potential shares with dilutive effect existed for the years ended 31st December, 2021 and 2020, respectively.

Cash dividends per share represent the cash dividends proposed by the Board of Directors as applicable to the respective fiscal years together with the interim cash dividends paid.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Amounts per Share (continued)

The financial data used in the computation of profit attributable to owners of the parent per share for the years ended 31st December, 2021 and 2020 is summarised as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Profit attributable to owners of the parent	¥ 13,519	¥ 11,836	\$ 117,536
	<u>2021</u>	<u>2020</u>	
	<i>(Thousands of shares)</i>		
Weighted-average number of shares of common stock	64,856	64,864	

Descriptions of dilutive potential shares that were not included in the computation of diluted profit per share for the years ended 31st December, 2021 and 2020 because of no dilutive effect are as follows:

	<u>2021</u>	<u>2020</u>	<u>2021</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Euro-Yen denominated convertible bonds due 2024	¥ 30,000	¥ 30,000	\$ 260,824
	<u>2021</u>	<u>2020</u>	
	<i>(Shares)</i>		
Number of stock acquisition rights	3,000	3,000	

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Significant Subsequent Event

Acquisition of treasury stock

At the Board of Directors' meeting held on 14th February, 2022, a resolution was made on matters pertaining to the acquisition of treasury stock in accordance with the provisions of the Articles of Incorporation pursuant to Article 459, Paragraph 1 of the Companies Act.

(1) Reason for the acquisition of treasury stock

To aim for an efficient and agile capital structure as well as use the acquired shares for the incentive plan covering the Company's directors, officers, and employees.

(2) Matters concerning the acquisition

- 1) Class of shares to be acquired: Common stock of the Company
- 2) Total number of shares to be acquired: 1,500,000 shares (upper limit)
2.30% of the total number of common shares issued (excluding treasury stock)
- 3) Total acquisition price: ¥5,000 million (\$43,470 thousand) (upper limit)
- 4) Period of acquisition: From 15th February, 2022 to 30th December, 2022
- 5) Method of acquisition: Market buying on the Tokyo Stock Exchange

Corporate Information

Board of Directors and Statutory Auditors (as of 25th March, 2022)

Chairman

Katsuhisa Ezaki

President

Etsuro Ezaki

Directors

Takashi Kuriki

Yutaka Honzawa

Tetsuo Masuda

Takatoshi Kato

Kanoko Oishi

George Hara

Standing Audit and Supervisory Board

Members

Toshiaki Yoshida

Akira Onuki

Audit and Supervisory Board Members

Shintaro Iwai

Matao Miyamoto

Minoru Kudo

Corporate Data (as of 31st December, 2021)

Head Office

6-5, Utajima, 4-chome,
Nishiyodogawa-ku, Osaka 555-8502, Japan

Tel: (06)6477-8352

Fax: (06)6477-8250

Number of Employees

1,424

Stock Exchange Listing

Tokyo

Tokyo Branch

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

Transfer Agents

Sumitomo Mitsui Trust Bank, Limited.

5-33, Kitahama, 4-chome, Chuo-ku,
Osaka 541-0041, Japan

Paid-in Capital

¥7,773 million

(U.S. \$70,947 thousand)

Established

1922
