

Annual Report 2023

(Fiscal year ended 31st December, 2023)

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Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	December 2023	December 2022	December 2021	December 2020	December 2019	December 2023
Net sales	332,590	303,921	338,571	344,048	288,187	2,344,990
Profit before income taxes	19,943	13,936	20,806	19,683	20,183	140,612
Profit attributable to owners of the parent	14,133	8,099	13,519	11,836	12,047	99,647
	Yen					
Per share of common stock:						
Profit *	222.25	126.59	208.44	182.48	185.31	1.56
Cash dividends	80.00	80.00	70.00	65.00	60.00	0.56
	Millions of yen					
Balance sheet data:						
Shareholders' equity	230,089	221,046	223,470	213,682	204,169	1,622,287
Total assets	395,743	369,056	356,745	340,081	343,812	2,790,262

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

* 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.

* 'Accounting Standard for Revenue Recognition' (Accounting Standards Board of Japan ('ASBJ') Statement No. 29, 31st March, 2020) and implementation guidance have been applied from the beginning of the year ended 31st December, 2022. Major management indicators for the year ended 31st December, 2022 and thereafter represent figures after applying the accounting standard and implementation guidance.

* Fractional amounts of less than one million yen and one thousand U.S. dollars are rounded off.

Message from the President

The forward-looking statements herein are based on judgments made as of the end of the fiscal year under review.

Effective from the beginning of the fiscal year under review, the Company has changed its reportable segments from the previous five segments comprising Confectioneries and Food Products, Ice Cream, Dairy, Food Ingredients, and Overseas to the six segments comprising Health and Food Business, Dairy Business, Nutritional Confectionery Business, Food Ingredients Business, Other Domestic Business, and Overseas Business due to reorganization. The segment information for the previous fiscal year has been presented based on the segment classifications after the change.

The Japanese economy in the fiscal year under review saw economic activity progressively return to normal with the alleviation of COVID-19-induced restrictions. Having said that, outlook remains uncertain, with concerns over the impact of sharp rises in energy and raw material prices and drastic fluctuations in exchange rates, as well as downside risks to economic conditions due to global monetary tightening.

In light of this situation, our corporate group has worked to strengthen value creation in order to realize our Purpose, “Healthier days, Wellbeing for life.” To this end, we have focused on the following initiatives: 1) providing the value of health and constructing a customer-oriented value chain, 2) concentrating research investment in priority areas, and 3) expanding overseas business.

Consequently, sales in all segments posted year-on-year growth, resulting in consolidated net sales of ¥332,590 million, an increase of 9.4% from the ¥303,921 million total of the previous fiscal year.

Regarding earnings, our cost-to-sales ratio decreased by 0.8 points from the previous fiscal year due to a fall in earnings in China, where COVID-19 lockdowns were implemented in the previous fiscal year, among other factors. Selling, general and administrative expenses increased due to increases in advertising and sales promotion expenses.

As a result, operating income amounted to ¥18,622 million, an increase of ¥5,776 million from the previous fiscal year (¥12,845 million). Ordinary income was ¥21,285 million, an increase of ¥7,639 million from the previous fiscal year (¥13,646 million) due mainly to the increase of operating income and foreign exchange gains. Profit attributable to owners of the parent was ¥14,133 million, an increase of ¥6,033 million from the previous fiscal year (¥8,099 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.

May 2024



Katsuhisa Ezaki, Chairman

1. Operating Results and Financial Position

(1) Operating Results

The operating results of each segment are as follows.

(Unit: millions of yen, %)

Segment	Net Sales				Operating Income			
	Previous fiscal year	Fiscal year under review	vs. Previous fiscal year	YoY (%)	Previous fiscal year	Fiscal year under review	vs. Previous fiscal year	YoY (%)
Health and Food Business	47,808	50,499	2,690	5.6	2,044	2,064	20	1.0
Dairy Business	66,016	69,675	3,658	5.5	267	529	262	98.1
Nutritional Confectionery Business	57,847	61,890	4,042	7.0	4,751	6,525	1,774	37.3
Food Ingredients Business	11,158	13,348	2,190	19.6	1,238	2,427	1,189	96.0
Other Domestic Business	61,189	65,962	4,773	7.8	906	2,047	1,140	125.8
Overseas Business	59,902	71,214	11,312	18.9	1,192	4,165	2,973	249.4
Adjusted amount	—	—	—	—	2,445	862	(1,583)	(64.7)
Total	303,921	332,590	28,668	9.4	12,845	18,622	5,776	45.0

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.

[Health and Food Business]

Although sales of ‘DONBURI-Tei’ and ‘Curry Shokunin’ decreased from the previous fiscal year, sales of ‘Papico’ and ‘Almond Koka’ increased from the previous fiscal year. As a result, segment sales amounted to ¥50,499 million, a 5.6% increase from the previous fiscal year (¥47,808 million).

In segment profits, due primarily to the increase in sales and the decrease in the cost-to-sales ratio, operating income was ¥2,064 million, an increase of ¥20 million from the previous fiscal year (¥2,044 million).

[Dairy Business]

Sales of ‘Bokujo Shibori’ and ‘Choushoku Ringo (Breakfast Apple) Yogurt’ decreased from the previous fiscal year, while sales of ‘Seventeen Ice’ and ‘Giant Cone’ increased from the previous fiscal year. As a result, segment sales totaled ¥69,675 million, a 5.5% increase from the previous fiscal year (¥66,016 million).

In segment profits, due primarily to the increase in sales and the decrease in the cost-to-sales ratio, operating income was ¥529 million, an increase of ¥262 million compared to the previous fiscal year (¥267 million).

[Nutritional Confectionery Business]

While sales of ‘Kobe Roasted Chocolate’ and ‘Bitte’ decreased from the previous fiscal year, sales of ‘Pocky’ and ‘Pretz’ increased from the previous fiscal year. As a result, segment sales totaled ¥61,890 million, an increase of 7.0% from the previous fiscal year (¥57,847 million).

In segment profits, due primarily to the increase in sales and the decrease in the cost-to-sales ratio, operating income was ¥6,525 million, an increase of ¥1,774 million from the previous fiscal year (¥4,751 million).

[Food Ingredients Business]

Sales of wheat protein and starch increased from the previous fiscal year. As a result, segment sales were ¥13,348 million, a 19.6% increase from the previous fiscal year (¥11,158 million).

In segment profits, due primarily to the increase in sales and the decrease in the cost-to-sales ratio, operating income was ¥2,427 million, an increase of ¥1,189 million from the previous fiscal year (¥1,238 million).

[Other Domestic Business]

In sales, net sales of wholesale subsidiaries and sales of 'Office Glico' increased from the previous fiscal year. As a result, segment sales were ¥65,962 million, a 7.8% increase from the previous fiscal year (¥61,189 million).

In segment profits, due primarily to the increase in sales and the decrease in the cost-to-sales ratio, operating income was ¥2,047 million, an increase of ¥1,140 million from the previous fiscal year (¥906 million).

[Overseas Business]

Sales by region in China, the ASEAN region and the U.S. increased from the previous fiscal year. As a result, segment sales were ¥71,214 million, an 18.9% increase from the previous fiscal year (¥59,902 million).

In segment profits, due primarily to the increase in gross profit resulting from the increase in sales, operating income was ¥4,165 million, an increase of ¥2,973 million from the previous fiscal year (¥1,192 million).

(2) Financial Position

Assets

As of 31st December, 2023, current assets were ¥188,464 million, an increase of ¥10,296 million from the end of the previous fiscal year. The main components of this increase were a ¥5,493 million increase in cash and deposits and a ¥3,060 million increase in notes and accounts receivable, trade, despite a ¥1,137 million decrease in merchandise and finished goods. Non-current assets were ¥207,278 million, an increase of ¥16,389 million from the end of the previous fiscal year. The main components of this increase were a ¥1,377 million increase in construction in progress, a ¥5,731 million increase in software in progress, and a ¥7,575 million increase in investment securities. Consequently, total assets were ¥395,743 million, an increase of ¥26,686 million compared to the end of the previous fiscal year.

Liabilities

As of 31st December, 2023, current liabilities were ¥115,991 million, an increase of ¥36,116 million from the end of the previous fiscal year. Long-term liabilities were ¥16,635 million, a decrease of ¥27,785 million from the end of the previous fiscal year. The main cause of this increase was the transfer of current portion of convertible bonds from long-term liabilities to current liabilities. Consequently, total liabilities were ¥132,626 million, an increase of ¥8,330 million compared to the end of the previous fiscal year.

Net Assets

As of 31st December, 2023, net assets were ¥263,116 million, an increase of ¥18,356 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 ¥14,133 million and an increase of ¥4,816 million in translation adjustments, which were offset by a decrease of ¥5,087 million due to cash dividends. Consequently, shareholders' equity ratio was 66.3%, up 0.1 percentage points from the end of the previous fiscal year.

(3) Cash flows

Cash flows during the fiscal year under review

(Unit: millions of yen)

	Previous fiscal year	Fiscal year under review	Increase (Decrease)
Cash flows from operating activities	16,802	28,063	11,260
Cash flows from investing activities	(20,140)	(8,613)	11,527
Cash flows from financing activities	(10,284)	(6,179)	4,105
Balance of cash and cash equivalents at beginning of current period	89,463	79,917	(9,546)
Balance of cash and cash equivalents at end of current period	79,917	94,691	14,774

As of 31st December, 2023, cash and cash equivalents totaled ¥94,691 million, an increase of ¥14,774 million compared to the end of the previous fiscal year. The main reason for this increase was because net cash provided by operating activities exceeded net cash used in investing activities and financing activities.

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

Cash flows from operating activities

Cash flows from operating activities totaled ¥28,063 million in the fiscal year under review. The main components of cash flows included profit before income taxes amounting to ¥19,943 million recorded during the fiscal year under review and depreciation and amortisation of ¥14,016 million, while there was an increase in notes and accounts receivable, trade of ¥(2,086) million and an increase in inventories of ¥(366) million.

Cash flows from investing activities

Cash flows from investing activities totaled ¥(8,613) million in the fiscal year under review. The main components of cash flows included proceeds from withdrawal of time deposits of ¥9,948 million, while there were purchases of property, plant and equipment of ¥(11,821) million and purchases of intangible assets of ¥(6,556) million.

Cash flows from financing activities

Cash flows from financing activities totaled ¥(6,179) million in the fiscal year under review. The main components of cash flows included cash dividends paid of ¥(5,087) million.

(4) Outlook for the Next Fiscal Year

The Japanese economy is expected to continue its gradual recovery on the back of various policies as the employment and income environments improve. However, the future outlook is predicted to remain uncertain due to factors that include a downside risk for overseas economies from monetary tightening around the world, the rising cost of living, and fluctuations in the financial and capital markets.

In light of this situation, we expect net sales of ¥351,000 million in the next fiscal year (twelve-month period from 1st January, 2024 until 31st December, 2024). Our profit projections are as follows: operating income of ¥19,000 million, ordinary income of ¥21,500 million, and profit attributable to owners of the parent of ¥15,000 million.

Segment-specific breakdowns in sales forecasts for the year ending 31st December, 2024 are as follows:

(Unit: millions of yen)

	Health and Food Business	Dairy Business	Nutritional Confectionery Business	Food Ingredients Business	Other Domestic Business	Overseas Business	Total
Sales forecasts (Full year)	53,500	72,500	63,700	13,700	66,600	81,000	351,000

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, 2023

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Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

31st December, 2023

	<u>2023</u>	<u>2022</u>	<u>2023</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>	¥ 97,199	¥ 91,705	\$ 685,320
Marketable securities <i>(Notes 4, 5 and 7)</i>	-	226	-
Notes and accounts receivable, trade <i>(Notes 5 and 8)</i>	48,433	45,372	341,486
Inventories <i>(Note 9)</i>	33,843	32,846	238,616
Other current assets	9,087	8,130	64,069
Less allowance for doubtful accounts	(98)	(113)	(690)
Total current assets	<u>188,464</u>	<u>178,168</u>	<u>1,328,802</u>
Property, plant and equipment <i>(Notes 11, 16 and 23):</i>			
Land	16,069	15,984	113,297
Buildings and structures	87,480	85,851	616,794
Machinery and vehicles	140,499	132,874	990,615
Tools, furniture and fixtures	28,295	26,853	199,499
Leased assets	4,436	3,970	31,276
Construction in progress	12,803	11,426	90,270
	<u>289,584</u>	<u>276,961</u>	<u>2,041,768</u>
Less accumulated depreciation	(178,125)	(166,923)	(1,255,904)
Property, plant and equipment, net	<u>111,459</u>	<u>110,038</u>	<u>785,863</u>
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates <i>(Note 5)</i>	7,381	5,790	52,041
Investments in securities <i>(Notes 5 and 7)</i>	39,459	33,475	278,213
Long-term loans receivable	89	13	627
Deferred tax assets <i>(Note 19)</i>	1,674	1,473	11,802
Asset for retirement benefits <i>(Note 14)</i>	5,639	4,432	39,758
Real estate for investment, net <i>(Note 21)</i>	12,224	12,214	86,187
Software <i>(Note 11)</i>	3,758	4,401	26,496
Software in progress	22,477	16,746	158,478
Goodwill <i>(Note 23)</i>	306	352	2,157
Other assets	2,864	1,989	20,193
Less allowance for doubtful accounts	(55)	(39)	(387)
Total investments and other assets	<u>95,819</u>	<u>80,850</u>	<u>675,590</u>
Total assets <i>(Note 23)</i>	<u>¥ 395,743</u>	<u>¥ 369,056</u>	<u>\$ 2,790,262</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet (continued)

31st December, 2023

	2023	2022	2023
	<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>	¥ 38,326	¥ 36,430	\$ 270,224
Current portion of convertible bonds <i>(Notes 5, 13 and 24)</i>	30,001	–	211,527
Current portion of lease obligation <i>(Note 13)</i>	892	743	6,289
Accrued expenses	25,837	24,789	182,168
Income taxes payable <i>(Note 19)</i>	3,181	2,562	22,428
Provision for bonuses of directors and audit and supervisory board members	80	73	564
Provision for stock-based compensation	45	–	317
Refund liability	8,383	7,256	59,105
Other current liabilities <i>(Note 14)</i>	9,241	8,019	65,155
Total current liabilities	<u>115,991</u>	<u>79,875</u>	<u>817,817</u>
Long-term liabilities:			
Convertible bonds <i>(Notes 5, 13 and 24)</i>	–	30,023	–
Long-term debt <i>(Note 13)</i>	1,691	1,907	11,922
Liability for retirement benefits <i>(Note 14)</i>	1,426	1,350	10,054
Deferred tax liabilities <i>(Note 19)</i>	8,977	6,633	63,294
Other long-term liabilities	4,540	4,506	32,010
Total long-term liabilities	<u>16,635</u>	<u>44,421</u>	<u>117,288</u>
Net assets:			
Shareholders' equity <i>(Note 15)</i> :			
Common stock:			
Authorised – 270,000,000 shares in 2023 and 2022			
Issued – 68,468,569 shares in 2023 and 2022	7,773	7,773	54,805
Capital surplus	9,894	9,894	69,759
Retained earnings	226,230	217,184	1,595,078
Treasury stock – 4,878,498 shares in 2023 and 4,877,747 shares in 2022	(13,809)	(13,806)	(97,363)
Total shareholders' equity	<u>230,089</u>	<u>221,046</u>	<u>1,622,287</u>
Accumulated other comprehensive income:			
Net unrealised holding gain on securities	14,604	10,945	102,968
Deferred gain (loss) on hedges	164	(59)	1,156
Translation adjustments	16,573	11,756	116,851
Retirement benefits liability adjustments	1,111	602	7,833
Total accumulated other comprehensive income	<u>32,454</u>	<u>23,245</u>	<u>228,823</u>
Non-controlling interests	572	468	4,032
Total net assets <i>(Note 24)</i>	<u>263,116</u>	<u>244,760</u>	<u>1,855,150</u>
Total liabilities and net assets	<u>¥ 395,743</u>	<u>¥ 369,056</u>	<u>\$ 2,790,262</u>

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income

Year ended 31st December, 2023

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Net sales <i>(Notes 22 and 23)</i>	¥ 332,590	¥ 303,921	\$ 2,344,990
Cost of sales <i>(Note 9)</i>	208,740	193,172	1,471,761
Gross profit	<u>123,850</u>	<u>110,749</u>	<u>873,228</u>
Selling, general and administrative expenses <i>(Notes 17 and 18)</i>	<u>105,228</u>	<u>97,903</u>	<u>741,930</u>
Operating income <i>(Note 23)</i>	<u>18,622</u>	<u>12,845</u>	<u>131,298</u>
Other income (expenses):			
Interest and dividend income	1,257	1,208	8,862
Interest expense	(93)	(96)	(655)
Gain on sales of property, plant and equipment	17	-	119
Loss on impairment of fixed assets <i>(Notes 11 and 23)</i>	(1,018)	(419)	(7,177)
Royalty income <i>(Note 3)</i>	514	321	3,624
Gain on sales of investments in securities <i>(Note 10)</i>	49	3,519	345
Share of profit of entities accounted for using equity method	813	460	5,732
Rental income on real estate <i>(Note 21)</i>	603	552	4,251
Subsidy income	441	425	3,109
Gain (loss) on foreign exchange, net	261	(1,002)	1,840
Gain on change in equity	400	-	2,820
Depreciation of inactive fixed assets	(98)	(116)	(690)
Donation	(710)	(143)	(5,005)
Loss on investments in investment partnerships	(268)	(170)	(1,889)
Loss on disposal of property, plant and equipment	(139)	(512)	(980)
Loss on guarantees	-	(123)	-
Loss on devaluation of investments in securities <i>(Note 7)</i>	(742)	(2,163)	(5,231)
Loss on liquidation of subsidiaries	(30)	-	(211)
Loss on suspension of operations due to COVID-19 pandemic <i>(Note 12)</i>	-	(647)	-
Other, net <i>(Notes 3 and 21)</i>	65	(1)	458
Other income, net	<u>1,321</u>	<u>1,090</u>	<u>9,313</u>
Profit before income taxes	<u>19,943</u>	<u>13,936</u>	<u>140,612</u>
Income taxes <i>(Note 19)</i> :			
Current	5,340	5,955	37,650
Deferred	383	(176)	2,700
	<u>5,724</u>	<u>5,779</u>	<u>40,358</u>
Profit	<u>¥ 14,219</u>	<u>¥ 8,156</u>	<u>\$ 100,253</u>
Profit attributable to:			
Owners of the parent <i>(Note 24)</i>	¥ 14,133	¥ 8,099	\$ 99,647
Non-controlling interests	86	56	606

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income (continued)

Year ended 31st December, 2023

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Other comprehensive income <i>(Note 20)</i> :			
Net unrealised holding gain (loss) on securities	¥ 3,659	¥ (332)	\$ 25,798
Deferred gain (loss) on hedges	224	(313)	1,579
Translation adjustments	4,421	6,659	31,171
Retirement benefits liability adjustments	515	(426)	3,631
Share of other comprehensive income of affiliates accounted for by the equity method	417	370	2,940
Total other comprehensive income	<u>9,238</u>	<u>5,956</u>	<u>65,134</u>
Comprehensive income	<u>¥ 23,458</u>	<u>¥ 14,113</u>	<u>\$ 165,395</u>
Comprehensive income attributable to:			
Owners of the parent	¥ 23,342	¥ 14,024	\$ 164,577
Non-controlling interests	116	88	817

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended 31st December, 2023

	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>(Millions of yen)</i>											
Balance at 1st January, 2022	¥ 7,773	¥ 9,959	¥ 214,795	¥ (9,057)	¥ 223,470	¥ 11,277	¥ 253	¥ 4,758	¥ 1,030	¥ 17,320	¥ 386	¥ 241,177
Cumulative effects of changes in accounting policies	–	–	(893)	–	(893)	–	–	–	–	–	–	(893)
Restated balance	7,773	9,959	213,901	(9,057)	222,577	11,277	253	4,758	1,030	17,320	386	240,284
Cash dividends	–	–	(4,816)	–	(4,816)	–	–	–	–	–	–	(4,816)
Profit attributable to owners of the parent	–	–	8,099	–	8,099	–	–	–	–	–	–	8,099
Acquisition of treasury stock	–	–	–	(5,002)	(5,002)	–	–	–	–	–	–	(5,002)
Disposition of treasury stock	–	7	–	253	261	–	–	–	–	–	–	261
Change in ownership interest of parent due to transaction with non-controlling interests	–	(72)	–	–	(72)	–	–	–	–	–	–	(72)
Net changes in items other than those in shareholders' equity	–	–	–	–	–	(332)	(313)	6,998	(427)	5,925	81	6,006
Balance at 1st January, 2023	7,773	9,894	217,184	(13,806)	221,046	10,945	(59)	11,756	602	23,245	468	244,760
Cash dividends	–	–	(5,087)	–	(5,087)	–	–	–	–	–	–	(5,087)
Profit attributable to owners of the parent	–	–	14,133	–	14,133	–	–	–	–	–	–	14,133
Acquisition of treasury stock	–	–	–	(2)	(2)	–	–	–	–	–	–	(2)
Disposition of treasury stock	–	–	–	–	–	–	–	–	–	–	–	–
Change in ownership interest of parent due to transaction with non-controlling interests	–	–	–	–	–	–	–	–	–	–	–	–
Net changes in items other than those in shareholders' equity	–	–	–	–	–	3,659	224	4,816	508	9,208	103	9,312
Balance at 31st December, 2023	¥ 7,773	¥ 9,894	¥ 226,230	¥ (13,809)	¥ 230,089	¥ 14,604	¥ 164	¥ 16,573	¥ 1,111	¥ 32,454	¥ 572	¥ 263,116

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

Year ended 31st December, 2023

	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, 2023	\$ 54,805	\$ 69,759	\$ 1,531,298	\$ (97,341)	\$ 1,558,527	\$ 77,169	\$ (415)	\$ 82,887	\$ 4,244	\$ 163,893	\$ 3,299	\$1,725,727
Cash dividends	-	-	(35,866)	-	(35,866)	-	-	-	-	-	-	(35,866)
Profit attributable to owners of the parent	-	-	99,647	-	99,647	-	-	-	-	-	-	99,647
Acquisition of treasury stock	-	-	-	(14)	(14)	-	-	-	-	-	-	(14)
Disposition of treasury stock	-	-	-	-	-	-	-	-	-	-	-	-
Change in ownership interest of parent due to transaction with non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-
Net changes in items other than those in shareholders' equity	-	-	-	-	-	25,798	1,579	33,956	3,581	64,922	726	65,656
Balance at 31st December, 2023	\$ 54,805	\$ 69,759	\$ 1,595,078	\$ (97,363)	\$ 1,622,287	\$102,968	\$ 1,156	\$116,851	\$ 7,833	\$ 228,823	\$ 4,032	\$1,855,150

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended 31st December, 2023

	2023	2022	2023
	<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	¥ 19,943	¥ 13,936	\$ 140,612
Adjustments:			
Depreciation and amortisation	14,016	13,896	98,822
Loss on impairment of fixed assets	1,018	419	7,177
Net changes in asset and liability for retirement benefits	(685)	(796)	(4,829)
Increase in provision for bonuses of directors and audit and supervisory board members	6	6	42
Increase (decrease) in provision for stock-based compensation	45	(21)	317
Decrease in provision for sales promotion expenses	–	(4,106)	–
Increase (decrease) in allowance for doubtful accounts	6	(260)	42
Interest and dividend income	(1,257)	(1,208)	(8,862)
Interest expense	93	96	655
Loss on investments in investment partnerships	268	170	1,889
Share of profit of entities accounted for using equity method	(813)	(460)	(5,732)
Loss on foreign exchange, net	75	1,091	528
Gain on sales of property, plant and equipment	(17)	–	(119)
Loss on disposal of property, plant and equipment	139	512	980
Gain on sales of investments in securities	(49)	(3,519)	(345)
Loss on devaluation of investments in securities	742	2,163	5,231
Increase in notes and accounts receivable, trade	(2,086)	(1,285)	(14,707)
Increase in inventories	(366)	(4,084)	(2,580)
Increase in notes and accounts payable, trade	1,251	3,271	8,820
Increase in refund liability	942	7,256	6,641
Other, net	(483)	(3,721)	(3,405)
Subtotal	32,793	23,354	231,213
Income taxes paid	(4,729)	(6,551)	(33,342)
Net cash provided by operating activities	28,063	16,802	197,863

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended 31st December, 2023

	2023	2022	2023
	<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	–	(6,667)	–
Proceeds from withdrawal of time deposits	9,948	7,796	70,140
Purchases of investments in securities	(2,435)	(2,753)	(17,168)
Proceeds from sales and redemption of investments in securities	133	5,516	937
Proceeds from distribution of investments in investment partnerships	94	11	662
Purchases of property, plant and equipment	(11,821)	(18,385)	(83,346)
Proceeds from sales of property, plant and equipment	24	44	169
Purchases of intangible assets	(6,556)	(7,312)	(46,224)
Proceeds from rental of real estate for investment	537	493	3,786
Collection of loans receivable	23	13	162
Interest and dividends received	1,753	1,219	12,359
Other, net	(316)	(118)	(2,228)
Net cash used in investing activities	(8,613)	(20,140)	(60,727)
Cash flows from financing activities:			
Repayment of long-term bank loans	–	(309)	–
Interest paid	(93)	(96)	(655)
Cash dividends paid	(5,087)	(4,816)	(35,866)
Cash dividends paid to non-controlling interests	(5)	(7)	(35)
Purchase of treasury stock	(2)	(5,002)	(14)
Proceeds from sales of treasury stock	–	238	–
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(72)	–
Other, net	(991)	(217)	(6,987)
Net cash used in financing activities	(6,179)	(10,284)	(43,566)
Effect of exchange rate changes on cash and cash equivalents	1,504	4,076	10,604
Net increase (decrease) in cash and cash equivalents	14,774	(9,546)	104,166
Cash and cash equivalents at beginning of the year	79,917	89,463	563,470
Cash and cash equivalents at end of the year <i>(Note 4)</i>	¥ 94,691	¥ 79,917	\$ 667,637

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

31st December, 2023

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.

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 ¥141.83 = U.S. \$1.00, the approximate rate of exchange in effect on 31st December, 2023, 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, 2023 and the Company and its 24 significant subsidiaries at 31st December, 2022. Glico Frozen (Thailand) Co., Ltd. was excluded from the scope of consolidation due to liquidation in the current fiscal year.

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 three at 31st December, 2023 and two at 31st December, 2022. Greenspoon Inc. was included in the scope of affiliates accounted for by the equity method due to the acquisition of shares in the current fiscal year.

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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(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.

(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. Securities with quoted market prices 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. Securities without quoted market prices 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.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(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.

(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 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.

(m) Research and development costs

Research and development costs are expensed as incurred.

(n) 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)

(o) 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”).

(p) Significant revenue and expenses

The Group engages primarily in production and sales of confectionaries, food products, dairy products and food ingredients. For the sales of these products, the Group, in principle, concludes that a customer obtains control of the products and its performance obligation is satisfied at the point in time when the products are delivered to a customer, and accordingly recognises revenue at the time of delivery of products. Revenue is measured at the amount of consideration promised in the contract with the customer, less discounts, rebates and other consideration payable to the customer. The expected amount of refund to the customer deductible from the amount of consideration promised in the contract with the customer is recognised as refund liability, which is calculated based on the terms of the contract, past performance and other factors. The promised consideration is generally received within a year from the time of satisfaction of the performance obligation and contains no significant financing component.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(q) Derivative financial instruments and hedging activities

The Group enters into derivative transactions to effectively hedge foreign exchange fluctuation risk related to assets held, 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) Group tax sharing system

The Company and certain domestic consolidated subsidiaries have adopted the group tax sharing system.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(s) Significant accounting estimate

(Refund liability)

- (1) The amount recorded in the consolidated balance sheet at 31st December, 2023 and 2022

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Refund liability	¥ 8,383	¥ 7,256	\$ 59,105

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

The Group recognises a refund liability related to the consideration promised in the contracts with the customers, which is calculated based on the terms of contract, past performance and other factors at the estimated amount to be paid to customers subsequent to the balance sheet date. Refund liability includes a variable consideration, which is a portion of the consideration promised in the contract with the customer subject to change. The Group has recorded ¥4,793 million (\$33,793 thousand) as a refund liability, which is the amount for which the payment obligation is undetermined at the end of the current fiscal year.

Variable consideration includes 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 based on conditions stipulated under the contracts from time to time. With regard to sales incentives are also characterised by the fact that the amount payable is fixed after a certain period of time has elapsed from the point of sales. The Group used significant assumptions such as the estimated sales amount during the sales promotion period and payment rate based on past performance in accordance with the contract with each sales customer in estimating the refund liability.

The rate estimated based on the estimated sales amount during the promotion period and the past performance at each sales destination is subject to a high degree of uncertainty. If the estimated sales amount differs from the actual amount due to unforeseeable events, it may affect profit or loss in the following fiscal year.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(t) *Changes in accounting policies*

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has adopted the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, 17th June, 2021; “Implementation Guidance on Fair Value Measurement Standard”) from the beginning of the year ended 31st December, 2023. The Company has prospectively adopted the new accounting policies stipulated by the Implementation Guidance on Fair Value Measurement Standard, in accordance with the transitional treatment provided in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement Standard. There is no impact of this change on the consolidated financial statements.

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

(Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, 28th October, 2022, ASBJ))

(Accounting Standard for Presentation of Comprehensive Income (ASBJ Statement No. 25, 28th October, 2022, ASBJ))

(Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, 28th October, 2022, ASBJ))

(1) Overview

In February 2018, the ASBJ issued ASBJ Statement No. 28, “Partial Amendments to Accounting Standard for Tax Effect Accounting” and others (“ASBJ Statement No. 28, etc.”), which completed the transfer of practical guidelines on tax effect accounting at the JICPA to the ASBJ. In deliberations during that process, however, the following two matters were reconsidered following the issuance of ASBJ Statement No. 28, etc. and then further deliberated and announced.

- Classification of tax expenses (taxation on other comprehensive income)
- Tax effect on the sale of shares of subsidiaries, etc. (shares of subsidiaries or affiliates) when the group corporate tax system is applied.

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)

(2) Scheduled date of adoption

The accounting standards and guidance will be adopted from the beginning of the fiscal year ending 31st December, 2025.

(3) Impact of adoption of the accounting standards and implementation guidance

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

3. Change in Presentation

(Consolidated Statement of Comprehensive Income)

“Royalty income,” which was included in “Other, net” under other income in the year ended 31st December, 2022, is presented separately in the year ended 31st December, 2023 due to an increase in its quantitative materiality. To reflect this change in presentation, ¥320 million presented as “Other, net” under other income in the consolidated statement of comprehensive income for the year ended 31st December 2022 has been reclassified as “Royalty income” of ¥321 million and “Other, net” of ¥(1) million.

4. Cash and Cash Equivalents

The balances of cash and deposits in the consolidated balance sheet at 31st December, 2023 and 2022 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:

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and deposits	¥ 97,199	¥ 91,705	\$ 685,320
Time deposits with original maturities in excess of three months included in cash and deposits	(2,507)	(12,012)	(17,676)
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	–	224	–
Cash and cash equivalents	<u>¥ 94,691</u>	<u>¥ 79,917</u>	<u>\$ 667,637</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments

Policy for financial instruments

The Group utilises internal sources for working capital and regarding mid- to long-term funding for capital investments and others, the Group utilises internal sources, bank borrowings and bond issuances taking into consideration its capital investment plan and other long-term capital needs. 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.

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. Convertible bonds are utilised mainly for the purpose of funding for capital investments.

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.

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.

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Risk management for financial instruments (continued)

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

Marketable securities and investments in securities consist of stocks and investments in investment partnerships, and are exposed to market fluctuation risk and credit risk of the issuers. For listed stocks, the Group periodically reviews the fair values of such stocks and reports them to the Board of Directors. 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 and its main domestic consolidated subsidiaries have introduced a cash management system. 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.

Supplementary explanation of the fair value of financial instruments

Since various assumptions and factors are reflected in estimating the fair value, different assumptions and factors could result in different fair value. In addition, regarding the contract amounts, etc. of derivative transactions in Note 6 “Derivative Financial Instruments,” the amounts themselves do not indicate the market risk associated with the derivative transactions.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

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, 2023 and 2022 are shown in the following table.

	2023		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
Assets:			
Marketable securities and investments in securities (*2)	¥ 27,985	¥ 27,985	¥ –
Total assets	¥ 27,985	¥ 27,985	¥ –
Liabilities:			
Current portion of convertible bonds	¥ 30,001	¥ 29,925	¥ (76)
Total liabilities	¥ 30,001	¥ 29,925	¥ (76)
Derivative financial instruments (*3)	¥ 237	¥ 237	¥ –
	2022		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
Assets:			
Marketable securities and investments in securities (*2)	¥ 23,202	¥ 23,202	¥ –
Total assets	¥ 23,202	¥ 23,202	¥ –
Liabilities:			
Convertible bonds	30,023	29,775	(248)
Total liabilities	¥ 30,023	¥ 29,775	¥ (248)
Derivative financial instruments (*3)	¥ (86)	¥ (86)	¥ –

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

	2023		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
Assets:			
Marketable securities and investments in securities (*2)	\$ 197,313	\$ 197,313	\$ –
Total assets	\$ 197,313	\$ 197,313	\$ –
Liabilities:			
Current portion of convertible bonds	\$ 211,527	\$ 210,992	\$ (535)
Total liabilities	\$ 211,527	\$ 210,992	\$ (535)
Derivative financial instruments (*3)	\$ 1,671	\$ 1,671	\$ –

(*1) “Cash and deposits” are omitted in the table above, because they are cash and because deposits are settled within a short term and their fair value approximates the carrying value. “Notes and accounts receivable, trade” and “Notes and accounts payable, trade” are omitted in the table above, since they are generally settled within a short term, and therefore their fair value approximates the carrying value.

(*2) Unquoted securities and investments in partnerships are not included in “Marketable securities and investments in securities.” The carrying amounts of these financial instruments are as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Unlisted stocks	¥ 1,687	¥ 1,841	\$ 11,894
Subsidiary stocks and affiliated stocks	¥ 7,381	¥ 5,790	\$ 52,041
Investments in partnerships	¥ 9,787	¥ 8,655	\$ 69,005

Unlisted stocks are not subject to fair value disclosure in accordance with Paragraph 5 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, 31st March, 2020). Investments in partnerships are not subject to fair value disclosure in accordance with Paragraph 24-16 of the “Implementation Guidance on Fair Value Measurement Standard.”

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

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

The redemption schedule at 31st December, 2023 for deposits, trade receivables and securities with maturity dates is summarised as follows:

	2023			
	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	¥ 97,124	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	48,433	–	–	–
Marketable securities and investments in securities:				
Bonds	–	–	–	–
Other securities	–	5,439	4,348	–
Total	¥ 145,558	¥ 5,439	¥ 4,348	¥ –
	2023			
	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	\$ 684,791	\$ –	\$ –	\$ –
Notes and accounts receivable, trade	341,486	–	–	–
Marketable securities and investments in securities:				
Bonds	–	–	–	–
Other securities	–	38,348	30,656	–
Total	\$1,026,284	\$ 38,348	\$ 30,656	\$ –

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

Fair values of financial instruments are classified into the following three levels based on the observability and materiality of the inputs used for fair value measurement.

Level 1: Fair value measured using quoted market prices for the assets or liabilities in active markets among observable valuation inputs

Level 2: Fair value measured using inputs for the calculation of observable fair value other than Level 1 inputs

Level 3: Fair value measured using unobservable inputs

When several inputs that have significant impact on fair value measurement are used and those inputs are categorised into different levels, the fair value is categorised into the lowest hierarchy level for fair value measurement among those in which each of the inputs belongs.

Financial instruments measured at fair value by level within the fair value hierarchy at 31st December, 2023 and 2022 are as follows:

	2023			Total
	Fair value			
	Level 1	Level 2	Level 3	
	<i>(Millions of yen)</i>			
Marketable securities and investments in securities:				
Other securities				
Stock	¥ 27,985	¥ –	¥ –	¥ 27,985
Total assets	¥ 27,985	¥ –	¥ –	¥ 27,985
Derivative financial instruments:				
Foreign exchange contracts (*)	¥ –	¥ 237	¥ –	¥ 237

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(Millions of yen)</i>			
Marketable securities and investments in securities:				
Other securities				
Stock	¥ 22,977	¥ –	¥ –	¥ 22,977
Total assets	¥ 22,977	¥ –	¥ –	¥ 22,977
Derivative financial instruments:				
Foreign exchange contracts (*)	¥ –	¥ (86)	¥ –	¥ (86)
	2023			
	Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(Thousands of U.S. dollars)</i>			
Marketable securities and investments in securities:				
Other securities				
Stock	\$ 197,313	\$ –	\$ –	\$ 197,313
Total assets	\$ 197,313	\$ –	\$ –	\$ 197,313
Derivative financial instruments:				
Foreign exchange contracts (*)	\$ –	\$ 1,671	\$ –	\$ 1,671

(*) 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)

Estimated fair value of financial instruments (continued)

Financial instruments other than those measured at fair value:

		2023				
		Fair value				
		Level 1	Level 2	Level 3	Total	
		<i>(Millions of yen)</i>				
Current portion of convertible bonds	¥	–	¥ 29,925	¥	–	¥ 29,925
Total liabilities	¥	–	¥ 29,925	¥	–	¥ 29,925
		2022				
		Fair value				
		Level 1	Level 2	Level 3	Total	
		<i>(Millions of yen)</i>				
Convertible bonds	¥	–	¥ 29,775	¥	–	¥ 29,775
Total liabilities	¥	–	¥ 29,775	¥	–	¥ 29,775
		2023				
		Fair value				
		Level 1	Level 2	Level 3	Total	
		<i>(Thousands of U.S. dollars)</i>				
Current portion of convertible bonds	\$	–	\$ 210,992	\$	–	\$ 210,992
Total liabilities	\$	–	\$ 210,992	\$	–	\$ 210,992

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Financial Instruments (continued)

Estimated fair value of financial instruments (continued)

Description of valuation techniques used to measure for fair value and inputs related fair value measurement:

Marketable securities and investments in securities:

Listed stocks are measured by using quoted market prices. Since listed stocks are traded in active markets, their fair values are classified into Level 1.

Convertible bonds:

The fair value of convertible bonds is determined based on the prices provided by the financial institutions and classified into Level 2.

Derivative financial instruments:

The fair value of forward exchange contracts is determined based on the prices provided by the financial institutions and classified into Level 2.

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, 2023 and 2022 are summarised as follows:

For the year ended 31st December, 2023

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	¥ 11,149 (\$ 78,608)	¥ –	¥ 237 (\$1,671)

For the year ended 31st December, 2022

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	¥ 10,271	¥ –	¥ (86)

There were no derivative financial instruments to which hedge accounting is not applied for the years ended 31st December, 2023 and 2022, 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, 2023 and 2022 are summarised as follows:

	2023		
	Carrying value	Acquisition cost	Difference
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 27,967	¥ 10,383	¥ 17,584
Subtotal	<u>27,967</u>	<u>10,383</u>	<u>17,584</u>
Securities whose carrying value does not exceed their acquisition cost:			
Stock	17	22	(4)
Other	–	–	–
Subtotal	<u>17</u>	<u>22</u>	<u>(4)</u>
Total	<u>¥ 27,985</u>	<u>¥ 10,405</u>	<u>¥ 17,579</u>
	2022		
	Carrying value	Acquisition cost	Difference
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 21,315	¥ 8,456	¥ 12,858
Subtotal	<u>21,315</u>	<u>8,456</u>	<u>12,858</u>
Securities whose carrying value does not exceed their acquisition cost:			
Stock	1,662	2,022	(359)
Other	224	224	–
Subtotal	<u>1,886</u>	<u>2,246</u>	<u>(359)</u>
Total	<u>¥ 23,202</u>	<u>¥ 10,703</u>	<u>¥ 12,499</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Marketable Securities and Investments in Securities (continued)

	2023		
	Carrying value	Acquisition cost	Difference
	<i>(Thousands of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$ 197,186	\$ 73,207	\$123,979
Subtotal	197,186	73,207	123,979
Securities whose carrying value does not exceed their acquisition cost:			
Stock	119	155	(28)
Other	–	–	–
Subtotal	119	155	(28)
Total	\$ 197,313	\$ 73,362	\$123,944

The proceeds from sales and gross realised gain and loss on securities classified as other securities for the years ended 31st December, 2023 and 2022 are summarised as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Proceeds from sales:			
Stock	¥ 133	¥5,516	\$ 937
Gross realised gain:			
Stock	¥ 49	¥3,519	\$ 345
Gross realised loss:			
Stock	¥ –	¥ –	\$ –

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Marketable Securities and Investments in Securities (continued)

The Group 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 Group also recognise loss on devaluation of unquoted 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 Group recognised ¥742 million (\$5,231 thousand) and ¥2,163 million of loss on devaluation of investment in securities classified as other securities for the years ended 31st December, 2023 and 2022, respectively.

8. Notes and Accounts Receivable, Trade

Receivables arising from contracts with customers included in notes and accounts receivable, trade at 31st December, 2023 and 2022 are as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Notes receivable, trade	¥ 536	¥ 501	\$ 3,779
Accounts receivable, trade	47,896	44,871	337,700
	¥ 48,433	¥ 45,372	\$ 341,486

9. Inventories

Inventories at 31st December, 2023 and 2022 consisted of the following:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Finished goods and commercial goods	¥ 16,724	¥ 17,861	\$ 117,915
Work in process	1,009	891	7,114
Raw materials and supplies	16,109	14,093	113,579
	¥ 33,843	¥ 32,846	\$ 238,616

Cost of sales included loss on devaluation of inventories of ¥121 million (\$853 thousand) and ¥247 million for the years ended 31st December, 2023 and 2022, respectively.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Gain on Sales of Investments in Securities

Gain on sale of investments in securities of ¥49 million (\$345 thousand) and ¥3,519 million for the years ended 31st December, 2023 and 2022, respectively, is recorded as other income due to the sale of a portion of investment securities held pursuant to the holding policy of investment securities other than pure investment purposes (cross-shareholding).

11. Loss on Impairment of Fixed Assets

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 fixed assets of ¥1,018 million (\$7,177 thousand) for the year ended 31st December, 2023 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 ¥226 million (\$1,593 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 as a result of the reconstruction of the manufacturing sites, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of buildings and structures of ¥56 million (\$394 thousand) and machinery and vehicles of ¥55 million (\$387 thousand). These recoverable amounts were measured at net realisable value. Net realisable value was measured at zero.
- Thai Glico Co., Ltd.
For business assets for the ice cream business at Thai Glico Co., Ltd., 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 machinery and vehicles of ¥1 million (\$7 thousand), tools, furniture and fixtures of ¥5 million (\$35 thousand), and leased assets of ¥502 million (\$3,539 thousand). These recoverable amounts were measured at net realisable value. Net realisable value was measured at memorandum value since sale or conversion to other use is practically difficult.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Loss on Impairment of Fixed Assets (continued)

- 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 ¥2 million (\$14 thousand), machinery and vehicles of ¥167 million (\$1,177 thousand), and tools, furniture and fixtures of ¥0 million (\$0 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 zero.

The Group recognised loss on impairment of fixed assets of ¥419 million for the year ended 31st December, 2022 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 buildings and structures of ¥65 million and machinery and vehicles of ¥52 million. These recoverable amounts were measured at net realisable value. Net realisable value was measured at zero.

- Touhoku Frozen Co., Ltd.

For business assets at Tohoku Frozen Co., Ltd., the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of buildings and structures of ¥10 million, machinery and vehicles of ¥1 million, tools, furniture and fixtures of ¥0 million, leased assets of ¥94 million, software of ¥6 million, and land of ¥8 million. These recoverable amounts were measured at net realisable value. Net realisable value for land was measured based on the land price index issued by government authorities. For other assets, net realisable value was measured at memorandum value since sale or conversion to other use is practically difficult.

- Thai Glico Co., Ltd.

For business assets for the ice cream business at Thai Glico Co., Ltd., 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 software of ¥12 million. These recoverable amounts were measured at net realisable value. Net realisable value was measured at memorandum value since sale or conversion to other use is practically difficult.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Loss on Impairment of Fixed Assets (continued)

- 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 ¥1 million, machinery and vehicles of ¥150 million, and tools, furniture and fixtures of ¥15 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 zero.

12. Loss on Suspension of Operations Due to COVID-19 Pandemic

There was no loss on suspension of operations due to COVID-19 pandemic for the year ended 31st December, 2023.

Operations at factories of consolidated subsidiaries were temporally suspended following the requests of the Chinese government and other authorities, in order to prevent the spread of COVID-19 pandemic. Fixed costs and other costs, including labour cost and depreciation, that arose during the suspension of operations at these factories are recorded under other expenses of ¥647 million for the year ended 31st December, 2022.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Long-Term Debt and Convertible Bonds

Long-term debt at 31st December, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Lease obligations	2,583	2,650	18,211
	2,583	2,650	18,211
Less current portion of lease obligation	(892)	(743)	(6,289)
Long-term debt	¥ 1,691	¥ 1,907	\$ 11,922

The aggregate annual maturities of long-term debt subsequent to 31st December, 2023 are summarised below:

<u>Year ending 31st December,</u>	<u>Lease obligations</u>	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2024	¥ 892	\$ 6,289
2025	899	6,338
2026	397	2,799
2027	120	846
2028 and thereafter	273	1,924
	¥ 2,583	\$ 18,211

Convertible bonds at 31st December, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>	<u>2023</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)	¥ 30,001	¥ 30,023	\$ 211,527

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

13. Long-Term Debt and Convertible Bonds (continued)

The details of the above convertible bonds are as follows:

	Euro-Yen denominated convertible bonds due 2024
Class of shares to be issued	Common stock
Total issue price of stock acquisition rights	Nil
Initial conversion price	¥7,796.8 (\$54.97) per share
Total issue price	¥30,000 million (\$211,520 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

The repayment schedule of convertible bonds due within five years subsequent to 31st December, 2023 is as follows:

Year ending 31st December,	Convertible bonds	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2024	¥ 30,001	\$ 211,527
2025	—	—
2026	—	—
2027	—	—
2028	—	—
	¥ 30,001	\$ 211,527

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Retirement Benefits

The Company and certain of its domestic consolidated subsidiaries (Glico Nutrition Co., Ltd., and Koei Information Systems Co., Ltd.) 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 four 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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Beginning balance of retirement benefit obligation	¥ 17,330	¥ 19,345	\$ 122,188
Service cost	876	988	6,176
Interest cost	213	103	1,501
Actuarial loss (gain)	183	(1,607)	1,290
Benefits paid	(1,490)	(1,553)	(10,505)
Others	103	53	726
Ending balance of retirement benefit obligation	<u>¥ 17,216</u>	<u>¥ 17,330</u>	<u>\$ 121,384</u>

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, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Beginning balance of plan assets at fair value	¥ 20,412	¥ 22,386	\$ 143,918
Expected return on plan assets	510	559	3,595
Actuarial gain (loss)	1,193	(1,860)	8,411
Contributions by the employers	319	328	2,249
Retirement benefits paid	(1,006)	(1,001)	(7,092)
Ending balance of plan assets at fair value	<u>¥ 21,429</u>	<u>¥ 20,412</u>	<u>\$ 151,089</u>

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Retirement Benefits (continued)

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, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 16,195	¥ 16,481	\$ 114,185
Plan assets at fair value	(21,429)	(20,412)	(151,089)
	(5,233)	(3,930)	(36,896)
Unfunded retirement benefit obligations	1,020	848	7,191
Net asset for retirement benefits	(4,212)	(3,082)	(29,697)
Liability for retirement benefits	1,426	1,350	10,054
Asset for retirement benefits	(5,639)	(4,432)	(39,758)
Net asset for retirement benefits	¥ (4,212)	¥ (3,082)	\$ (29,697)

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

The components of retirement benefit expenses for the years ended 31st December, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 876	¥ 988	\$ 6,176
Interest cost	213	103	1,501
Expected return on plan assets	(510)	(559)	(3,595)
Amortisation:			
Actuarial gain	(266)	(377)	(1,875)
Prior service cost	0	0	0
Others	188	199	1,325
Retirement benefit expenses	¥ 502	¥ 355	\$ 3,539

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Retirement Benefits (continued)

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

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ 0	¥ 0	\$ 0
Actuarial (loss) gain	744	(630)	5,245
Total	<u>¥ 744</u>	<u>¥(629)</u>	<u>\$ 5,245</u>

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

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognised prior service cost	¥ (1)	¥ (1)	\$ (7)
Unrecognised actuarial gain	1,582	838	11,154
Total	<u>¥ 1,581</u>	<u>¥ 836</u>	<u>\$ 11,147</u>

The fair value of plan assets, by major category, as a percentage of total plan assets as of 31st December, 2023 and 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Bonds	52%	51%
Equities	28	28
General accounts at life insurance companies	6	7
Other	14	14
Total	<u>100%</u>	<u>100%</u>

The total amount of plan assets includes 22.0% and 20.8% of the retirement benefit trust for lump-sum payment plans at 31st December 2023 and 2022, respectively.

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

	<u>2023</u>	<u>2022</u>
Discount rates	0.0%~1.6%	0.0%~1.7%
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%

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

14. Retirement Benefits (continued)

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.

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 (\$27,688 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, 2023 in the amount of ¥2 million (\$14 thousand) is included in accounts payable, other under “Other current liabilities” in consolidated balance sheet.

The amounts to be paid to the defined contribution plans by the Company and certain consolidated subsidiaries were ¥259 million (\$1,826 thousand) and ¥260 million for the years ended 31st December, 2023 and the 2022, respectively.

15. 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 (\$13,699 thousand) at 31st December, 2023 and 2022, respectively.

Movements in issued shares of common stock and treasury stock during the years ended 31st December, 2023 and 2022 are summarised as follows:

For the year ended 31st December, 2023

	Number of Shares			31st December, 2023
	Year ended 31st December, 2023			
	1st January, 2023	Increase	Decrease	
Issued shares:				
Common stock	68,468,569	—	—	68,468,569
Treasury stock	4,877,747	751	—	4,878,498

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Shareholders' Equity (continued)

The increase in treasury stock of 751 shares was due to the acquisition of fractional shares of less than one voting unit.

For the year ended 31st December, 2022

	Number of Shares			
	Year ended 31st December, 2022			
	1st January, 2022	Increase	Decrease	31st December, 2022
Issued shares:				
Common stock	68,468,569	–	–	68,468,569
Treasury stock	3,576,677	1,353,607	52,537	4,877,747

The increase in treasury stock of 1,353,607 shares was due to the acquisition of treasury stock of 1,352,900 shares and fractional shares of less than one voting unit of 707 shares. The decrease in treasury stock of 52,537 shares was due to the sales of fractional shares of less than one unit of 237 shares, issuance of treasury stock through the E-Ship Trust of 46,300 shares, and granting from the Restricted Stock Unit Plan to Directors of 6,000 shares.

Information on stock acquisition rights and treasury stock acquisition rights during the years ended 31st December, 2023 and 2022 is as follows:

For the year ended 31st December, 2023

Company name	Details	Type of stock subject to acquisition rights	Number of shares subject to stock acquisition rights			31st December, 2023 (Millions of yen / Thousands of U.S. dollars)
			1st January, 2023	Increase	Decrease	
The Company	Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	Common stock	3,802,715	(Note 1) 45,017	–	3,847,732 (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)

15. Shareholders' Equity (continued)

For the year ended 31st December, 2022

Company name	Details	Type of stock subject to stock acquisition rights	Number of shares subject to stock acquisition rights			31st December, 2022 (Millions of yen / Thousands of U.S. dollars)
			1st January, 2022	Increase	Decrease	
The Company	Euro-Yen denominated zero coupon convertible bonds due 2024 (with stock acquisition rights)	Common stock	3,771,260	(Note 1) 31,455	–	3,802,715 (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)

15. Shareholders' Equity (continued)

Information on dividend payments and the effective date for the years ended 31st December, 2023 and 2022 is as follows:

For the year ended 31st December, 2023

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 14th February, 2023	Common stock	¥ 2,543 (\$ 17,929)	¥ 40 (\$ 0.28)	31st December, 2022	8th March, 2023
Board of Directors' meeting held on 3rd August, 2023	Common stock	¥ 2,543 (\$ 17,929)	¥ 40 (\$ 0.28)	30th June, 2023	4th September, 2023

Dividend per share pursuant to the resolution by the Board of Directors' meeting held on 14th February, 2023 included a commemorative dividend of ¥5 (\$0.035) (the commemorative dividend for the centennial anniversary of the Company's founding).

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 13th February, 2024	Common stock	¥ 2,543 (\$ 17,929)	Retained earnings	¥ 40 (\$ 0.28)	31st December, 2023	7th March, 2024

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Shareholders' Equity (continued)

For the year ended 31st December, 2022

Dividend payment:

Resolution	Type of shares	Dividends paid (Millions of yen/ Thousands of U.S. dollars)	Dividend per share (Yen/ U.S. dollars)	Record date	Effective date
Board of Directors' meeting held on 14th February, 2022	Common stock	¥ 2,272	¥ 35	31st December, 2021	4th March, 2022
Board of Directors' meeting held on 4th August, 2022	Common stock	¥ 2,543	¥ 40	30th June, 2022	5th September, 2022

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

Dividend per share pursuant to the resolution by the Board of Directors' meeting held on 4th August, 2022 included a commemorative dividend of ¥5 (the commemorative dividend for the centennial anniversary of the Company's founding).

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 4th August, 2022 included ¥0 million 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. 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, 2023 for operating leases are summarised as follows:

Year ending 31st December,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2024	¥ 356	\$ 2,510
2025 and thereafter	642	4,526
Total	¥ 999	\$ 7,043

17. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended 31st December, 2023 and 2022 were as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Freight and warehouse expenses	¥ 26,144	¥ 27,122	\$ 184,333
Sales promotion expenses	10,877	8,956	76,690
Advertising expenses	12,737	10,257	89,804
(Reversal) provision of allowance for doubtful accounts	(1)	37	(7)
Salaries	20,294	18,590	143,086
Bonuses	5,323	5,806	37,530
Provision for bonuses of directors and audit and supervisory board members	80	73	564
Provision for stock-based compensation	45	–	317
Retirement benefit expenses	448	272	3,158
Welfare expenses	5,894	5,889	41,556
Depreciation and amortisation	3,406	3,425	24,014
Other	19,977	17,470	140,851
Total	¥105,228	¥ 97,903	\$ 741,930

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st December, 2023 and 2022 amounted to ¥5,949 million (\$41,944 thousand) and ¥5,148 million, respectively.

19. 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, 2023 and 2022. 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, 2023 and 2022 is as follows:

	2023	2022
Statutory tax rate	30.6%	30.6%
Permanent non-deductible expenses	2.5	1.3
Permanent non-taxable dividend income	(2.8)	(0.3)
Inhabitants' per capita taxes	0.4	0.6
Change in valuation allowance	1.3	2.1
Tax credits	(2.9)	(1.1)
Undistributed earnings of overseas subsidiaries	2.1	(1.7)
Other	(2.5)	10.0
Effective tax rate	28.7%	41.5%

(Change in presentation)

“Withholding tax on dividends of overseas subsidiaries,” which was separately presented in the year ended 31st December, 2022, is included in “Other” in the year ended 31st December, 2023 due to its decreased materiality. To reflect this change in presentation, “Withholding tax on dividends of overseas subsidiaries” of 3.5% and “Other” of 6.5%, which were presented in the year ended 31st December 2022, have been reclassified as “Other” of 10.0%.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at 31st December, 2023 and 2022 are summarised as follows:

	2023	2022	2023
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued bonuses	¥ 565	¥ 405	\$ 3,983
Accrued expenses	1,226	1,172	8,644
Liability for retirement benefits	38	382	267
Loss on impairment of fixed assets	1,550	1,529	10,928
Loss on devaluation of investments in securities	1,933	1,706	13,628
Tax loss carryforwards	4,197	2,522	29,591
Depreciation	553	745	3,899
Deferred loss on hedges	—	26	—
Other	1,313	1,675	9,257
Total deferred tax assets	11,379	10,166	80,229
Less valuation allowance for tax loss carryforwards	(3,700)	(2,411)	(26,087)
Less valuation allowance for total deductible temporary differences and others	(3,819)	(3,625)	(26,926)
Total valuation allowance	(7,519)	(6,036)	(53,014)
Offset by deferred tax liabilities	(2,186)	(2,655)	(15,412)
Net deferred tax assets	¥ 1,674	¥ 1,473	\$ 11,802
Deferred tax liabilities:			
Net unrealised holding gain on securities	¥ (5,803)	¥ (4,290)	\$ (40,915)
Reserve for deferred gain on property for tax purposes	(2,676)	(2,681)	(18,867)
Deferred gain on hedges	(72)	—	(507)
Undistributed earnings of overseas subsidiaries	(2,610)	(2,297)	(18,402)
Other	(0)	(19)	(0)
Total deferred tax liabilities	(11,163)	(9,289)	(78,706)
Offset by deferred tax assets	2,186	2,655	15,412
Net deferred tax liabilities	¥ (8,977)	¥ (6,633)	\$ (63,294)

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Income Taxes (continued)

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

At 31st December, 2023

	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))	¥ 15	¥ 57	¥ 88	¥361	¥321	¥ 3,353	¥ 4,197
Less valuation allowance for tax loss carryforwards	(13)	(14)	(37)	(340)	(279)	(3,015)	(3,700)
Net deferred tax assets related to tax loss carryforwards	<u>¥ 2</u>	<u>¥ 42</u>	<u>¥ 51</u>	<u>¥ 20</u>	<u>¥ 42</u>	<u>¥ 338</u>	<u>¥ 497</u>
	(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))	\$ 105	\$ 401	\$ 620	\$2,545	\$2,263	\$ 23,640	\$ 29,591
Less valuation allowance for tax loss carryforwards	(91)	(98)	(260)	(2,397)	(1,967)	(21,257)	(26,087)
Net deferred tax assets related to tax loss carryforwards	<u>\$ 14</u>	<u>\$ 296</u>	<u>\$ 359</u>	<u>\$ 141</u>	<u>\$ 296</u>	<u>\$ 2,383</u>	<u>\$ 3,504</u>
	(Note (b))						

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Income Taxes (continued)

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

(b) Net deferred tax assets related to tax loss carryforwards of ¥497 million (\$3,504 thousand) were recorded on tax loss carryforwards of ¥4,197 million (\$29,591 thousand) (the amount multiplied by the statutory tax rate). Net deferred tax assets related to tax loss carryforwards of ¥497 million (\$3,504 thousand) were recognised for the balance of ¥497 million (\$3,504 thousand) of tax loss carryforwards (the amount multiplied by the statutory tax rate), for 6 consolidated subsidiaries. The Company does not recognise a valuation allowance for part of the tax loss carryforwards that the Company considers recoverable in light of future taxable income.

At 31st December, 2022

	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))	¥ 15	¥ 27	¥ 66	¥ 83	¥ 59	¥ 2,270	¥ 2,522
Less valuation allowance for tax loss carryforwards	(0)	(12)	(33)	(35)	(59)	(2,270)	(2,411)
Net deferred tax assets related to tax loss carryforwards	<u>¥ 15</u>	<u>¥ 15</u>	<u>¥ 33</u>	<u>¥ 47</u>	<u>¥ –</u>	<u>¥ –</u>	<u>¥ 111</u>
	(Note (b))						

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

(b) Net deferred tax assets related to tax loss carryforwards of ¥111 million were recorded on tax loss carryforwards of ¥2,522 million (the amount multiplied by the statutory tax rate). Net deferred tax assets related to tax loss carryforwards of ¥111 million were recognised for the balance of ¥111 million of tax loss carryforwards (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 carryforwards that the Company considers recoverable in light of future taxable income.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

19. Income Taxes (continued)

(Accounting treatment of corporate tax and local corporate taxes or tax effect accounting)

The Company and some of its subsidiaries have adopted the group tax sharing system from the year ended 31st December, 2023. Accordingly, corporate tax and local corporate taxes, as well as their tax effects, are accounted for and disclosed under the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Issues Task Force No. 42, 12th August, 2021).

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. 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, 2023 and 2022 are summarised as follows:

	<u>2023</u>	<u>2022</u>	<u>2023</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	¥ 5,221	¥ 904	\$ 36,811
Reclassification adjustments	(49)	(1,356)	(345)
Amount before income tax effect	5,171	(451)	36,459
Income tax effect	(1,512)	119	(10,660)
Total	<u>3,659</u>	<u>(332)</u>	<u>25,798</u>
Deferred gain (loss) on hedges:			
Amount arising during the year	1,546	1,755	10,900
Reclassification adjustments	(1,222)	(2,208)	(8,615)
Amount before income tax effect	323	(452)	2,277
Income tax effect	(98)	138	(690)
Total	<u>224</u>	<u>(313)</u>	<u>1,579</u>
Translation adjustments:			
Amount arising during the year	4,328	6,659	30,515
Reclassification adjustments	93	-	655
Total	<u>4,421</u>	<u>6,659</u>	<u>31,171</u>
Retirement benefits liability adjustments:			
Amount arising during the year	1,010	(253)	7,121
Reclassification adjustments	(265)	(376)	(1,868)
Amount before income tax effect	744	(629)	5,245
Income tax effect	(229)	203	(1,614)
Total	<u>515</u>	<u>(426)</u>	<u>3,631</u>
Share of other comprehensive income of affiliates accounted for by the equity method:			
Adjustments arising during the year	417	370	2,940
Total other comprehensive income	<u>¥ 9,238</u>	<u>¥ 5,956</u>	<u>\$ 65,134</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Investment and Rental Property

The Company owns 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, 2023 and 2022. Net rental income, net of rental cost, for the years ended 31st December, 2023 and 2022 was ¥367 million (\$2,587 thousand) and ¥307 million, respectively.

The carrying value in the consolidated balance sheet and corresponding fair value of investment and rental properties as of 31st December, 2023 and 2022 are as follows:

	<i>Carrying value</i>		<i>Fair value</i>
	1st January, 2023	Net change	31st December, 2023
	<i>(Millions of yen)</i>		
Investment and rental property	¥ 12,424	¥ 206	¥ 12,631
			¥ 19,675
	<i>Carrying value</i>		<i>Fair value</i>
	1st January, 2022	Net change	31st December, 2022
	<i>(Millions of yen)</i>		
Investment and rental property	¥ 12,423	¥ 1	¥ 12,424
			¥ 18,672
	<i>Carrying value</i>		<i>Fair value</i>
	1st January, 2023	Net change	31st December, 2023
	<i>(Thousands of U.S. dollars)</i>		
Investment and rental property	\$ 87,597	\$ 1,452	\$ 89,057
			\$ 138,722

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

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)

22. Revenue Recognition

Revenue from contracts with customers is not separately presented from other revenue in net sales. The amount of revenue from contracts with customers is included in Note 23 “Segment Information.”

- (1) Information on the disaggregated revenue from contracts with customers

Information on the disaggregated revenue from contracts with customers is included in Note 23 “Segment Information.” The entire amount of sales to third parties in the note represents the revenue from contracts with customers.

- (2) Information serving as a basis for understanding revenue from contracts with customers

Information serving as a basis for understanding revenue from contracts with customers is disclosed in Note 2 “Summary of Significant Accounting Policies, (p) Recognition criteria for significant revenue and expenses.”

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 the products and services based on focus areas and businesses as well as countries and regions. The Group classifies its businesses into six reportable segments: Health and Food Business, Dairy Business, Nutritional Confectionery Business, Food Ingredients Business, Other Domestic Business and Overseas Business.

The Health and Food Business produces and sells health-related products, retort-packed foods, ice creams and others.

The Dairy Business produces and sells milk, dairy products, western-style fresh confectioneries, ice cream and others.

The Nutritional Confectionery Business produces and sells chocolate, cookies and others.

The Food Ingredients Business produces and sells wheat protein, starch, food colouring and others.

The Other Domestic Business engages in directly-managed store business, Office Glico business and wholesale business and others.

The Overseas Business produces and sells chocolate, cookies and others in overseas markets.

The Company has changed its reportable segments from the previous five segments comprising Confectioneries and Food Products, Ice Cream, Dairy, Food Ingredients, and Overseas to the six segments comprising Health and Food Business, Dairy Business, Nutritional Confectionery Business, Food Ingredients Business, Other Domestic Business, and Overseas Business due to reorganization. The segment information for the year ended 31st December 2022 has been presented based on the segment classifications after the change.

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

The accounting policies of the reportable segments are generally 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, and disaggregated revenue by reportable segment

	Year ended 31st December, 2023						Total	Adjustments and eliminations	Consolidated
	Reportable segments								
	Health and Food Business	Dairy Business	Nutritional Confectionery Business	Food Ingredients Business	Other Domestic Business	Overseas Business			
	<i>(Millions of yen)</i>								
Sales, income or loss and assets by reportable segment:									
Net sales:									
Revenue from contracts with customers	¥ 50,499	¥ 69,675	¥ 61,890	¥ 13,348	¥ 65,962	¥ 71,214	¥ 332,590	¥ –	¥ 332,590
Other revenues	–	–	–	–	–	–	–	–	–
Sales to third parties	¥ 50,499	¥ 69,675	¥ 61,890	¥ 13,348	¥ 65,962	¥ 71,214	¥ 332,590	¥ –	¥ 332,590
Inter-segment sales and transfers	–	–	–	301	12,586	–	12,888	(12,888)	–
Total	¥ 50,499	¥ 69,675	¥ 61,890	¥ 13,649	¥ 78,549	¥ 71,214	¥ 345,478	¥ (12,888)	¥ 332,590
Segment income	¥ 2,064	¥ 529	¥ 6,525	¥ 2,427	¥ 2,047	¥ 4,165	¥ 17,759	¥ 862	¥ 18,622
Segment assets	26,326	50,993	39,666	8,952	22,406	50,478	198,825	196,917	395,743
Other items:									
Depreciation and amortisation	1,585	3,459	2,725	223	1,491	3,158	12,643	1,373	14,016
Increase in property, plant and equipment and intangible assets	1,314	2,867	2,259	231	1,837	5,266	13,776	6,239	20,016

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, and disaggregated revenue by reportable segment (continued)

	Year ended 31st December, 2022						Adjustments and eliminations	Consolidated	
	Reportable segments								
	Health and Food Business	Dairy Business	Nutritional Confectionery Business	Food Ingredients Business	Other Domestic Business	Overseas Business	Total		
	<i>(Millions of yen)</i>								
Sales, income or loss and assets by reportable segment:									
Net sales:									
Revenue from contracts with customers	¥ 47,808	¥ 66,016	¥ 57,847	¥ 11,158	¥ 61,189	¥ 59,902	¥ 303,921	¥ –	¥ 303,921
Other revenues	–	–	–	–	–	–	–	–	–
Sales to third parties	¥ 47,808	¥ 66,016	¥ 57,847	¥ 11,158	¥ 61,189	¥ 59,902	¥ 303,921	¥ –	¥ 303,921
Inter-segment sales and transfers	–	–	–	226	12,606	–	12,833	(12,833)	–
Total	¥ 47,808	¥ 66,016	¥ 57,847	¥ 11,384	¥ 73,796	¥ 59,902	¥ 316,754	¥ (12,833)	¥ 303,921
Segment income	¥ 2,044	¥ 267	¥ 4,751	¥ 1,238	¥ 906	¥ 1,192	¥ 10,400	¥ 2,445	¥ 12,845
Segment assets	28,029	38,914	50,364	7,812	17,900	54,691	197,713	171,343	369,056
Other items:									
Depreciation and amortisation	1,563	3,402	2,905	206	1,634	2,770	12,483	1,413	13,896
Increase in property, plant and equipment and intangible assets	1,722	3,749	3,200	281	2,384	8,313	19,651	7,060	26,712

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, and disaggregated revenue by reportable segment (continued)

	Year ended 31st December, 2023						Adjustments and eliminations	Consolidated
	Reportable segments							
	Health and Food Business	Dairy Business	Nutritional Confectionery Business	Food Ingredients Business	Other Domestic Business	Overseas Business	Total	
	<i>(Thousands of U.S. dollars)</i>							
Sales, income or loss and assets by reportable segment:								
Net sales:								
Revenue from contracts with customers	\$ 356,053	\$ 491,257	\$ 436,367	\$ 94,112	\$ 465,077	\$ 502,108	\$ 2,344,990	\$ 2,344,990
Other revenues	–	–	–	–	–	–	–	–
Sales to third parties	\$ 356,053	\$ 491,257	\$ 436,367	\$ 94,112	\$ 465,077	\$ 502,108	\$ 2,344,990	\$ 2,344,990
Inter-segment sales and transfers	–	–	–	2,122	88,740	–	90,869	(90,869)
Total	\$ 356,053	\$ 491,257	\$ 436,367	\$ 96,234	\$ 553,825	\$ 502,108	\$ 2,435,859	\$ (90,869)
Segment income	\$ 14,552	\$ 3,729	\$ 46,005	\$ 17,112	\$ 14,432	\$ 29,366	\$ 125,213	\$ 6,077
Segment assets	185,616	359,536	279,672	63,117	157,977	355,904	1,401,854	1,388,401
Other items:								
Depreciation and amortisation	11,175	24,388	19,213	1,572	10,512	22,266	89,141	9,680
Increase in property, plant and equipment and intangible assets	9,264	20,214	15,927	1,628	12,952	37,128	97,130	43,989
								98,822
								141,126

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, and disaggregated revenue by reportable segment (continued)

The adjustments and eliminations for segment income in the amounts of ¥862 million (\$6,077 thousand) and ¥2,445 million consisted of the elimination of inter-segment transactions and other adjustments of ¥2,003 million (\$14,122 thousand) and ¥1,798 million and corporate expenses not allocated to each reportable segment of ¥(1,140) million (\$ (8,037) thousand) and ¥646 million for the years ended 31st December, 2023 and 2022, respectively.

Corporate expenses were mainly related to selling, general and administrative expenses not attributable to reportable segments for the years ended 31st December, 2023 and 2022. The adjustments and eliminations for segment assets in the amount of ¥196,917 million (\$ 1,388,401 thousand) and ¥171,343 million at 31st December, 2023 and 2022, respectively, consisted of corporate assets not attributable to reportable segments.

The adjustments and eliminations for depreciation and amortisation of ¥1,373 million (\$9,680 thousand) and ¥1,413 million and increase in property, plant and equipment and intangible assets of ¥6,239 million (\$43,989 thousand) and ¥7,060 million for the years ended 31st December, 2023 and 2022, 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, 2023 and 2022 are summarised as follows:

Year ended 31st December, 2023						
<u>Health and Food Business</u>	<u>Dairy Business</u>	<u>Nutritional Confectionery Business</u>	<u>Food Ingredients Business</u>	<u>Other Domestic Business</u>	<u>Overseas Business</u>	<u>Total</u>
<i>(Millions of yen)</i>						
¥ 50,499	¥ 69,675	¥ 61,890	¥ 13,348	¥ 65,962	¥ 71,214	¥ 332,590
Year ended 31st December, 2022						
<u>Health and Food Business</u>	<u>Dairy Business</u>	<u>Nutritional Confectionery Business</u>	<u>Food Ingredients Business</u>	<u>Other Domestic Business</u>	<u>Overseas Business</u>	<u>Total</u>
<i>(Millions of yen)</i>						
¥ 47,808	¥ 66,016	¥ 57,847	¥ 11,158	¥ 61,189	¥ 59,902	¥ 303,921
Year ended 31st December, 2023						
<u>Health and Food Business</u>	<u>Dairy Business</u>	<u>Nutritional Confectionery Business</u>	<u>Food Ingredients Business</u>	<u>Other Domestic Business</u>	<u>Overseas Business</u>	<u>Total</u>
<i>(Thousands of U.S. dollars)</i>						
\$ 356,053	\$ 491,257	\$ 436,367	\$ 94,112	\$ 465,077	\$ 502,108	\$ 2,344,990

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, 2023 and 2022 are summarised as follows:

Year ended 31st December, 2023					
<u>Japan</u>	<u>China</u>	<u>Southeast Asia</u>	<u>U.S.A.</u>	<u>Others</u>	<u>Total</u>
<i>(Millions of yen)</i>					
¥ 261,375	¥ 29,217	¥ 18,544	¥ 16,865	¥ 6,587	¥ 332,590
Year ended 31st December, 2022					
<u>Japan</u>	<u>China</u>	<u>Southeast Asia</u>	<u>U.S.A.</u>	<u>Others</u>	<u>Total</u>
<i>(Millions of yen)</i>					
¥ 244,019	¥ 24,443	¥ 14,904	¥ 14,927	¥ 5,627	¥ 303,921
Year ended 31st December, 2023					
<u>Japan</u>	<u>China</u>	<u>Southeast Asia</u>	<u>U.S.A.</u>	<u>Others</u>	<u>Total</u>
<i>(Thousands of U.S. dollars)</i>					
\$ 1,842,875	\$ 206,000	\$ 130,748	\$ 118,909	\$ 46,442	\$ 2,344,990

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, 2023 and 2022 are summarised as follows:

2023					
Japan	China	Southeast Asia	U.S.A.	Others	Total
<i>(Millions of yen)</i>					
¥ 80,401	¥10,603	¥ 19,964	¥ 66	¥ 424	¥ 111,459
2022					
Japan	China	Southeast Asia	U.S.A.	Others	Total
<i>(Millions of yen)</i>					
¥ 81,649	¥ 9,435	¥ 18,369	¥145	¥ 438	¥ 110,038
2023					
Japan	China	Southeast Asia	U.S.A.	Others	Total
<i>(Thousands of U.S. dollars)</i>					
\$ 566,882	\$ 74,758	\$ 140,760	\$ 465	\$ 2,989	\$ 785,863

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, 2023						
		Health and Food Business	Dairy Business	Nutritional Confectionery Business	Food Ingredients Business	Other Domestic Business	Overseas Business	Total
		<i>(Millions of yen)</i>						
Loss on impairment of fixed assets		¥ 7	¥ 25	¥ 2	¥ –	¥ 191	¥791	¥1,018
		Year ended 31st December, 2022						
		Health and Food Business	Dairy Business	Nutritional Confectionery Business	Food Ingredients Business	Other Domestic Business	Overseas Business	Total
		<i>(Millions of yen)</i>						
Loss on impairment of fixed assets		¥ 9	¥20	¥ 5	¥ –	¥203	¥180	¥ 419
		Year ended 31st December, 2023						
		Health and Food Business	Dairy Business	Nutritional Confectionery Business	Food Ingredients Business	Other Domestic Business	Overseas Business	Total
		<i>(Thousands of U.S. dollars)</i>						
Loss on impairment of fixed assets		\$ 49	\$ 176	\$ 14	\$ –	\$ 1,346	\$5,577	\$ 7,177

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, 2023						
	Health and Food Business	Dairy Business	Nutritional Confectionery Business	Food Ingredients Business	Other Domestic Business	Overseas Business	Total
	<i>(Millions of yen)</i>						
Amortisation for the year	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 75	¥ 75
Remaining unamortised balance	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 306	¥ 306
	Year ended 31st December, 2022						
	Health and Food Business	Dairy Business	Nutritional Confectionery Business	Food Ingredients Business	Other Domestic Business	Overseas Business	Total
	<i>(Millions of yen)</i>						
Amortisation for the year	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 72	¥ 72
Remaining unamortised balance	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 352	¥ 352
	Year ended 31st December, 2023						
	Health and Food Business	Dairy Business	Nutritional Confectionery Business	Food Ingredients Business	Other Domestic Business	Overseas Business	Total
	<i>(Thousands of U.S. dollars)</i>						
Amortisation for the year	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 528	\$ 528
Remaining unamortised balance	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 2,157	\$ 2,157

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

24. Amounts per Share

Amounts per share at 31st December, 2023 and 2022 and for the years ended 31st December, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Profit attributable to owners of the parent	¥ 222.25	¥ 126.59	\$ 1.56
Cash dividends	¥ 80.00	¥ 80.00	\$ 0.56
Net assets	¥ 4,128.69	¥ 3,841.62	\$ 29.11

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 weighted-average number of the Company's shares held by the E-Ship Trust of 16 thousand shares for the year ended 31st December, 2022 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, 2023 and 2022 has not been disclosed because no dilutive potential shares with dilutive effect existed for the years ended 31st December, 2023 and 2022, 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, 2023 and 2022 is summarised as follows:

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Profit attributable to owners of the parent	¥14,133	¥ 8,099	\$ 99,647
	<u>2023</u>	<u>2022</u>	
	<i>(Thousands of shares)</i>		
Weighted-average number of shares of common stock	63,590	63,984	

Descriptions of dilutive potential shares that were not included in the computation of diluted profit per share for the years ended 31st December, 2023 and 2022 because of no dilutive effect are as follows:

	<u>2023</u>	<u>2022</u>	<u>2023</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Euro-Yen denominated convertible bonds due 2024	¥ 30,000	¥ 30,000	\$ 211,520
	<u>2023</u>	<u>2022</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)

Corporate Information

Board of Directors and Statutory Auditors (as of 27th March, 2024)

<p><u>Chairman</u> Katsuhisa Ezaki</p> <p><u>President</u> Etsuro Ezaki</p> <p><u>Directors</u> Takashi Kuriki Yutaka Honzawa Tetsuo Masuda Takatoshi Kato Kanoko Oishi George Hara</p>	<p><u>Standing Audit and Supervisory Board Members</u> Toshiaki Yoshida Akira Onuki</p> <p><u>Audit and Supervisory Board Members</u> Minoru Kudo Satoru Teramoto Fumio Naito</p>
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Corporate Data (as of 31st December, 2023)

<p>Head Office 6-5, Utajima, 4-chome, Nishiyodogawa-ku, Osaka 555-8502, Japan Tel: (06)6477-8352 Fax: (06)6477-8250</p> <p>Tokyo Branch 10-18, Takanawa, 4-chome, Minato-ku, Tokyo 108-0074, Japan</p> <p>Paid-in Capital ¥7,773 million (U.S. \$54,805 thousand)</p>	<p>Number of Employees 1,405</p> <p>Stock Exchange Listing Tokyo</p> <p>Transfer Agents Sumitomo Mitsui Trust Bank, Limited. 5-33, Kitahama, 4-chome, Chuo-ku, Osaka 541-0041, Japan</p> <p>Established 1922</p>
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