

Annual Report 2022

(Fiscal year ended 31st December, 2022)

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Five-Year Summary

Consolidated

	Millions of yen					Thousands of U.S. dollars
	December 2022	December 2021	December 2020	December 2019	March 2019	December 2022
Net sales	303,921	338,571	344,048	288,187	350,270	2,290,286
Profit before income taxes	13,936	20,806	19,683	20,183	18,798	105,018
Profit attributable to owners of the parent	8,099	13,519	11,836	12,047	11,844	61,032
	Yen					
Per share of common stock:						
Profit *	126.59	208.44	182.48	185.31	180.02	0.95
Cash dividends	80.00	70.00	65.00	60.00	60.00	0.60
	Millions of yen					
Balance sheet data:						
Shareholders' equity	221,046	223,470	213,682	204,169	201,098	1,665,757
Total assets	369,056	356,745	340,081	343,812	348,452	2,781,130

* 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 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.

In the fiscal year under review, the Japanese economy showed some signs of recovery partly due to the effects of various policies as economic and social activities started to return to normal thanks to COVID-19 countermeasures, etc. Meanwhile, rising raw material prices, fluctuations in financial and capital markets, and other factors require close attention, and the future outlook remains uncertain.

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.

As a result, our Dairy Division and other segments including the health business posted decreased sales from the previous fiscal year after reclassification. However, sales of our Confectioneries and Food Products, Ice Cream, Food Ingredients, and Overseas Divisions increased from the previous fiscal year after reclassification. Consequently, consolidated net sales amounted to ¥303,921 million, an increase of 3.9% from the ¥292,557 million total of the previous fiscal year after reclassification.

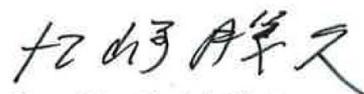
Regarding earnings, our overall cost-to-sales ratio increased by 1.9 points from the previous fiscal year after reclassification due to the increase in the cost-to-sales ratio of all divisions excluding Food Ingredients Division. In addition, fixed costs increased due to lockdowns in Shanghai, China in the second quarter. Transportation and storage costs also increased due to soaring marine transportation costs.

As a result, operating income amounted to ¥12,845 million, a decrease of ¥6,461 million from the previous fiscal year after reclassification (¥19,307 million). Ordinary income was ¥13,646 million, a decrease of ¥8,062 million from the previous fiscal year after reclassification (¥21,708 million) due mainly to the decrease in operating income and foreign exchange losses. Profit attributable to owners of the parent was ¥8,099 million, a decrease of ¥5,419 million from the previous fiscal year after reclassification (¥13,519 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 2023



Katsuhisa Ezaki, Chairman

1. Operating Results and Financial Position

(1) Operating Results

The operating results of each segment are as follows.

Results by segment

(Unit: millions of yen, %)

Segment	Net Sales				Operating Income			
	Previous fiscal year	Fiscal year under review	vs. Previous fiscal year	YoY (%)	Previous fiscal year	Fiscal year under review	vs. Previous fiscal year	YoY (%)
Confectioneries and Food Products	65,634	66,717	1,082	1.6	5,098	5,004	(93)	(1.8)
Ice Cream	77,246	80,097	2,850	3.7	3,799	2,717	(1,081)	(28.5)
Dairy	70,518	67,364	(3,154)	(4.5)	2,095	(257)	(2,352)	—
Food Ingredients	10,500	11,158	657	6.3	919	1,238	319	34.8
Overseas	49,920	59,902	9,982	20.0	3,915	1,192	(2,723)	(69.6)
Others	18,735	18,682	(53)	(0.3)	1,525	505	(1,020)	(66.9)
Adjusted amount	—	—	—	—	1,954	2,445	491	25.1
Total	292,557	303,921	11,364	3.9	19,307	12,845	(6,461)	(33.5)

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

[Confectioneries and Food Products Division]

Although sales of ‘Kobe Roasted Chocolate’ decreased from the previous fiscal year after reclassification, sales of ‘Pocky’ and ‘Pretz’ increased from the previous fiscal year after reclassification. As a result, divisional sales amounted to ¥66,717 million, a 1.6% increase from the previous fiscal year after reclassification (¥65,634 million).

As for divisional profits, cost-to-sales ratio increased. As a result, operating income was ¥5,004 million, a decrease of ¥93 million from the previous fiscal year after reclassification (¥5,098 million).

[Ice Cream Division]

Sales of ‘Giant Cone’ and ‘Ice-no-Mi’ decreased from the previous fiscal year after reclassification, while sales of ‘Seventeen Ice’ and sales in wholesale sales subsidiaries increased from the previous fiscal year after reclassification. As a result, divisional sales totaled ¥80,097 million, a 3.7% increase from the previous fiscal year after reclassification (¥77,246 million).

As for divisional profits, cost-to-sales ratio increased. As a result, operating income was ¥2,717 million, a decrease of ¥1,081 million compared to the previous fiscal year after reclassification (¥3,799 million).

[Dairy Division]

While sales of ‘Putchin Pudding’ increased from the previous fiscal year after reclassification, sales of ‘BifiX Yogurt’ and ‘Choushoku Ringo (Breakfast Apple) Yogurt’ decreased from the previous fiscal year after reclassification. As a result, divisional sales totaled ¥67,364 million, a decrease of 4.5% from the previous fiscal year after reclassification (¥70,518 million).

As for divisional profits, sales decreased and cost-to-sales ratio increased. As a result, operating loss was ¥257 million, a decrease of ¥2,352 million from the previous fiscal year after reclassification (operating income of ¥2,095 million).

[Food Ingredients Division]

Sales of 'GMIX' wheat protein increased from the previous fiscal year after reclassification. As a result, divisional sales were ¥11,158 million, a 6.3% increase from the previous fiscal year after reclassification (¥10,500 million).

As for divisional profits, gross profit increased due to the increase in sales. As a result, operating income was ¥1,238 million, an increase of ¥319 million from the previous fiscal year after reclassification (¥919 million).

[Overseas Division]

Sales by region in China, the ASEAN region and the U.S. increased from the previous fiscal year after reclassification. As a result, divisional sales were ¥59,902 million, a 20.0% increase from the previous fiscal year after reclassification (¥49,920 million).

As for divisional profits, fixed costs increased during periods of lockdowns in Shanghai, China and transportation and storage costs also increased. As a result, operating income was ¥1,192 million, a decrease of ¥2,723 million from the previous fiscal year after reclassification (¥3,915 million).

[Others (including health business)]

While sales of Office Glico and 'Almond Koka' increased from the previous fiscal year after reclassification, sales of 'SUNAO' decreased from the previous fiscal year after reclassification. As a result, sales in this segment totaled ¥18,682 million, a 0.3% decrease from the previous fiscal year after reclassification (¥18,735 million). Out of the above, for the health business, sales were ¥13,532 million, a 2.3% decrease from the previous fiscal year after reclassification (¥13,845 million).

As for profits, cost-to-sales ratio increased. As a result, operating income was ¥505 million, a decrease of ¥1,020 million from the previous fiscal year after reclassification (¥1,525 million).

(2) Financial Position

Assets

As of 31st December, 2022, current assets were ¥178,168 million, a decrease of ¥458 million from the end of the previous fiscal year. The main component of this decrease was a ¥10,320 million decrease in cash and deposits, despite a ¥2,474 million increase in notes and accounts receivable, trade and a ¥2,861 million increase in merchandise and finished goods. Non-current assets were ¥190,888 million, an increase of ¥12,769 million from the end of the previous fiscal year. The main components of this increase were a ¥4,163 million increase in machinery, equipment and vehicles, a ¥1,157 million increase in construction in progress, and a ¥5,725 million increase in software in progress. Consequently, total assets were ¥369,056 million, an increase of ¥12,311 million compared to the end of the previous fiscal year.

Liabilities

As of 31st December, 2022, current liabilities were ¥79,875 million, an increase of ¥7,724 million from the end of the previous fiscal year. The main component of this increase was a ¥4,056 million increase in notes and accounts payable, trade. Long-term liabilities were ¥44,421 million, an increase of ¥1,004 million from the end of the previous fiscal year. Consequently, total liabilities were ¥124,296 million, an increase of ¥8,729 million compared to the end of the previous fiscal year.

Net Assets

As of 31st December, 2022, net assets were ¥244,760 million, an increase of ¥3,582 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 ¥8,099 million and an increase of ¥6,998 million in translation adjustments, which were offset by a decrease of ¥4,816 million due to cash dividends. Consequently, shareholders' equity ratio was 66.2%, down 1.3 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	28,651	16,802	(11,849)
Cash flows from investing activities	(29,194)	(20,140)	9,054
Cash flows from financing activities	(4,859)	(10,284)	(5,424)
Balance of cash and cash equivalents at beginning of current period	92,449	89,463	(2,986)
Balance of cash and cash equivalents at end of current period	89,463	79,917	(9,546)

As of 31st December, 2022, cash and cash equivalents totaled ¥79,917 million, a decrease of ¥9,546 million compared to the end of the previous fiscal year. The main reason for this decrease was because net cash used in investing activities and financing activities exceeded net cash provided by operating activities.

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

Cash flows from operating activities

Cash flows from operating activities totaled ¥16,802 million in the fiscal year under review. The main components of cash flows included profit before income taxes amounting to ¥13,936 million recorded during the fiscal year under review and depreciation and amortisation of ¥13,896 million, while there were an increase in inventories of ¥(4,084) million and an increase in notes and accounts receivable, trade of ¥(1,285) million.

Cash flows from investing activities

Cash flows from investing activities totaled ¥(20,140) million in the fiscal year under review. The main components of cash flows included proceeds from sales and redemption of investments in securities of ¥5,516 million, while there were purchases of property, plant and equipment of ¥(18,385) million and purchases of intangible assets of ¥(7,312) million.

Cash flows from financing activities

Cash flows from financing activities totaled ¥(10,284) million in the fiscal year under review. The main components of cash flows included purchase of treasury stock of ¥(5,002) million and cash dividends paid of ¥(4,816) million.

(Reference) Trends in cash flow-related indicators

	Dec. 2020	Dec. 2021	Dec. 2022
Shareholders' equity ratio (%)	65.2	67.5	66.2
Shareholders' equity ratio on market value basis (%)	86.4	66.6	62.4
Debt-to-cash flow ratio (years)	0.0	0.0	—
Interest coverage ratio (times)	530.3	760.6	173.8

Notes:

Shareholders' equity ratio: Shareholders' equity / Total assets

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

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

Interest coverage ratio: Cash flows from operating activities / Interest paid

* All indicator values shown above were calculated from financial results on a consolidated basis.

* Market capitalization was calculated by multiplying the closing stock price at the end of the fiscal year by the total number of shares issued and outstanding at the end of the fiscal year (after deducting treasury stock).

* Cash flows from operating activities in the consolidated statement of cash flows are used for the above calculations. Interest-bearing liabilities refer to all liabilities for which the Company pays interest from among those recorded in the consolidated balance sheet. The amount of interest paid recorded in the consolidated statement of cash flows is also included.

(4) Outlook for the Next Fiscal Year

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

In light of this situation, we expect net sales of ¥317,000 million in the next fiscal year (twelve-month period from 1st January, 2023 until 31st December, 2023). Our profit projections are as follows: operating income of ¥16,000 million, ordinary income of ¥17,000 million, and profit attributable to owners of the parent of ¥10,000 million.

The Glico Founding Spirit is contributing to society through business and continuing to pursue healthier days for more people. The Glico Group has focused on maintaining health and preventing illness, developing foods based on scientific evidence that allow everyone, from children to adults, to easily take in the nutrients they need. In February 2022, the Glico Group marked the centennial anniversary of our founding, and we formulated the new Purpose "Healthier days, Wellbeing for life." Under the new Purpose, we decided to shift from an internal management system based on conventional categories, to one based on priority fields and businesses in January 2023, in order to achieve further future growth. In line with this, our reportable segments changed as follows:

Previously: Confectioneries and Food Products Division, Ice Cream Division, Dairy Division, Food Ingredients Division, and Overseas Division

New: Health and Food Business, Dairy Food Business, Nutritional Confectionery Business, Food Ingredients Business, Other Domestic Business, and Overseas Business

<New Segment Overview>

Health and Food Business: Production and sales of health-related products, retort-packed food and others

Dairy Food Business: Production and sales of dairy products, western-style fresh confectioneries, ice cream and others

Nutritional Confectionery Business: Production and sales of chocolate, cookies and others

Food Ingredients Business: Production and sales of wheat protein, starch, food colouring and others
 Other Domestic Business: Directly managed stores business, Office Glico business and others
 Overseas Business: Production and sales of chocolate, cookies and others overseas

Segment-specific breakdowns in sales forecasts for the year ending 31st December, 2023 are as follows:

(Unit: millions of yen)

	Health and Food Business	Dairy Food Business	Nutritional Confectionery Business	Food Ingredients Business	Other Domestic Business	Overseas Business	Total
Sales forecasts (Full year)	50,000	66,500	58,200	11,700	61,600	69,000	317,000

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, 2022

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Independent Auditor's Report

The Board of Directors
Ezaki Glico Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Ezaki Glico Co., Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at 31st December, 2022, and the consolidated statements of comprehensive income, changes in net assets, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31st December, 2022, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

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

Key Audit Matters

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

Estimate of refund liability	
Description of Key Audit Matter	Auditor's Response
Ezaki Glico Co., Ltd. (the Company) and its consolidated subsidiaries provide rebates to certain customers for sales promotion activities for its products. As described in Note 2, "Summary of Significant Accounting Policies, (s) Significant accounting estimate,"	The audit procedures we performed to assess the estimate of the refund liability include the following, among others: <ul style="list-style-type: none">• With regard to the estimates of the refund liability, we evaluated the design and operating effectiveness of certain internal

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 the customers. As to the variable consideration, which is a portion of the consideration promised in the contracts with the customers that is subject to change, the Group recorded ¥3,681 million as a refund liability in the consolidated balance sheet with the Company's stand-alone portion amounting to ¥2,046 million, which is the amount for which the payment obligation is undetermined at the end of the current fiscal year. In addition, as described in Note 2 "Summary of Significant Accounting Policies, (t) Changes in accounting policies," the Company has adopted the "Accounting Standard for Revenue Recognition" and implementation guidance from the beginning of the current fiscal year, and, therefore, the amount formerly recorded as "Provision for sales promotion expenses" related to sales incentives is presented as "Refund liability."

The Company's variable considerations include sales incentives, which may be paid at a fixed rate over a certain period of time, at a variable rate depending on sales performance over a certain period of time, or 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 time of the actual sales. At the end of the fiscal year, a refund liability, which is recognised for these sales incentives, is calculated by incorporating significant assumptions derived from sales amounts during the promotion period and the rate based on the past performance by each sales customer. Given that there is uncertainty in estimating the refund liability, we determined the estimate of the refund liability to be a key audit matter.

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

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

Other Information

The other information comprises the information included in the Annual Report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Board Members and the Audit and Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

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

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

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

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

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

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

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

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

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

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

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st December, 2022 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon LLC
Osaka, Japan

10th May, 2023

/s/ Dai Matsuura

Dai Matsuura
Designated Engagement Partner
Certified Public Accountant

/s/ Kazuma Miwa

Kazuma Miwa
Designated Engagement Partner
Certified Public Accountant

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet

31st December, 2022

	<u>2022</u>	<u>2021</u>	<u>2022</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>	¥ 91,705	¥ 102,026	\$ 691,070
Marketable securities <i>(Notes 4, 5 and 7)</i>	226	219	1,703
Notes and accounts receivable, trade <i>(Notes 5 and 8)</i>	45,372	42,898	341,914
Inventories <i>(Note 9)</i>	32,846	28,155	247,520
Other current assets	8,130	5,409	61,266
Less allowance for doubtful accounts	(113)	(83)	(851)
Total current assets	<u>178,168</u>	<u>178,626</u>	<u>1,342,637</u>
Property, plant and equipment <i>(Notes 10, 12, 18 and 25):</i>			
Land	15,984	15,969	120,452
Buildings and structures	85,851	82,062	646,955
Machinery and vehicles	132,874	128,736	1,001,311
Tools, furniture and fixtures	26,853	25,929	202,358
Leased assets	3,970	2,133	29,917
Construction in progress	11,426	10,268	86,103
	<u>276,961</u>	<u>265,099</u>	<u>2,087,121</u>
Less accumulated depreciation	(166,923)	(164,019)	(1,257,897)
Property, plant and equipment, net	<u>110,038</u>	<u>101,080</u>	<u>829,223</u>
Investments and other assets:			
Investments in unconsolidated subsidiaries and affiliates <i>(Note 5)</i>	5,790	5,895	43,632
Investments in securities <i>(Notes 5 and 7)</i>	33,475	35,732	252,260
Long-term loans receivable	13	24	97
Deferred tax assets <i>(Note 21)</i>	1,473	894	11,100
Asset for retirement benefits <i>(Note 16)</i>	4,432	4,340	33,398
Real estate for investment, net <i>(Note 23)</i>	12,214	12,213	92,042
Software <i>(Note 12)</i>	4,401	4,340	33,165
Software in progress	16,746	11,020	126,194
Goodwill <i>(Note 25)</i>	352	391	2,652
Other assets	1,989	2,518	14,988
Less allowance for doubtful accounts	(39)	(334)	(293)
Total investments and other assets	<u>80,850</u>	<u>77,038</u>	<u>609,269</u>
Total assets <i>(Note 25)</i>	<u>¥ 369,056</u>	<u>¥ 356,745</u>	<u>\$ 2,781,130</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheet (continued)

31st December, 2022

	2022	2021	2022
	<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>	¥ 36,430	¥ 32,373	\$ 274,529
Short-term loans payable <i>(Notes 3, 5 and 15)</i>	–	232	–
Current portion of lease obligation <i>(Note 15)</i>	743	240	5,599
Accrued expenses	24,789	25,293	186,804
Income taxes payable <i>(Note 21)</i>	2,562	3,207	19,306
Provision for bonuses of directors and audit and supervisory board members	73	67	550
Provision for sales promotion expenses	–	4,106	–
Provision for stock-based compensation	–	21	–
Refund liability	7,256	–	54,679
Other current liabilities <i>(Note 16)</i>	8,019	6,607	60,429
Total current liabilities	<u>79,875</u>	<u>72,150</u>	<u>601,921</u>
Long-term liabilities:			
Convertible bonds <i>(Notes 5, 15 and 26)</i>	30,023	30,044	226,247
Long-term debt <i>(Notes 3, 5 and 15)</i>	1,907	545	14,370
Liability for retirement benefits <i>(Note 16)</i>	1,350	1,299	10,173
Deferred tax liabilities <i>(Note 21)</i>	6,633	7,006	49,984
Other long-term liabilities <i>(Note 16)</i>	4,506	4,519	33,956
Total long-term liabilities	<u>44,421</u>	<u>43,416</u>	<u>334,747</u>
Net assets:			
Shareholders' equity <i>(Note 17)</i> :			
Common stock:			
Authorised – 270,000,000 shares in 2022 and 2021			
Issued – 68,468,569 shares in 2022 and 2021	7,773	7,773	58,575
Capital surplus	9,894	9,959	74,559
Retained earnings	217,184	214,795	1,636,654
Treasury stock <i>(Note 3)</i> – 4,877,747 shares in 2022 and 3,576,677 shares in 2021	(13,806)	(9,057)	(104,039)
Total shareholders' equity	<u>221,046</u>	<u>223,470</u>	<u>1,665,757</u>
Accumulated other comprehensive income:			
Net unrealised holding gain on securities	10,945	11,277	82,479
Deferred (loss) gain on hedges	(59)	253	(444)
Translation adjustments	11,756	4,758	88,590
Retirement benefits liability adjustments	602	1,030	4,536
Total accumulated other comprehensive income	<u>23,245</u>	<u>17,320</u>	<u>175,169</u>
Non-controlling interests	468	386	3,526
Total net assets <i>(Note 26)</i>	<u>244,760</u>	<u>241,177</u>	<u>1,844,461</u>
Total liabilities and net assets	<u>¥ 369,056</u>	<u>¥ 356,745</u>	<u>\$ 2,781,130</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, 2022

	2022	2021	2022
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Net sales <i>(Notes 24 and 25)</i>	¥ 303,921	¥ 338,571	\$ 2,290,286
Cost of sales <i>(Note 9)</i>	193,172	180,537	1,455,704
Gross profit	110,749	158,033	834,581
Selling, general and administrative expenses <i>(Notes 19 and 20)</i>	97,903	138,726	737,776
Operating income <i>(Note 25)</i>	12,845	19,307	96,797
Other income (expenses):			
Interest and dividend income	1,208	980	9,103
Interest expense	(96)	(37)	(723)
Gain on sales of property, plant and equipment <i>(Note 10)</i>	–	746	–
Loss on impairment of fixed assets <i>(Notes 12 and 25)</i>	(419)	(119)	(3,157)
Gain on sales of investments in securities <i>(Note 11)</i>	3,519	172	26,518
Gain on investments in investment partnerships	–	432	–
Share of profit of entities accounted for using equity method	460	467	3,466
Rental income on real estate <i>(Note 23)</i>	552	541	4,159
Subsidy income	425	328	3,202
(Loss) gain on foreign exchange, net	(1,002)	261	(7,550)
Depreciation of inactive fixed assets	(116)	(144)	(874)
Donation	(143)	(83)	(1,077)
Loss on investments in investment partnerships	(170)	–	(1,281)
Loss on disposal of property, plant and equipment	(512)	(641)	(3,858)
Loss on guarantees	(123)	–	(926)
Loss on devaluation of investments in securities <i>(Note 7)</i>	(2,163)	(1,363)	(16,299)
Loss on sale of investment securities	–	(42)	–
Provision of allowance for doubtful accounts <i>(Note 13)</i>	–	(294)	–
Loss on suspension of operations due to COVID-19 pandemic <i>(Note 14)</i>	(647)	–	(4,875)
Other, net <i>(Note 23)</i>	320	297	2,411
Other income, net	1,090	1,499	8,214
Profit before income taxes	13,936	20,806	105,018
Income taxes <i>(Note 21)</i> :			
Current	5,955	7,082	44,875
Deferred	(176)	157	(1,326)
	5,779	7,239	43,549
Profit	¥ 8,156	¥ 13,567	\$ 61,461
Profit attributable to:			
Owners of the parent <i>(Note 26)</i>	¥ 8,099	¥ 13,519	\$ 61,032
Non-controlling interests	56	48	422

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Comprehensive Income (continued)

Year ended 31st December, 2022

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
			<i>(Note 1)</i>
Other comprehensive income <i>(Note 22)</i> :			
Net unrealised holding (loss) gain on securities	¥ (332)	¥ 3,041	\$ (2,501)
Deferred (loss) gain on hedges	(313)	433	(2,358)
Translation adjustments	6,659	5,116	50,180
Retirement benefits liability adjustments	(426)	344	(3,210)
Share of other comprehensive income of affiliates accounted for by the equity method	370	332	2,788
Total other comprehensive income	<u>5,956</u>	<u>9,267</u>	<u>44,883</u>
Comprehensive income	<u>¥ 14,113</u>	<u>¥ 22,835</u>	<u>\$ 106,352</u>
Comprehensive income attributable to:			
Owners of the parent	¥ 14,024	¥ 22,766	\$ 105,681
Non-controlling interests	88	69	663

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Changes in Net Assets

Year ended 31st December, 2022

	Shareholders' equity				Accumulated other comprehensive income							Total net assets
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealised holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Retirement benefits liability adjustments	Total accumulated other comprehensive income	Non-controlling interests	
	<i>(Millions of yen)</i>											
Balance at 1st January, 2021	¥ 7,773	¥ 9,479	¥ 205,821	¥ (9,392)	¥ 213,682	¥ 8,236	¥ (179)	¥ (669)	¥ 686	¥ 8,073	¥ 795	¥ 222,551
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–	–	–	–	–
Restated balance	<u>7,773</u>	<u>9,479</u>	<u>205,821</u>	<u>(9,392)</u>	<u>213,682</u>	<u>8,236</u>	<u>(179)</u>	<u>(669)</u>	<u>686</u>	<u>8,073</u>	<u>795</u>	<u>222,551</u>
Cash dividends	–	–	(4,545)	–	(4,545)	–	–	–	–	–	–	(4,545)
Profit attributable to owners of the parent	–	–	13,519	–	13,519	–	–	–	–	–	–	13,519
Acquisition of treasury stock	–	–	–	(7)	(7)	–	–	–	–	–	–	(7)
Disposition of treasury stock	–	14	–	342	356	–	–	–	–	–	–	356
Change in ownership interest of parent due to transaction with non-controlling interests	–	465	–	–	465	–	–	–	–	–	–	465
Net changes in items other than those in shareholders' equity	–	–	–	–	–	3,041	433	5,428	344	9,246	(409)	8,837
Balance at 1st January, 2022	<u>7,773</u>	<u>9,959</u>	<u>214,795</u>	<u>(9,057)</u>	<u>223,470</u>	<u>11,277</u>	<u>253</u>	<u>4,758</u>	<u>1,030</u>	<u>17,320</u>	<u>386</u>	<u>241,177</u>
Cumulative effects of changes in accounting policies	–	–	(893)	–	(893)	–	–	–	–	–	–	(893)
Restated balance	<u>7,773</u>	<u>9,959</u>	<u>213,901</u>	<u>(9,057)</u>	<u>222,577</u>	<u>11,277</u>	<u>253</u>	<u>4,758</u>	<u>1,030</u>	<u>17,320</u>	<u>386</u>	<u>240,284</u>
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 31st December, 2022	<u>¥ 7,773</u>	<u>¥ 9,894</u>	<u>¥ 217,184</u>	<u>¥ (13,806)</u>	<u>¥ 221,046</u>	<u>¥ 10,945</u>	<u>¥ (59)</u>	<u>¥ 11,756</u>	<u>¥ 602</u>	<u>¥ 23,245</u>	<u>¥ 468</u>	<u>¥ 244,760</u>

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

Year ended 31st December, 2022

	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, 2022	\$ 58,575	\$ 75,048	\$ 1,618,651	\$ (68,251)	\$ 1,684,024	\$ 84,981	\$ 1,906	\$ 35,855	\$ 7,761	\$ 130,519	\$ 2,908	\$1,817,460
Cumulative effects of changes in accounting policies	–	–	(6,729)	–	(6,729)	–	–	–	–	–	–	(6,729)
Restated balance	58,575	75,048	1,611,914	(68,251)	1,677,294	84,981	1,906	35,855	7,761	130,519	2,908	1,810,730
Cash dividends	–	–	(36,292)	–	(36,292)	–	–	–	–	–	–	(36,292)
Profit attributable to owners of the parent	–	–	61,032	–	61,032	–	–	–	–	–	–	61,032
Acquisition of treasury stock	–	–	–	(37,694)	(37,694)	–	–	–	–	–	–	(37,694)
Disposition of treasury stock	–	52	–	1,906	1,966	–	–	–	–	–	–	1,966
Change in ownership interest of parent due to transaction with non-controlling interests	–	(542)	–	–	(542)	–	–	–	–	–	–	(542)
Net changes in items other than those in shareholders' equity	–	–	–	–	–	(2,501)	(2,358)	52,735	(3,217)	44,649	610	45,259
Balance at 31st December, 2022	\$ 58,575	\$ 74,559	\$ 1,636,654	\$(104,039)	\$ 1,665,757	\$ 82,479	\$ (444)	\$ 88,590	\$ 4,536	\$ 175,169	\$ 3,526	\$1,844,461

See accompanying notes to the consolidated financial statements.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows

Year ended 31st December, 2022

	2022	2021	2022
	<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	¥ 13,936	¥ 20,806	\$ 105,018
Adjustments:			
Depreciation and amortisation	13,896	14,249	104,717
Loss on impairment of fixed assets	419	119	3,157
Net changes in asset and liability for retirement benefits	(796)	(616)	(5,998)
Increase (decrease) in provision for bonuses of directors and audit and supervisory board members	6	(15)	45
Decrease in provision for stock-based compensation	(21)	(7)	(158)
(Decrease) increase in provision for sales promotion expenses	(4,106)	375	(30,941)
(Decrease) increase in allowance for doubtful accounts	(260)	308	(1,959)
Interest and dividend income	(1,208)	(980)	(9,103)
Interest expense	96	37	723
Loss (gain) on investments in investment partnerships	170	(432)	1,281
Share of profit of entities accounted for using equity method	(460)	(467)	(3,466)
Loss on foreign exchange, net	1,091	16	8,221
Gain on sales of property, plant and equipment	–	(746)	–
Loss on disposal of property, plant and equipment	512	641	3,858
Gain on sales of investments in securities	(3,519)	(129)	(26,518)
Loss on devaluation of investments in securities	2,163	1,363	16,299
(Increase) decrease in notes and accounts receivable, trade	(1,285)	1,566	(9,683)
(Increase) decrease in inventories	(4,084)	1,034	(30,776)
Increase (decrease) in notes and accounts payable, trade	3,271	(765)	24,649
Increase in refund liability	7,256	–	54,679
Other, net	(3,721)	1,010	(28,040)
Subtotal	<u>23,354</u>	<u>37,372</u>	<u>175,990</u>
Income taxes paid	(6,551)	(8,720)	(49,366)
Net cash provided by operating activities	<u>16,802</u>	<u>28,651</u>	<u>126,616</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Consolidated Statement of Cash Flows (continued)

Year ended 31st December, 2022

	<u>2022</u>	2021	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i> <i>(Note 1)</i>
Cash flows from investing activities:			
Payment into time deposits	(6,667)	(10,403)	(50,241)
Proceeds from withdrawal of time deposits	7,796	5,000	58,749
Proceeds from sales and redemption of marketable securities	–	58	–
Purchases of investments in securities	(2,753)	(3,853)	(20,746)
Proceeds from sales and redemption of investments in securities	5,516	839	41,567
Proceeds from distribution of investments in investment partnerships	11	709	82
Purchases of property, plant and equipment	(18,385)	(16,554)	(138,545)
Proceeds from sales of property, plant and equipment	44	801	331
Purchases of intangible assets	(7,312)	(7,210)	(55,101)
Proceeds from rental of real estate for investment	493	455	3,715
Collection of loans receivable	13	32	97
Interest and dividends received	1,219	1,011	9,186
Other, net	(118)	(81)	(889)
Net cash used in investing activities	(20,140)	(29,194)	(151,770)
Cash flows from financing activities:			
Repayment of long-term bank loans	(309)	(268)	(2,328)
Interest paid	(96)	(37)	(723)
Cash dividends paid	(4,816)	(4,545)	(36,292)
Cash dividends paid to non-controlling interests	(7)	(7)	(52)
Purchase of treasury stock	(5,002)	(7)	(37,694)
Proceeds from sales of treasury stock	238	325	1,793
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(72)	(5)	(542)
Other, net	(217)	(314)	(1,635)
Net cash used in financing activities	(10,284)	(4,859)	(77,498)
Effect of exchange rate changes on cash and cash equivalents	4,076	2,416	30,715
Net decrease in cash and cash equivalents	(9,546)	(2,986)	(71,936)
Cash and cash equivalents at beginning of the year	89,463	92,449	674,174
Cash and cash equivalents at end of the year <i>(Note 4)</i>	¥ 79,917	¥ 89,463	\$ 602,238

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

31st December, 2022

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 ¥132.70 = U.S. \$1.00, the approximate rate of exchange in effect on 31st December, 2022, 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 24 significant subsidiaries at 31st December, 2022 and the Company and its 23 significant subsidiaries at 31st December, 2021. Shanghai Ezaki Glico Minfa Foods Co., Ltd. was newly established and was included in the scope of consolidation in the current fiscal period.

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

The number of affiliates accounted for by the equity method was two at 31st December, 2022 and 2021, respectively.

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

(b) Foreign currency translation

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

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

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, ice cream, 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) Adoption of consolidated tax return system

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

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

Furthermore, the Company and some of its domestic consolidated subsidiaries plan to adopt the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, 12th August, 2021), which prescribes the accounting and disclosure treatment of corporate and local income taxes and tax effect accounting in the case of applying the group taxation system, from the beginning of the next fiscal year.

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, 2022

Refund liability ¥7,256 million (\$54,679 thousand)

In the previous fiscal year, ¥4,106 million of provision for sales promotion expenses was recorded.

- (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 ¥3,681 million (\$27,739 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 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 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)

(i) Changes in accounting policies

(Adoption of Accounting Standard and Implementation Guidance for Revenue Recognition)

The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, 31st March, 2020; hereinafter the “Revenue Recognition Accounting Standard”) and implementation guidance from the beginning of the current fiscal year, whereby revenue is recognised when control of promised goods or services is transferred to a customer at the amount the Company expects to receive in exchange for the promised goods or services. Accordingly, variable considerations such as sales incentives included in “Sales promotion expenses” and “Provision for sales promotion expenses,” which were formerly recorded under selling, general and administrative expenses, and the consideration paid to customers are now deducted from net sales.

In adopting the Revenue Recognition Accounting Standard and implementation guidance are adopted in accordance with the transitional treatment is applied as prescribed in Paragraph 84 of the Revenue Recognition Accounting Standard, and the cumulative effects of retrospective application of the standards prior to the beginning of the current fiscal year were added to or deducted from the beginning balance of retained earnings for the current fiscal year. The new accounting policy has been applied from the balance at the beginning of the current fiscal year.

As a result, net sales and selling, general and administrative expenses decreased by ¥46,457 million (\$350,090 thousand) for the current fiscal year, respectively. The effect on operating income, ordinary income, profit before income taxes, and the beginning balance of retained earnings is not significant. In addition, “Accrued expenses” and “Provision for sales promotion expenses” related to sales incentives, etc. are presented as “Refund liability.”

Pursuant to the transitional treatment as prescribed in Paragraph 89-2 of the Revenue Recognition Accounting Standard, no reclassifications in line with the new presentation method are made to the figures for the previous fiscal year. Furthermore, pursuant to the transitional treatment as prescribed in Paragraph 89-3 of the Revenue Recognition Accounting Standard, notes related to revenue recognition for the prior fiscal year are omitted.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(i) Changes in accounting policies (continued)

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

The Company has adopted the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, 4th July, 2019; hereinafter the “Fair Value Measurement Accounting Standard”) and implementation guidance from the beginning of the current fiscal year. Pursuant to the transitional treatments as prescribed in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, 4th July, 2019), the new accounting policies prescribed by the Fair Value Measurement Accounting Standard and implementation guidance are prospectively applied.

The impact of this change on the consolidated financial statements for the current fiscal year is not significant.

The Company discloses information on items such as the breakdown of the fair value of financial instruments by level of fair value in Note 5 “Financial Instruments.” However, pursuant to the transitional treatment as prescribed in Paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, 4th July, 2019), the note related to such item for the previous fiscal year was omitted.

(Adoption of the Financial Accounting Standards Board (“FASB”)’s Accounting Standards Update (“ASU”) No. 2020-05 “Leases”)

Some of the overseas consolidated subsidiaries have adopted ASU No. 2020-05 “Leases” (hereinafter the “Accounting Standard”) from the beginning of the current fiscal year. Accordingly, all lease items involving lease transactions as a lessee by these overseas consolidated subsidiaries are recorded, in principle, as assets and liabilities on their balance sheet. As a transitional treatment when adopting the Accounting Standard, the cumulative effect of the adoption of the Accounting Standard is recognised as a restatement of the beginning balance of retained earnings on the starting date of the adoption.

The impact of this change on the consolidated financial statements for the current fiscal year is not significant.

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

(Implementation Guidance on Accounting Standard for Fair Value Measurement)

(1) Overview

The “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No.31, 17th June, 2021) was revised and issued. When the implementation guidance was issued on 4th July, 2019, it was considered that a certain period of consultation with relevant parties is required for the consideration of “calculation of fair value of investment trusts,” and also it was required a certain period of discussions with related parties to be conducted regarding the notes on the fair value of “investments in partnerships and others, for which the amounts equivalent to equity interest are reported at the net amounts on the consolidated balance sheet.”

(2) Scheduled date of adoption

The Company expects to adopt the revised implementation guidance from the beginning of the fiscal year ending December 31, 2023.

(3) Impact of adoption of revised implementation guidance

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Additional Information

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

The Company had previously introduced a Trust Type Employee Shareholding Incentive Plan (E-Ship®) for the purpose of granting incentives to employees to contribute to enhancing corporate value of the Company in the mid and long term. However, the plan was terminated on September 30, 2022. The Company applied “Practical Solution on Transactions on Delivering the Company’s Own Stock to Employees, etc. through Trusts” (ASBJ PITF No. 30, revised on 26th March, 2015).

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

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

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

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

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

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

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Book value	¥ –	¥ 237	\$ –
	<u>2022</u>	<u>2021</u>	
	<i>(Thousands of shares)</i>		
Number of treasury stock	–	46	

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Additional Information (continued)

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

The book value of bank loans of the E-Ship Trust recorded in the consolidated balance sheet as of 31st December, 2022 and 2021 were as follows.

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Book value	¥ –	¥ 309	\$ –

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

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

4. Cash and Cash Equivalents

The balances of cash and deposits in the consolidated balance sheet at 31st December, 2022 and 2021 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>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Cash and deposits	¥ 91,705	¥ 102,026	\$ 691,070
Time deposits with original maturities in excess of three months included in cash and deposits	(12,012)	(12,771)	(90,519)
Short-term investments which mature within three months of the dates of acquisition included in marketable securities	224	209	1,688
Cash and cash equivalents	<u>¥ 79,917</u>	<u>¥ 89,463</u>	<u>\$ 602,238</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, 2022 and 2021 are shown in the following table.

	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)	¥ –
	2021		
	Carrying value	Estimated fair value	Difference
	<i>(Millions of yen)</i>		
Assets:			
Marketable securities and investments in securities (*2)	¥ 26,447	¥ 26,447	¥ –
Total assets	¥ 26,447	¥ 26,447	¥ –
Liabilities:			
Convertible bonds	¥ 30,044	¥ 29,760	¥ (284)
Long-term bank loans	77	77	(0)
Total liabilities	¥ 30,121	¥ 29,837	¥ (284)
Derivative financial instruments (*3)	¥ 365	¥ 365	¥ –

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		
	Carrying value	Estimated fair value	Difference
	<i>(Thousands of U.S. dollars)</i>		
Assets:			
Marketable securities and investments in securities (*2)	\$ 174,845	\$ 174,845	\$ –
Total assets	\$ 174,845	\$ 174,845	\$ –
Liabilities:			
Convertible bonds	\$ 226,247	\$ 224,378	\$ (1,868)
Total liabilities	\$ 226,247	\$ 224,378	\$ (1,868)
Derivative financial instruments (*3)	\$ (648)	\$ (648)	\$ –

(*1) “Cash and deposits,” “Notes and accounts receivable, trade,” “Notes and accounts payable, trade” and “Short-term loans payable” 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 for which a transitional measure is applied pursuant to Paragraph 27 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, 4th July, 2019; hereinafter the “Fair Value Measurement Implementation Guidance”) are not included in “Marketable securities and investments in securities.” The carrying amounts of these financial instruments are as follows:

	2022	2022
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Unlisted stocks	¥ 1,841	\$ 13,873
Subsidiary stocks and affiliated stocks	¥ 5,790	\$ 43,632
Investments in partnerships	¥ 8,655	\$ 65,222

The following financial instruments are not included in “Marketable securities and investments in securities,” since no quoted market price is available and it is extremely difficult to determine their fair value. The carrying amounts of these financial instruments are as follows:

	2021
	<i>(Millions of yen)</i>
Unlisted stocks, etc	¥ 15,400

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, 2022 for deposits, trade receivables and securities with maturity dates is summarised as follows:

	2022			
	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	¥ 91,646	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	45,372	–	–	–
Marketable securities and investments in securities:				
Bonds	–	–	–	–
Other securities	1	5,731	2,921	–
Total	¥ 137,020	¥ 5,731	¥ 2,921	¥ –
	2022			
	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	\$ 690,625	\$ –	\$ –	\$ –
Notes and accounts receivable, trade	341,914	–	–	–
Marketable securities and investments in securities:				
Bonds	–	–	–	–
Other securities	7	43,187	22,012	–
Total	\$ 1,032,554	\$ 43,187	\$ 22,012	\$ –

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, 2022 are as follows:

	2022			Total
	Fair value			
	Level 1	Level 2	Level 3	
	<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)

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>(Thousands of U.S. dollars)</i>			
Marketable securities and investments in securities:				
Other securities				
Stock	\$ 173,149	\$ –	\$ –	\$ 173,149
Total assets	<u>\$ 173,149</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 173,149</u>
Derivative financial instruments:				
Foreign exchange contracts (*)	\$ –	\$ (648)	\$ –	\$ (648)

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

Financial instruments other than those measured at fair value:

	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(Millions of yen)</i>			
Convertible bonds	¥ –	¥ 29,775	¥ –	¥ 29,775
Total liabilities	<u>¥ –</u>	<u>¥ 29,775</u>	<u>¥ –</u>	<u>¥ 29,775</u>

	2022			
	Fair value			
	Level 1	Level 2	Level 3	Total
	<i>(Thousands of U.S. dollars)</i>			
Convertible bonds	\$ –	\$ 224,378	\$ –	\$ 224,378
Total liabilities	<u>\$ –</u>	<u>\$ 224,378</u>	<u>\$ –</u>	<u>\$ 224,378</u>

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. Meanwhile, investment trusts and others are not included in the above table since a transitional treatment is applied to them pursuant to Paragraph 26 of the Fair Value Measurement Implementation Guidance. The carrying value of these investment trusts and others is ¥224 million (\$1,688 thousand).

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, 2022 and 2021 are summarised as follows:

For the year ended 31st December, 2022

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	¥ 10,271 (\$ 77,400)	¥ –	¥ (86) (\$ (648))

For the year ended 31st December, 2021

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	¥ 9,095	¥ –	¥ 365

There were no derivative financial instruments to which hedge accounting is not applied for the years ended 31st December, 2022 and 2021, 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, 2022 and 2021 are summarised as follows:

	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>
	2021		
	Carrying value	Acquisition cost	Difference
	<i>(Millions of yen)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	¥ 24,713	¥ 10,437	¥ 14,276
Subtotal	<u>24,713</u>	<u>10,437</u>	<u>14,276</u>
Securities whose carrying value does not exceed their acquisition cost:			
Stock	1,524	2,028	(504)
Other	209	209	–
Subtotal	<u>1,733</u>	<u>2,238</u>	<u>(504)</u>
Total	<u>¥ 26,447</u>	<u>¥ 12,675</u>	<u>¥ 13,771</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

7. Marketable Securities and Investments in Securities (continued)

	2022		
	Carrying value	Acquisition cost	Difference
	<i>(Thousands of U.S. dollars)</i>		
Securities whose carrying value exceeds their acquisition cost:			
Stock	\$ 160,625	\$ 63,722	\$ 96,895
Subtotal	160,625	63,722	96,895
Securities whose carrying value does not exceed their acquisition cost:			
Stock	12,524	15,237	(2,705)
Other	1,688	1,688	–
Subtotal	14,212	16,925	(2,705)
Total	\$ 174,845	\$ 80,655	\$ 94,189

The proceeds from sales and gross realised gain and loss on securities classified as other securities for the years ended 31st December, 2022 and 2021 are summarised as follows:

	2022	2021	2022
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Proceeds from sales:			
Stock	¥ 5,516	¥ 839	\$ 41,567
Gross realised gain:			
Stock	¥ 3,519	¥ 172	\$ 26,518
Gross realised loss:			
Stock	¥ –	¥ 42	\$ –

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 ¥2,163 million (\$16,299 thousand) and ¥1,363 million of loss on devaluation of investment in securities classified as other securities for the years ended 31st December, 2022 and 2021, respectively.

8. Notes and Accounts Receivable, Trade

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

	2022	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
Notes receivable, trade	¥ 501	\$ 3,775
Accounts receivable, trade	44,871	338,138
	¥ 45,372	\$ 341,914

9. Inventories

Inventories at 31st December, 2022 and 2021 consisted of the following:

	2022	2021	2022
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Finished goods and commercial goods	¥ 17,861	¥ 15,000	\$ 134,596
Work in process	891	838	6,714
Raw materials and supplies	14,093	12,316	106,201
	¥ 32,846	¥ 28,155	\$ 247,520

Cost of sales included loss on devaluation of inventories of ¥247 million (\$1,861 thousand) and ¥139 million for the years ended 31st December, 2022 and 2021, respectively.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Gain on Sales of Property, Plant and Equipment

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

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Land, buildings and structures	¥ –	¥ 746	\$ –

11. Gain on Sales of Investments in Securities

Gain on sale of investments in securities of ¥3,519 million (\$26,518 thousand) and ¥172 million for the years ended 31st December, 2022 and 2021, 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).

12. 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 ¥419 million (\$3,157 thousand) 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 (\$489 thousand) and machinery and vehicles of ¥52 million (\$391 thousand). These recoverable amounts were measured at net realisable value. Net realisable value was measured at zero.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Loss on Impairment of Fixed Assets (continued)

- 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 (\$75 thousand), machinery and vehicles of ¥1 million (\$7 thousand), tools, furniture and fixtures of ¥0 million (\$0 thousand), leased assets of ¥94 million (\$708 thousand), software of ¥6 million (\$45 thousand), and land of ¥8 million (\$60 thousand). 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 (\$90 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.

- 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 (\$7 thousand), machinery and vehicles of ¥150 million (\$1,130 thousand), and tools, furniture and fixtures of ¥15 million (\$113 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 ¥119 million for the year ended 31st December, 2021 as follows:

- Ezaki Glico Headquarters

For idle assets at Ezaki Glico Headquarters not expected to be utilised in the future, the book value of such assets was written down to their recoverable amounts. Loss on impairment consisted of machinery and vehicles of ¥65 million. These recoverable amounts were measured at net realisable value. Net realisable value was measured at zero.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Loss on Impairment of Fixed Assets (continued)

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

13. Provision of Allowance for Doubtful Accounts

Allowance for doubtful accounts was provided in the year ended 31st December, 2021 to cover for the convertible bonds held by the Company that were expected to be uncollectible.

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

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 (\$4,875 thousand) for the year ended 31st December, 2022.

There was no loss on suspension of operations due to COVID-19 pandemic for the year ended 31st December, 2021.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

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

Short-term loans payable principally represent bank loans of the consolidated subsidiary. The average interest rates on outstanding loans at 31st December, 2022 and 2021 were 0.097%, respectively.

Long-term debt at 31st December, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unsecured bank loans at average interest rates of 0.097%, due within 2023	¥ –	¥ 77	\$ –
Lease obligations	<u>2,650</u>	<u>709</u>	<u>19,969</u>
	2,650	786	19,969
Less current portion of lease obligation	<u>(743)</u>	<u>(240)</u>	<u>(5,599)</u>
Long-term debt	<u><u>¥ 1,907</u></u>	<u><u>¥ 545</u></u>	<u><u>\$ 14,370</u></u>

The aggregate annual maturities of long-term debt subsequent to 31st December, 2022 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>
2023	¥ 743	\$ 5,599
2024	808	6,088
2025	480	3,617
2026	335	2,524
2027 and thereafter	<u>283</u>	<u>2,132</u>
	<u><u>¥ 2,650</u></u>	<u><u>\$ 19,969</u></u>

Convertible bonds at 31st December, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>	<u>2022</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)	¥ 30,023	¥ 30,044	\$ 226,247

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

15. Short-Term Loans Payable, 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	¥7,889.1 (\$59.45) per share
Total issue price	¥30,000 million (\$226,073 thousand)
Total issue price of shares issued upon the exercise of stock acquisition rights	—
Percentage of stock acquisition rights granted	100.0%
Exercise period	13th February, 2017 through 16th January, 2024

(Note) The conversion price of the convertible bonds was subject to adjustment as it met certain conditions for adjustment of conversion price; therefore, it was adjusted from ¥7,889.1 (\$59.45) to ¥7,800.0 (\$58.77) from 1st January, 2023.

The repayment schedule of convertible bonds due within five years subsequent to 31st December, 2022 is as follows:

Year ending 31st December,	Convertible bonds	
	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2023	¥ —	\$ —
2024	30,023	226,247
2025	—	—
2026	—	—
2027	—	—
	¥ 30,023	\$ 226,247

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. 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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Beginning balance of retirement benefit obligation	¥ 19,345	¥ 19,839	\$ 145,779
Service cost	988	963	7,445
Interest cost	103	101	776
Actuarial (gain) loss	(1,607)	67	(12,110)
Benefits paid	(1,553)	(1,633)	(11,703)
Decrease due to transfer to defined contribution pension plans	–	(13)	–
Others	53	21	399
Ending balance of retirement benefit obligation	<u>¥ 17,330</u>	<u>¥ 19,345</u>	<u>\$ 130,595</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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Beginning balance of plan assets at fair value	¥ 22,386	¥ 21,786	\$ 168,696
Expected return on plan assets	559	544	4,212
Actuarial (loss) gain	(1,860)	781	(14,016)
Contributions by the employers	328	332	2,471
Retirement benefits paid	(1,001)	(1,058)	(7,543)
Ending balance of plan assets at fair value	<u>¥ 20,412</u>	<u>¥ 22,386</u>	<u>\$ 153,820</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)

16. 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, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Funded retirement benefit obligation	¥ 16,481	¥ 18,519	\$ 124,197
Plan assets at fair value	(20,412)	(22,386)	(153,820)
	(3,930)	(3,866)	(29,615)
Unfunded retirement benefit obligations	848	825	6,390
Net asset for retirement benefits	(3,082)	(3,041)	(23,225)
Liability for retirement benefits	1,350	1,299	10,173
Asset for retirement benefits	(4,432)	(4,340)	(33,398)
Net asset for retirement benefits	¥ (3,082)	¥ (3,041)	\$ (23,225)

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, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Service cost	¥ 988	¥ 963	\$ 7,445
Interest cost	103	101	776
Expected return on plan assets	(559)	(544)	(4,212)
Amortisation:			
Actuarial gain	(377)	(220)	(2,840)
Prior service cost	0	(14)	0
Others	199	149	1,499
Retirement benefit expenses	¥ 355	¥ 432	\$ 2,675

(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)

16. Retirement Benefits (continued)

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

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ 0	¥ (14)	\$ 0
Actuarial (loss) gain	(630)	492	(4,747)
Total	¥ (629)	¥ 478	\$ (4,740)

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

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Unrecognised prior service cost	¥ (1)	¥ (2)	\$ (7)
Unrecognised actuarial gain	838	1,469	6,314
Total	¥ 836	¥ 1,466	\$ 6,299

The fair value of plan assets, by major category, as a percentage of total plan assets as of 31st December, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Bonds	51%	46%
Equities	28	34
General accounts at life insurance companies	7	6
Other	14	14
Total	100%	100%

The total amount of plan assets includes 20.8% and 20.3% of the retirement benefit trust for lump-sum payment plans at 31st December 2022 and 2021, respectively.

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

	<u>2022</u>	<u>2021</u>
Discount rates	0.0%~1.7%	0.0%~0.8%
Expected long-term rate of return on plan assets	2.5%	2.5%
Expected rates of future salary increase	7.4%~14.0%	7.4%~14.0%

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. 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 (\$29,593 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, 2022 in the amount of ¥73 million (\$550 thousand) is included in accounts payable, other under “Other current liabilities” and long-term accounts payable, other under “Other long-term liabilities” in consolidated balance sheet.

The amounts to be paid to the defined contribution plans by the Company and certain consolidated subsidiaries were ¥260 million (\$1,959 thousand) and ¥256 million for the years ended 31st December, 2022 and the 2021, respectively.

17. 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 (\$14,642 thousand) at 31st December, 2022 and 2021, respectively.

Movements in issued shares of common stock and treasury stock during the years ended 31st December, 2022 and 2021 are summarised as follows:

For the year ended 31st December, 2022

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Shareholders' Equity (continued)

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.

For the year ended 31st December, 2021

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

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

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Shareholders' Equity (continued)

Information on stock acquisition rights and treasury stock acquisition rights during the years ended 31st December, 2022 and 2021 is as follows:

For the year ended 31st December, 2022

Company name	Details	Type of stock subject to 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.

For the year ended 31st December, 2021

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

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

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Shareholders' Equity (continued)

Information on dividend payments and the effective date for the years ended 31st December, 2022 and 2021 is as follows:

For the year ended 31st December, 2022

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, 2022	Common stock	¥ 2,272 (\$ 17,121)	¥ 35 (\$ 0.26)	31st December, 2021	4th March, 2022
Board of Directors' meeting held on 4th August, 2022	Common stock	¥ 2,543 (\$ 19,163)	¥ 40 (\$ 0.30)	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 (\$7 thousand) 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 (\$0.037) (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 (\$0 thousand) of cash dividends applicable to shares held by the E-Ship Trust.

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Shareholders' Equity (continued)

Dividend payment with an effective date in the following year:

Resolution	Type of shares	Dividends paid (Millions of yen/ Thousands of U.S. dollars)	Source of dividend	Dividend per share (Yen/ U.S. dollars)	Record date	Effective date
Board of Directors' meeting held on 14th February, 2023	Common stock	¥ 2,543 (\$ 19,163)	Retained earnings	¥ 40 (\$ 0.30)	31st December, 2022	8th March, 2023

Dividend per share included a commemorative dividend of ¥5 (\$0.037) (the commemorative dividend for the centennial anniversary of the Company's founding).

For the year ended 31st December, 2021

Dividend payment:

Resolution	Type of shares	Dividends paid (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Board of Directors' meeting held on 12th February, 2021	Common stock	¥ 2,272	¥ 35	31st December, 2020	5th March, 2021
Board of Directors' meeting held on 5th August, 2021	Common stock	¥ 2,272	¥ 35	30th June, 2021	3rd September, 2021

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

The dividend payment pursuant to the resolution by the Board of Directors' meeting held on 5th August, 2021 included ¥2 million 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)

18. 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, 2022 for operating leases are summarised as follows:

Year ending 31st December,	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2023	¥ 248	\$ 1,868
2024 and thereafter	148	1,115
Total	¥ 397	\$ 2,991

19. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses for the years ended 31st December, 2022 and 2021 were as follows:

	2022	2021	2022
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Freight and warehouse expenses	¥ 27,122	¥ 31,889	\$ 204,385
Sales promotion expenses	8,956	43,746	67,490
Provision for sales promotion expenses	–	4,106	–
Advertising expenses	10,257	10,021	77,294
Provision (reversal) of allowance for doubtful accounts	37	(2)	278
Salaries	18,590	17,619	140,090
Bonuses	5,806	5,415	43,752
Provision for bonuses of directors and audit and supervisory board members	73	67	550
Provision for stock-based compensation	–	21	–
Retirement benefit expenses	272	406	2,049
Welfare expenses	5,889	5,138	44,378
Depreciation and amortisation	3,425	3,641	25,810
Other	17,470	16,652	131,650
Total	¥ 97,903	¥ 138,726	\$ 737,776

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Research and Development Expenses

Research and development expenses included in selling, general and administrative expenses for the years ended 31st December, 2022 and 2021 amounted to ¥5,148 million (\$38,794 thousand) and ¥5,077 million, respectively.

21. 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, 2022 and 2021. 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, 2022 and 2021 is as follows:

	2022	2021
Statutory tax rate	30.6%	30.6%
Permanent non-deductible expenses	1.3	0.6
Permanent non-taxable dividend income	(0.3)	(0.6)
Inhabitants' per capita taxes	0.6	0.4
Change in valuation allowance	2.1	2.5
Tax credits	(1.1)	(0.7)
Undistributed earnings of overseas subsidiaries	(1.7)	(1.0)
Withholding tax on dividends of overseas subsidiaries	3.5	3.1
Other	6.5	(0.1)
Effective tax rate	41.5%	34.8%

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Income Taxes (continued)

The significant components of deferred tax assets and liabilities of the Company and its consolidated subsidiaries at 31st December, 2022 and 2021 are summarised as follows:

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Deferred tax assets:			
Accrued bonuses	¥ 405	¥ 602	\$ 3,051
Accrued expenses	1,172	1,143	8,831
Liability for retirement benefits	382	385	2,878
Loss on impairment of fixed assets	1,529	1,950	11,522
Loss on devaluation of investments in securities	1,706	954	12,856
Tax loss carryforwards	2,522	1,794	19,005
Depreciation	745	392	5,614
Deferred loss on hedges	26	–	195
Other	1,675	1,201	12,622
Total deferred tax assets	<u>10,166</u>	<u>8,426</u>	<u>76,608</u>
Less valuation allowance for tax loss carryforwards	(2,411)	(1,750)	(18,168)
Less valuation allowance for total deductible temporary differences and others	<u>(3,625)</u>	<u>(2,951)</u>	<u>(27,317)</u>
Total valuation allowance	<u>(6,036)</u>	<u>(4,702)</u>	<u>(45,486)</u>
Offset by deferred tax liabilities	<u>(2,655)</u>	<u>(2,829)</u>	<u>(20,007)</u>
Net deferred tax assets	<u>¥ 1,473</u>	<u>¥ 894</u>	<u>\$ 11,100</u>
Deferred tax liabilities:			
Net unrealised holding gain on securities	¥ (4,290)	¥ (4,410)	\$ (32,328)
Reserve for deferred gain on property for tax purposes	(2,681)	(2,690)	(20,203)
Deferred gain on hedges	–	(111)	–
Undistributed earnings of overseas subsidiaries	(2,297)	(2,622)	(17,309)
Other	(19)	(0)	(143)
Total deferred tax liabilities	<u>(9,289)</u>	<u>(9,835)</u>	<u>(70,000)</u>
Offset by deferred tax assets	<u>2,655</u>	<u>2,829</u>	<u>20,007</u>
Net deferred tax liabilities	<u>¥ (6,633)</u>	<u>¥ (7,006)</u>	<u>\$ (49,984)</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. Income Taxes (continued)

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

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))						
	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))	\$ 113	\$ 203	\$ 497	\$ 625	\$ 444	\$ 17,106	\$ 19,005
Less valuation allowance for tax loss carryforwards	(0)	(90)	(248)	(263)	(444)	(17,106)	(18,168)
Net deferred tax assets related to tax loss carryforwards	<u>\$ 113</u>	<u>\$ 113</u>	<u>\$ 248</u>	<u>\$ 354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 836</u>
	(Note (b))						

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

21. 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 ¥111 million (\$836 thousand) were recorded on tax loss carryforwards of ¥2,522 million (\$19,005 thousand) (the amount multiplied by the statutory tax rate). Net deferred tax assets related to tax loss carryforwards of ¥111 million (\$836 thousand) were recognised for the balance of ¥111 million (\$836 thousand) 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.

At 31st December, 2021

	Due in 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years	Due after 5 years	Total
	<i>(Millions of yen)</i>						
Tax loss carryforwards (Note (a))	¥ 2	¥ 16	¥ 22	¥ 19	¥ 1	¥ 1,730	¥ 1,794
Less valuation allowance for tax loss carryforwards	(2)	(0)	–	(18)	(1)	(1,726)	(1,750)
Net deferred tax assets related to tax loss carryforwards	¥ –	¥ 16	¥ 22	¥ 1	¥ 0	¥ 4	¥ 44
	(Note (b))						

(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 ¥44 million were recorded on tax loss carryforwards of ¥1,794 million (the amount multiplied by the statutory tax rate). Net deferred tax assets related to tax loss carryforwards of ¥44 million were recognised for part of the balance of ¥104 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)

22. 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, 2022 and 2021 are summarised as follows:

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Net unrealised holding (loss) gain on securities:			
Amount arising during the year	¥ 904	¥ 3,087	\$ 6,812
Reclassification adjustments	<u>(1,356)</u>	<u>1,227</u>	<u>(10,218)</u>
Amount before income tax effect	(451)	4,315	(3,398)
Income tax effect	<u>119</u>	<u>(1,274)</u>	<u>896</u>
Total	<u>(332)</u>	<u>3,041</u>	<u>(2,501)</u>
Deferred (loss) gain on hedges:			
Amount arising during the year	1,755	1,114	13,225
Reclassification adjustments	<u>(2,208)</u>	<u>(490)</u>	<u>(16,639)</u>
Amount before income tax effect	(452)	624	(3,406)
Income tax effect	<u>138</u>	<u>(190)</u>	<u>1,039</u>
Total	<u>(313)</u>	<u>433</u>	<u>(2,358)</u>
Translation adjustments:			
Amount arising during the year	<u>6,659</u>	<u>5,116</u>	<u>50,180</u>
Retirement benefits liability adjustments:			
Amount arising during the year	(253)	713	(1,906)
Reclassification adjustments	<u>(376)</u>	<u>(235)</u>	<u>(2,833)</u>
Amount before income tax effect	(629)	478	(4,740)
Income tax effect	<u>203</u>	<u>(133)</u>	<u>1,529</u>
Total	<u>(426)</u>	<u>344</u>	<u>(3,210)</u>
Share of other comprehensive income of affiliates accounted for by the equity method:			
Adjustments arising during the year	<u>370</u>	<u>332</u>	<u>2,788</u>
Total other comprehensive income	<u>¥ 5,956</u>	<u>¥ 9,267</u>	<u>\$ 44,883</u>

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

23. 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, 2022 and 2021. Net rental income, net of rental cost, for the years ended 31st December, 2022 and 2021 was ¥307 million (\$2,313 thousand) and ¥322 million, respectively.

The carrying value in the consolidated balance sheet and corresponding fair value of investment and rental properties as of 31st December, 2022 and 2021 are as follows:

	<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
	<i>Carrying value</i>		<i>Fair value</i>
	1st January, 2021	Net change	31st December, 2021
	<i>(Millions of yen)</i>		
Investment and rental property	¥ 12,435	¥ (11)	¥ 12,423
	<i>Carrying value</i>		<i>Fair value</i>
	1st January, 2022	Net change	31st December, 2022
	<i>(Thousands of U.S. dollars)</i>		
Investment and rental property	\$ 93,617	\$ 7	\$ 93,624

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)

24. 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 25 “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 25 “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)

25. Segment Information

Summary of reportable segments

The reportable segments of the Group are components for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

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

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

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

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

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

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

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

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

The accounting policies of the reportable segments are 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. As described in Note 2 "Summary of Significant Accounting Policies, (t) Changes in accounting policies," the Company has adopted the Revenue Recognition Accounting Standard and implementation guidance from the beginning of the current fiscal year and changed the accounting treatment method for revenue recognition. Accordingly, the calculation method for segment income or loss is also changed. 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)

25. Segment Information (continued)

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

	Year ended 31st December, 2021					
	Reportable segments					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal
	<i>(Millions of yen)</i>					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	¥ 79,164	¥ 87,766	¥ 79,892	¥ 10,524	¥ 60,991	¥ 318,339
Inter-segment sales and transfers	677	74	5	222	–	980
Total	<u>¥ 79,841</u>	<u>¥ 87,840</u>	<u>¥ 79,898</u>	<u>¥ 10,747</u>	<u>¥ 60,991</u>	<u>¥ 319,319</u>
Segment income	¥ 5,098	¥ 3,799	¥ 2,095	¥ 919	¥ 3,915	¥ 15,827
Segment assets	45,635	36,775	26,690	6,010	38,014	153,126
Other items:						
Depreciation and amortisation	3,864	3,880	1,558	195	1,828	11,327
Increase in property, plant and equipment and intangible assets	1,722	2,603	688	276	7,533	12,823
	Year ended 31st December, 2021					
	Others	Total	Adjustments and eliminations	Consolidated		
	<i>(Millions of yen)</i>					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	¥ 20,231	¥ 338,571	¥ –	¥ 338,571		
Inter-segment sales and transfers	11,978	12,958	(12,958)	–		
Total	<u>¥ 32,209</u>	<u>¥ 351,529</u>	<u>¥ (12,958)</u>	<u>¥ 338,571</u>		
Segment income	¥ 1,525	¥ 17,353	¥ 1,954	¥ 19,307		
Segment assets	928	154,055	202,689	356,745		
Other items:						
Depreciation and amortisation	244	11,572	2,677	14,249		
Increase in property, plant and equipment and intangible assets	85	12,909	8,739	21,649		

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. 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					
	Reportable segments					
	Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal
	<i>(Thousands of U.S. dollars)</i>					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	\$ 502,765	\$ 603,594	\$ 507,641	\$ 84,084	\$ 451,409	\$ 2,149,502
Inter-segment sales and transfers	5,742	467	52	1,703	–	7,972
Total	<u>\$ 508,507</u>	<u>\$ 604,069</u>	<u>\$ 507,694</u>	<u>\$ 85,787</u>	<u>\$ 451,409</u>	<u>\$ 2,157,475</u>
Segment income	\$ 37,709	\$ 20,474	\$ (1,936)	\$ 9,329	\$ 8,982	\$ 74,559
Segment assets	339,020	257,264	196,510	58,869	384,830	1,236,510
Other items:						
Depreciation and amortisation	26,066	27,038	11,582	1,552	20,874	87,121
Increase in property, plant and equipment and intangible assets	11,876	14,898	7,626	2,117	62,645	99,178
	Year ended 31st December, 2022					
	Others	Total	Adjustments and eliminations		Consolidated	
	<i>(Thousands of U.S. dollars)</i>					
Sales, income or loss and assets by reportable segment:						
Net sales:						
Sales to third parties	\$ 140,783	\$ 2,290,286	\$ –		\$ 2,290,286	
Inter-segment sales and transfers	94,996	102,969	(102,969)		–	
Total	<u>\$ 235,779</u>	<u>\$ 2,393,262</u>	<u>\$ (102,969)</u>		<u>\$ 2,290,286</u>	
Segment income	\$ 3,805	\$ 78,372	\$ 18,425		\$ 96,797	
Segment assets	13,421	1,249,932	1,531,190		2,781,130	
Other items:						
Depreciation and amortisation	1,303	88,425	16,292		104,717	
Increase in property, plant and equipment and intangible assets	5,772	104,951	96,337		201,296	

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

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

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

The adjustments and eliminations for segment income in the amounts of ¥2,445 million (\$18,425 thousand) and ¥1,954 million consisted of the elimination of inter-segment transactions and other adjustments of ¥1,798 million (\$13,549 thousand) and ¥1,523 million and corporate expenses not allocated to each reportable segment of ¥646 million (\$4,868 thousand) and ¥430 million for the years ended 31st December, 2022 and 2021, respectively.

Corporate expenses were mainly related to selling, general and administrative expenses not attributable to reportable segments for the years ended 31st December, 2022 and 2021. The adjustments and eliminations for segment assets in the amount of ¥203,189 million (\$1,531,190 thousand) and ¥202,689 million at 31st December, 2022 and 2021, respectively, consisted of corporate assets not attributable to reportable segments.

The adjustments and eliminations for depreciation and amortisation of ¥2,162 million (\$16,292 thousand) and ¥2,677 million and increase in property, plant and equipment and intangible assets of ¥12,784 million (\$96,337 thousand) and ¥8,739 million for the years ended 31st December, 2022 and 2021, 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)

25. 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, 2022 and 2021 are summarised as follows:

Year ended 31st December, 2022						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Millions of yen)</i>						
¥ 66,717	¥ 80,097	¥ 67,364	¥ 11,158	¥ 59,902	¥ 18,682	¥ 303,921
Year ended 31st December, 2021						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Millions of yen)</i>						
¥ 79,164	¥ 87,766	¥ 79,892	¥ 10,524	¥ 60,991	¥ 20,231	¥ 338,571
Year ended 31st December, 2022						
Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
<i>(Thousands of U.S. dollars)</i>						
\$ 502,765	\$ 603,594	\$ 507,641	\$ 84,084	\$ 451,409	\$ 140,783	\$ 2,290,286

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. 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, 2022 and 2021 are summarised as follows:

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, 2021					
<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>					
¥ 277,579	¥ 32,381	¥ 14,239	¥ 10,716	¥ 3,654	¥ 338,571
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>(Thousands of U.S. dollars)</i>					
\$ 1,838,877	\$ 184,197	\$ 112,313	\$ 112,486	\$ 42,403	\$ 2,290,286

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. 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, 2022 and 2021 are summarised as follows:

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
2021					
Japan	China	Southeast Asia	U.S.A	Others	Total
<i>(Millions of yen)</i>					
¥ 80,507	¥ 8,633	¥ 11,560	¥ 52	¥ 325	¥ 101,080
2022					
Japan	China	Southeast Asia	U.S.A	Others	Total
<i>(Thousands of U.S. dollars)</i>					
\$ 615,290	\$ 71,100	\$ 138,425	\$ 1,092	\$ 3,300	\$ 829,223

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

25. Segment Information (continued)

Related information (continued)

Information on loss on impairment of fixed assets

		Year ended 31st December, 2022						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Loss on impairment of fixed assets		¥ 3	¥ 135	¥ 17	¥ –	¥ 180	¥ 82	¥ 419
		Year ended 31st December, 2021						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Loss on impairment of fixed assets		¥ 8	¥ 0	¥ 4	¥ –	¥ 41	¥ 65	¥ 119
		Year ended 31st December, 2022						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Thousands of U.S. dollars)</i>						
Loss on impairment of fixed assets		\$ 22	\$ 1,017	\$ 128	\$ –	\$ 1,356	\$ 617	\$ 3,157

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

25. Segment Information (continued)

Related information (continued)

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

		Year ended 31st December, 2022						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Amortisation for the year	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 72	¥ –	¥ 72
Remaining unamortised balance	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 352	¥ –	¥ 352
		Year ended 31st December, 2021						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Millions of yen)</i>						
Amortisation for the year	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 64	¥ –	¥ 64
Remaining unamortised balance	¥ –	¥ –	¥ –	¥ –	¥ –	¥ 391	¥ –	¥ 391
		Year ended 31st December, 2022						
		Confectioneries and Food Products	Ice Cream	Dairy	Food Ingredients	Overseas	Others	Total
		<i>(Thousands of U.S. dollars)</i>						
Amortisation for the year	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 542	\$ –	\$ 542
Remaining unamortised balance	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 2,652	\$ –	\$ 2,652

Ezaki Glico Co., Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements (continued)

26. Amounts per Share

Amounts per share at 31st December, 2022 and 2021 and for the years ended 31st December, 2022 and 2021 were as follows:

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Yen)</i>		<i>(U.S. dollars)</i>
Profit attributable to owners			
of the parent	¥ 126.59	¥ 208.44	\$ 0.95
Cash dividends	¥ 80.00	¥ 70.00	\$ 0.60
Net assets	¥ 3,841.62	¥ 3,710.65	\$ 28.94

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

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

The weighted-average number of the Company's shares held by the E-Ship Trust of 16 thousand shares and 80 thousand shares for the years ended 31st December, 2022 and 2021, respectively were excluded from the number of shares of common stock used in the computation of profit attributable to owners of the parent.

Diluted profit per share for the years ended 31st December, 2022 and 2021 has not been disclosed because no dilutive potential shares with dilutive effect existed for the years ended 31st December, 2022 and 2021, 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)

26. 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, 2022 and 2021 is summarised as follows:

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Profit attributable to owners of the parent	¥ 8,099	¥ 13,519	\$ 61,032
	<u>2022</u>	<u>2021</u>	
	<i>(Thousands of shares)</i>		
Weighted-average number of shares of common stock	63,984	64,856	

Descriptions of dilutive potential shares that were not included in the computation of diluted profit per share for the years ended 31st December, 2022 and 2021 because of no dilutive effect are as follows:

	<u>2022</u>	<u>2021</u>	<u>2022</u>
	<i>(Millions of yen)</i>		<i>(Thousands of U.S. dollars)</i>
Euro-Yen denominated convertible bonds due 2024	¥ 30,000	¥ 30,000	\$ 226,073
	<u>2022</u>	<u>2021</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 30th March, 2023)

<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> Matao Miyamoto Minoru Kudo Satoru Teramoto</p>
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Corporate Data (as of 31st December, 2022)

<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. \$58,575 thousand)</p>	<p>Number of Employees 1,411</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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