

おいさと健康



[Notes of caution]

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<Full Version>

Glico Group Financial Results For the First Half of the Fiscal Year Ending December 31, 2021

Ezaki Glico Co., Ltd.

Securities Code: 2206

August 24, 2021

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I. FYE December 2021 First Half Earnings Report

Summary for the First Half FYE December 2021



1. In Japan, revenues continued to decrease at -7.0%. However, overseas, revenues increased by +18.0% due to robust performance in China and the U.S.A. Consolidated net sales decreased by -3.4% compared to the previous year.

- In Japan, revenue continued to decrease as a result of the COVID-19 pandemic and lower competitiveness. However, overseas, revenue increased as a result of strong online sales in China and expanded sales in retail in the U.S.A.

2. Consolidated operating income increased by +14.2% YoY, primarily due to the effects of increased overseas revenue.

- Consolidated operating income rose by +1.2 billion yen (+14.2%) YoY due to significant increases in revenue overseas.

3. The Health Business category achieved an increase of +10.6% as a result of value creation in the health segment.

- "Almond Koka" had a significant increase that was attributable to expansion in the almond milk market amid growing demand for health value. An increase of +10.6% was achieved in the Health Business category as a whole.

4. Performance fell in Japan and overseas as a result of the COVID-19 pandemic.

- In Japan, revenue fell amid depressed demand for confectioneries sold as souvenirs as well as foods and other products sold for consumption at home. Overseas revenue fell due to the effects of lockdowns in some cities in ASEAN and other regions.

Status of Consolidated Performance



- Net sales: Despite steady performance in China and the U.S.A., net sales decreased by -3.4% due to difficulties in Japan.
- Operating income: There was a +14.2% increase YoY that was mainly attributable to increases overseas.

(Unit: 100 million yen)

	FYE Dec. 2020	FYE Dec. 2021	
	First Half Results	First Half Results	Change from Previous Period
Net sales	1,660	1,603	- 3.4%
Operating income	87	100	+ 14.2%
Ordinary income	97	112	+ 15.7%
Net income	63	79	+ 25.4%
Operating profit margin	5.3%	6.2%	—

Status of Operating Income



(Unit: 100 million yen)

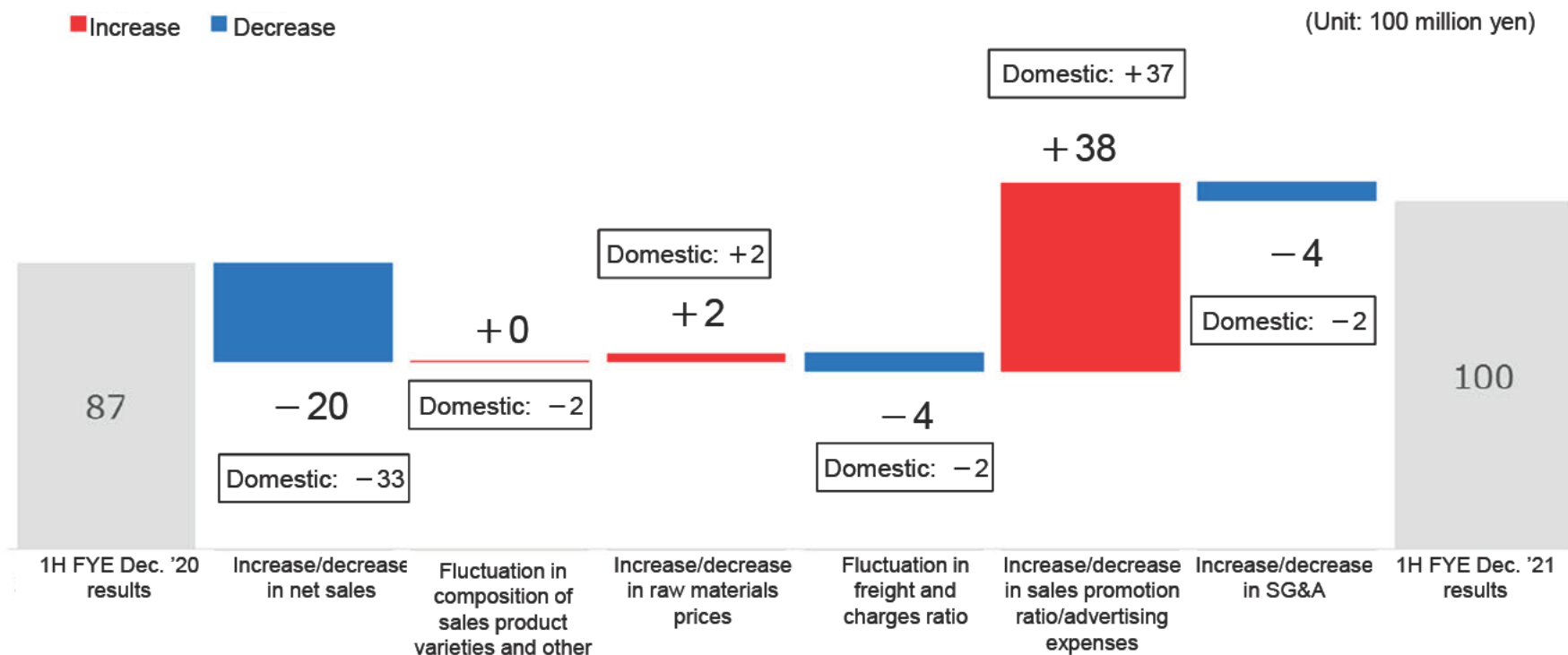
	FYE Dec. 2020		FYE Dec. 2021	
	First Half Results	Sales Ratio	First Half Results	Sales Ratio
Net sales	1,660	100.0%	1,603	100.0%
Cost of sales	860	51.8%	836	52.1%
Gross profit	799	48.2%	767	47.9%
Freight and charges	153	9.2%	152	9.5%
Sales promotion	264	15.9%	234	14.6%
Advertising expenses	61	3.7%	44	2.7%
Salaries and benefits	144	8.7%	140	8.8%
Expenses and depreciation	89	5.4%	97	6.1%
SGA total	712	42.9%	667	41.6%
Operating income	87	5.3%	100	6.2%

Factors of Increases (Decreases) in Operating Income



<Change from previous period>

- In Japan, despite a significant decrease in sales promotion ratio and advertising expenses, operating income remained at the same level as the previous period due to a decrease in net sales.
- Overseas operating income increased, primarily due to increases in net sales.



Status of Net Sales by Segment



- Despite posting increases in Other, including Health, the domestic segment had a year-on-year decrease of -7.0% due to poor performance in Confectioneries and Food Products.
- The overseas segment performed well in China and the U.S.A. and posted a +18.0% increase (in terms of JPY).

(Unit: 100 million yen)

	FYE Dec. 2020	FYE Dec. 2021	
	First Half Results	Results	Change from Previous Period
Total	1,660	1,603	- 3.4%
(Japan)	1,422	1,323	- 7.0%
Confectioneries and Food Products	443	390	- 12.0%
(Confectioneries)	346	313	- 9.6%
(Food Products)	97	77	- 20.6%
Ice Cream	427	395	- 7.6%
Milk and Dairy Products	415	394	- 5.2%
Food Ingredients	49	51	+ 4.1%
Overseas business	237	280	+ 18.0%
Other	87	93	+ 6.8%
(Health)	62	69	+ 10.6%

Reference: The following exchange rates are used.

Exchange rate	1H FYE Dec. 2020 Cum Total (Results)	1H FYE Dec. 2021 Cum Total (Results)
China (CNY)	1 CNY = 15.37 JPY	1 CNY = 16.63 JPY
Thailand (THB)	1 THB = 3.45 JPY	1 THB = 3.49 JPY
U.S.A (USD)	1 USD = 108.43 JPY	1 USD = 107.74 JPY

Status of Operating Income by Segment



- Despite a decrease attributable to lower sales, the domestic segment remained at the same level as the previous period due to reductions in sales promotion and advertising expenses.
- The overseas segment posted an increase of 1.3 billion yen YoY that was attributable to the effects of increased income, etc. (Unit: 100 million yen)

	FYE Dec. 2020	FYE Dec. 2021	
	First Half Results	First Half Results	Change from Previous Period
Total	87	100	12
(Japan)	79	78	0
Confectioneries and Food Products	26	23	-3
(Confectioneries)	21	22	1
(Food Products)	5	1	-4
Ice Cream	29	21	-9
Milk and Dairy Products	12	11	-1
Food Ingredients	4	6	1
Overseas business	9	21	13
Other	-2	6	9
Adjustment	9	11	3

Reference: The following exchange rates are used.

Exchange rate	1H FYE Dec. 2020 Cum Total (Results)	1H FYE Dec. 2021 Cum Total (Results)
China (CNY)	1 CNY = 15.37 JPY	1 CNY = 16.63 JPY
Thailand (THB)	1 THB = 3.45 JPY	1 THB = 3.49 JPY
U.S.A (USD)	1 USD = 108.43 JPY	1 USD = 107.74 JPY

Domestic Business: Situation by Category



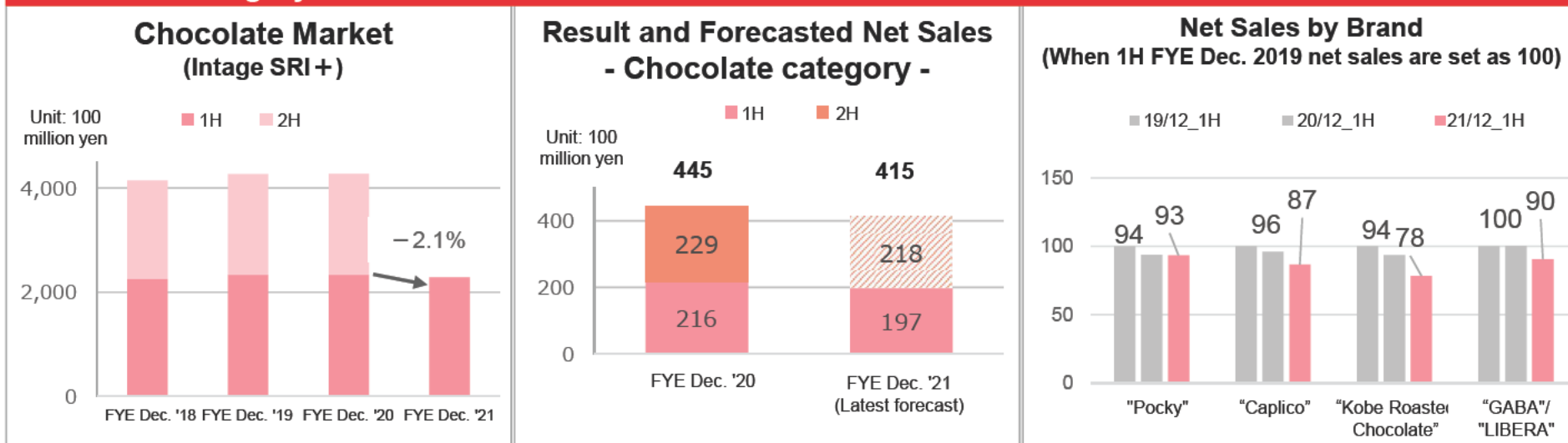
Category	1H FYE Dec. 2021	
	Net sales (% of previous period)	
Chocolate	19.7 billion yen (− 8.8%)	The mainstay product “Pocky” posted increases from April to June but had a slight decrease overall in the first half due to struggling performance by “Pocky” sold as souvenirs. Other brands also continued to struggle.
Cookies	10.9 billion yen (− 10.0%)	“Paetz” sold as souvenirs continued to struggle. “BISCO” performed poorly despite a product overhaul last year.
Ice Cream	39.5 billion yen ^{*1} (− 7.6%)	Although “Seventeen Ice” recovered after being affected by the COVID-19 pandemic, “Ice no mi,” “PAPICO,” and other brands struggled. Wholesale subsidiaries posted an increase.
Yoghurt	9.0 billion yen (− 13.4%)	“BigFix yogurt,” “Apple Yoghurt,” and other brands performed poorly overall, in part due to a contracting yoghurt market.
Drinking Milk	11.7 billion yen (− 4.3%)	The mainstay brand “Cafe Ore” and other brands struggled overall.
Baby care	2.3 billion yen (− 12.3%)	Infant Formula struggled in January-March, in part due to a depressed market, but showed a recovery in April-June.
Health	6.9 billion yen (+ 10.6%)	The mainstay brand “Almond Koka” (drink) drove strong performance with significant increases.

*1 Includes net sales of wholesale subsidiaries

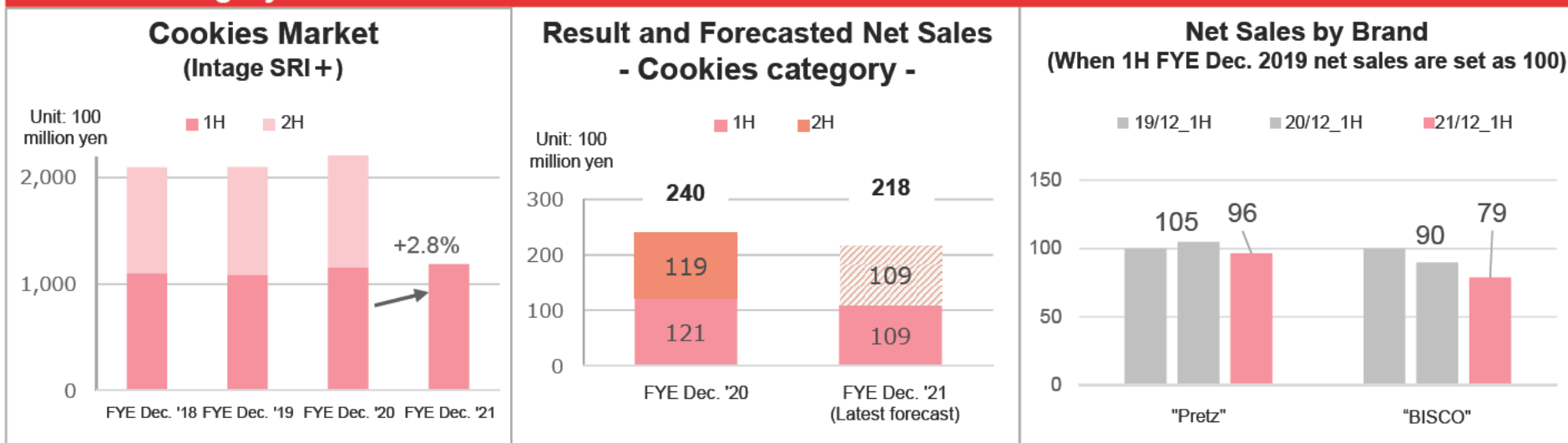
Domestic Business: Situation by Category (Chocolate/Cookies)



Chocolate category



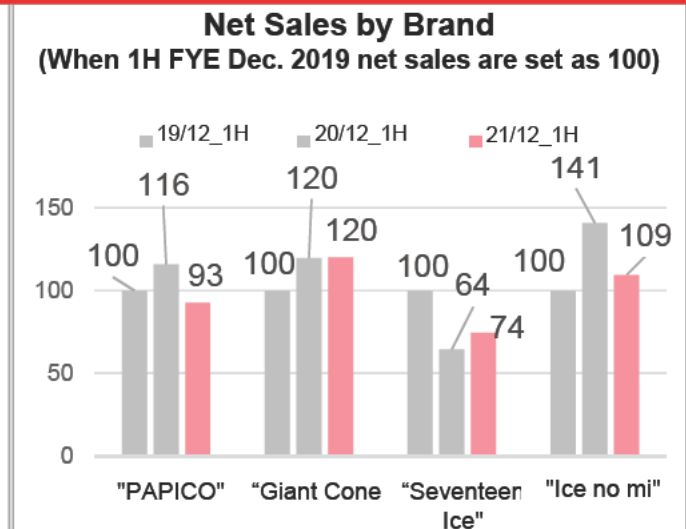
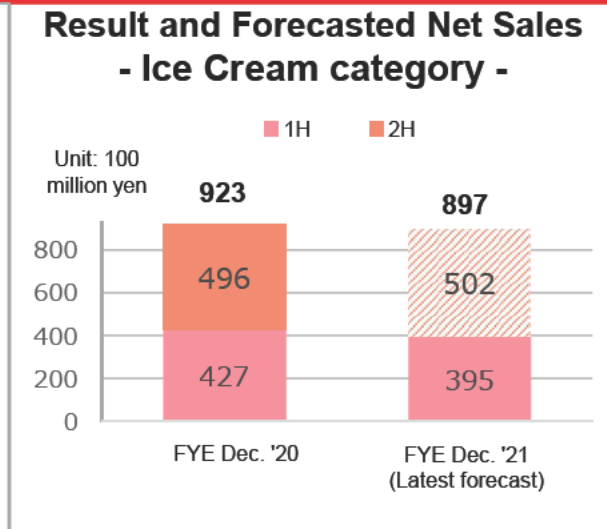
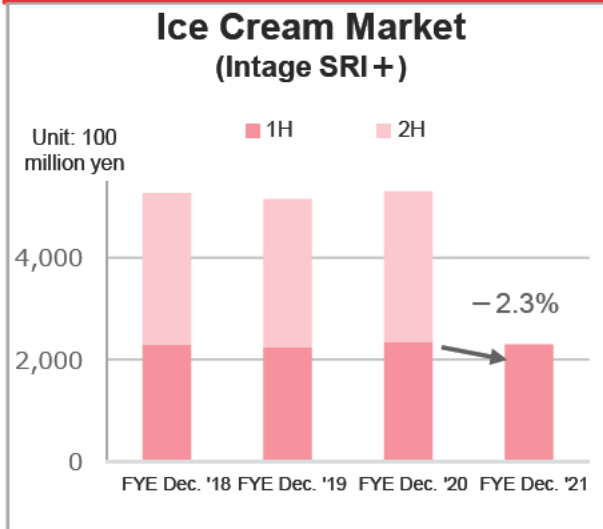
Cookies category



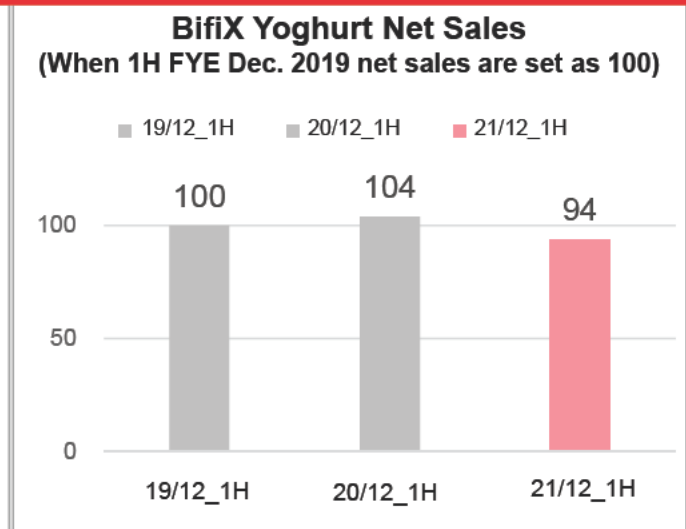
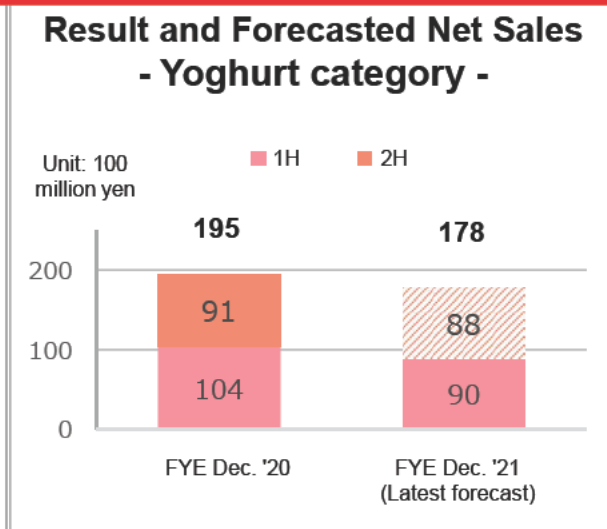
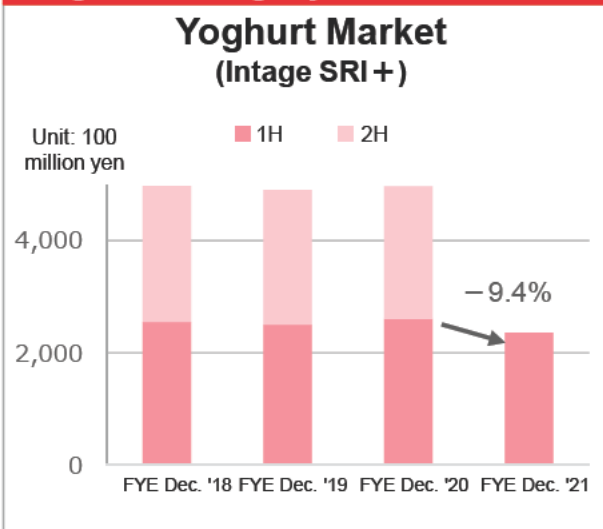
Domestic Business: Situation by Category (Ice Cream/Yoghurt)



Ice Cream category



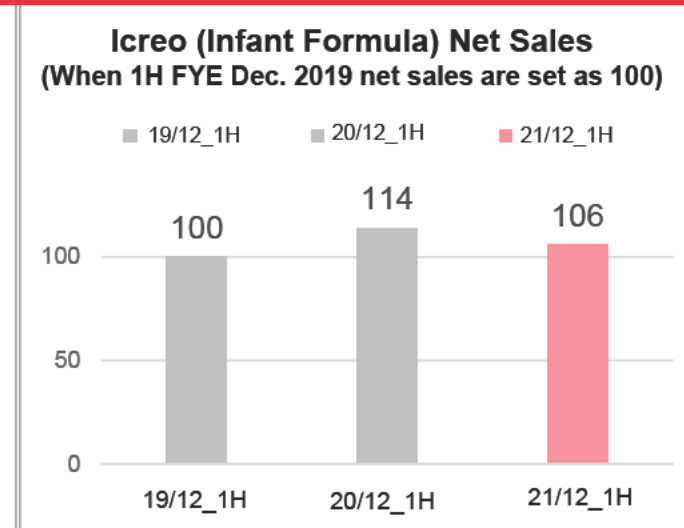
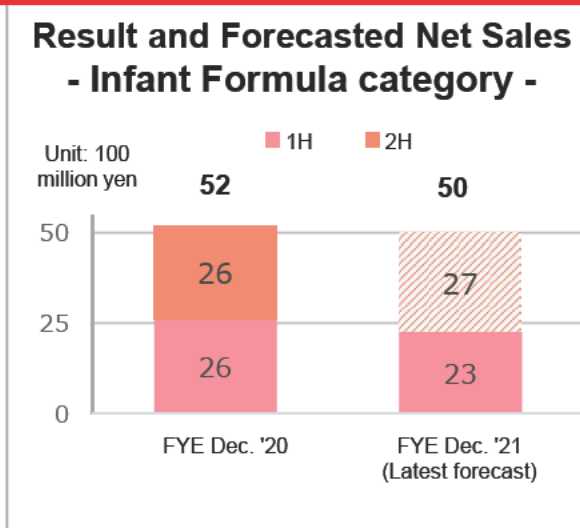
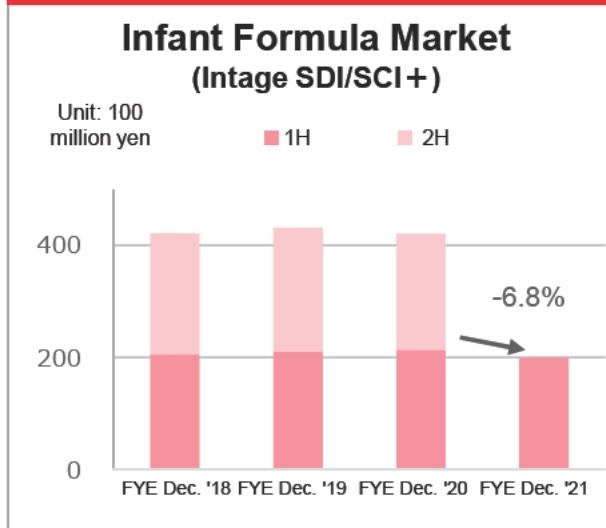
Yoghurt category



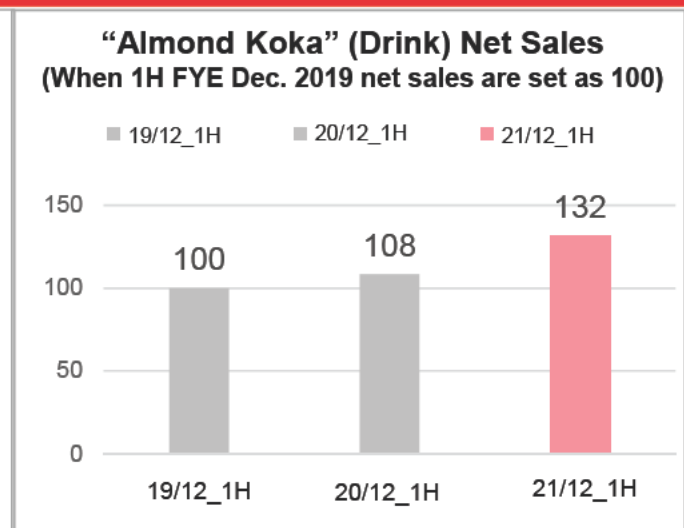
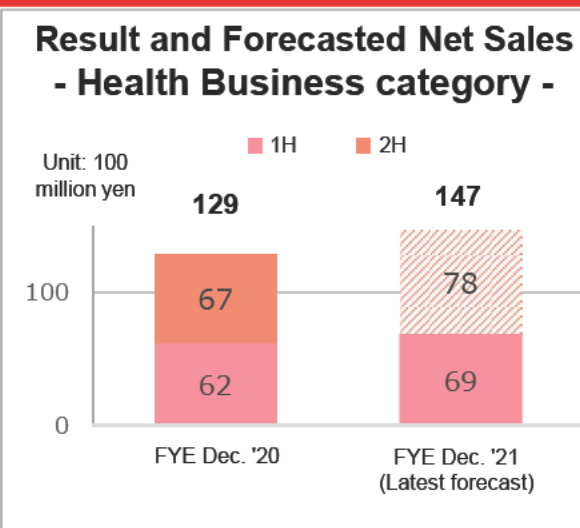
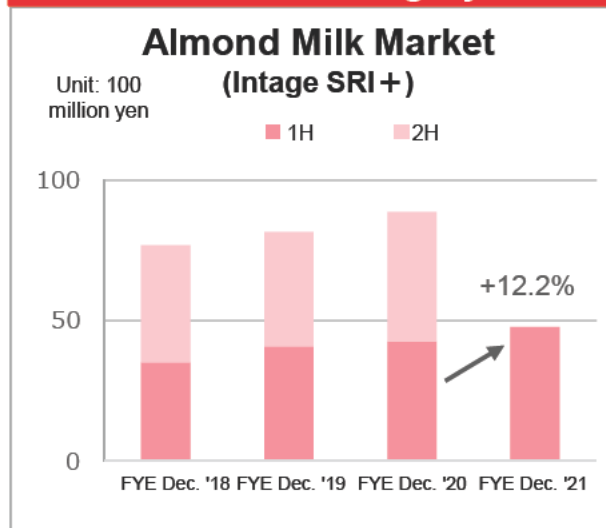
Domestic Business: Situation by Category (Infant Formula/Health Business Category)



Infant Formula category



Health Business category



China



- In the first half of 2021, China’s cookie market (POS) grew slightly at +0.8% compared to the previous year.
- Glico’s net sales (shipments) grew +11.5% compared to the previous year based on local currencies. However, operating income fell slightly with the loss of the previous year’s tax reduction of COVID-19, etc. Amid changes in consumer purchasing channels, sales increased at local supermarkets but were weak at hypermarkets. Online sales remained strong.
- “Pejoy” and other brands posted YoY increases. “Pretz” saw increases in advance sales and shipments of new products (“Pretz at Night”). In the second half of the year, we will accelerate efforts such as new product launches and campaigns with Pocky and Pejoy.

(Unit: 1 million CNY)

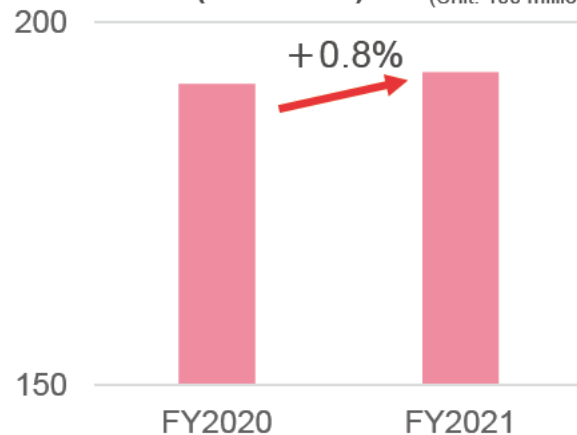
	FYE Dec. 2020	FYE Dec. 2021	
	First half results	First half results	Change from previous period
Net sales	794	886	+ 11.5%
Operating income	51	50	- 2.5%

New products launched in the first half

From left, “Double Pretz Sakura-Strawberry Flavor,” “Pocky Sakura-Almond Flavor,” “Pejoy Sakura-Matcha Flavor”



China’s first half cookie market size (offline/EC) *From this period, the overseas local-currency based results has been rounded down to the nearest million yuan.
(Unit: 100 million CNY)



New product “Pretz at Night”



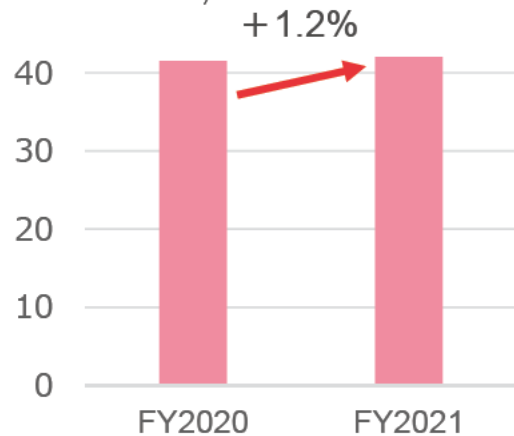
China: Online



- In the first half of 2021, the EC market within China’s cookie market grew +1.2% compared to the previous year.
- Our EC business is growing faster than the market. (+82% growth based on the local currency) The EC business grew to accounted for 12.9% of our total China business.
- We are maintaining strong performance in both Alibaba and JD.com by strengthening marketing activities targeting the Spring Festival and other events.
- We launched sales of “Almond Koka” for EC websites in August. Amid growing health consciousness, we aim to help promote health through food by proposing new eating habits to Chinese customers.

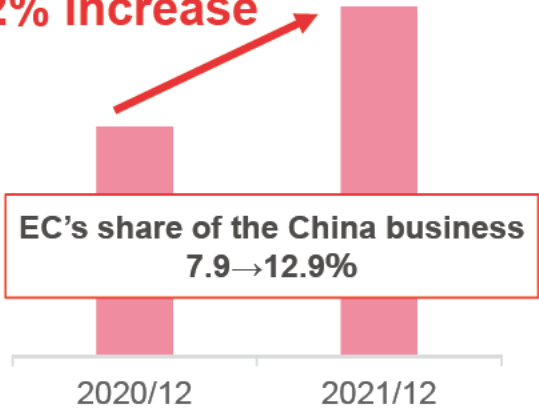
China’s first-half cookie market size (EC) (POS)

(Unit: 100 million CNY)



Glico’s first-half EC net sales and EC ratio

EC net sales +82% increase



“Almond Koka” for EC websites in China
From left, “Original,” “Sugarless,” “Aromatic Cacao”



Source: Glico research

ASEAN



(Unit: 1 million USD)

	FYE Dec. 2020	FYE Dec. 2021	
	First half results	First half results	Change from previous period
Net sales	65	61	- 5.4%
Operating income	▲6	▲4	-

*Concerning the accounting terms for ASEAN countries, figures were converted with the real exchange rate for the 1H FYE December 2021 total of each country.

*From this period, the overseas local-currency based results has been rounded down to the nearest million USD.

- Restrictions on going outside remain in place in most countries due to the COVID-19 pandemic. Net sales declined due to the impact on the tourism industry and sluggish demand.
- In the case of Thailand, the Cookie Market was sluggish in the first half, down - 6.9% from the previous year. Domestic demand was strong in traditional trading, partly due to refraining from going out to distant places. We will reinforce our distribution to this sales channel. We launched a new product “Pretz Harvest” in the first half of 2021.
- In Indonesia, sales struggled mainly in the first quarter due to large-scale restrictions on social activities in some cities resulting from the COVID-19 pandemic.
- In Malaysia, the Philippines, and other countries, despite the effects of behavioral restrictions, we are expanding distribution particularly in the area of modern trade. We achieved increased sales compared to the previous year.



New product “Pretz Harvest”
From left, “Purple Yam” flavor, “Apple” flavor)



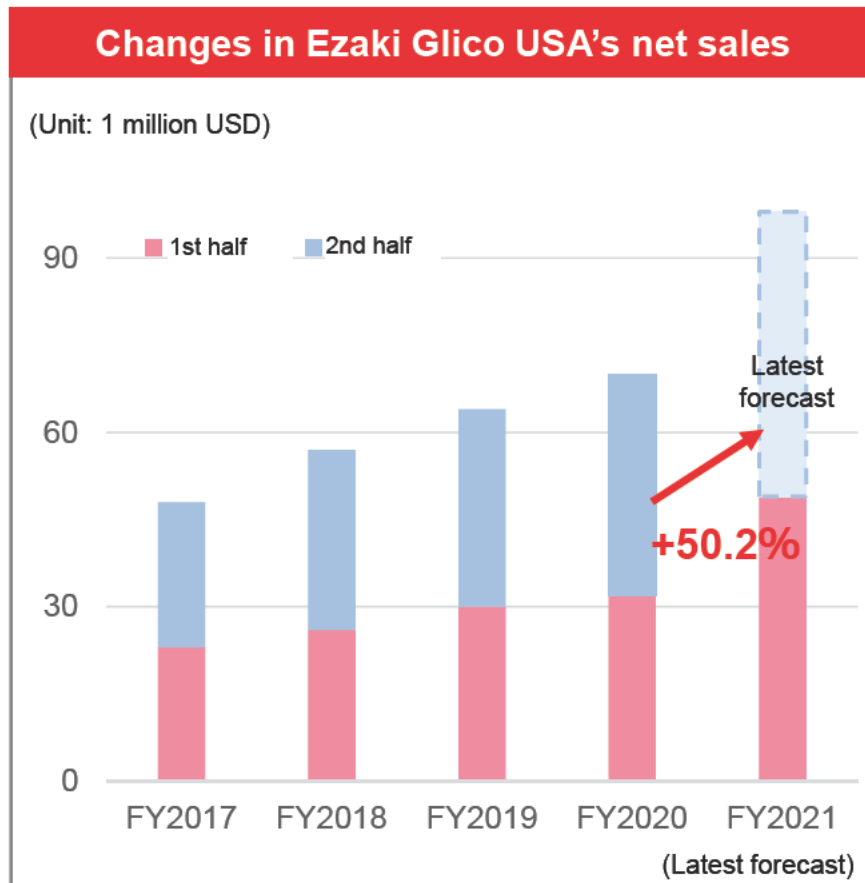
Product displays in the Philippine
(Sakura Pocky, Double Chocolate)

U.S.A.



- The 1H FYE December 2021 net sales of Ezaki Glico USA Corporation, Glico’s local subsidiary in the U.S. confectionery business, increased by +50.2% YoY to 48 million USD based on the local currency.
- More Walmart stores are distributing Glico products to their ordinary confectionery product shelves. Other products besides the red box “Pocky” are also being distributed.
- “Pocky Strawberry” won the “Best Sweet Snack” award at the first Cosmo Snack Awards.

(Unit: 1 million USD)

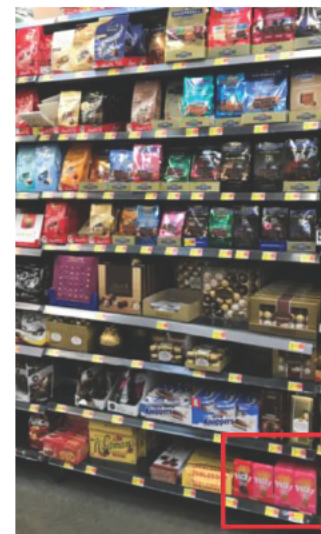


	FYE Dec. 2020	FYE Dec. 2021	
	First half results	First half results	Change from previous period
Net sales	32	48	+ 50.2%
Operating income	12	18	+ 51.1%

*Figures for the U.S.A. are based on consolidated results.

*From this period, the overseas local-currency based results has been rounded down to the nearest million USD.

General shelves at Walmart
 (“Pocky Strawberry” is also being distributed)



“Pocky Strawberry” wins the Best Sweet award.



COSMOPOLITAN, a global media outlet found in 80 countries around the world, announced its first “Cosmo Snack Awards.” “Pocky Strawberry” won the “Best Sweet Snack” award in the general excellence category. (April 2021)

II. FYE December 2021 Full-Year Earnings Forecast

Full-Year Plan and Forecast



- Net sales: Although the overseas segment is performing well, overall consolidated net sales are expected to decrease by -1.7% from the initial forecast, or about the same level as last year, reflecting the domestic business's struggles in the first half.
- Operating income: Consolidated operating income is expected to increase +2.6% YoY, which is unchanged from the initial forecast.

(Unit: 100 million yen)

	FYE Dec. 2020 (full year)	FYE Dec. 2021 (full year)			
	Results	Forecast	Latest Forecast	Change from Previous Period	Change from Forecast
Net sales	3,440	3,500	3,440	0.0%	-1.7%
Operating income	185	190	190	+2.6%	0.0%
Ordinary income	196	195	195	-0.7%	0.0%
Net income	118	120	120	+1.4%	0.0%
Operating profit margin	5.4%	5.4%	5.5%		

Operating Income Forecast



(Unit: 100 million yen)

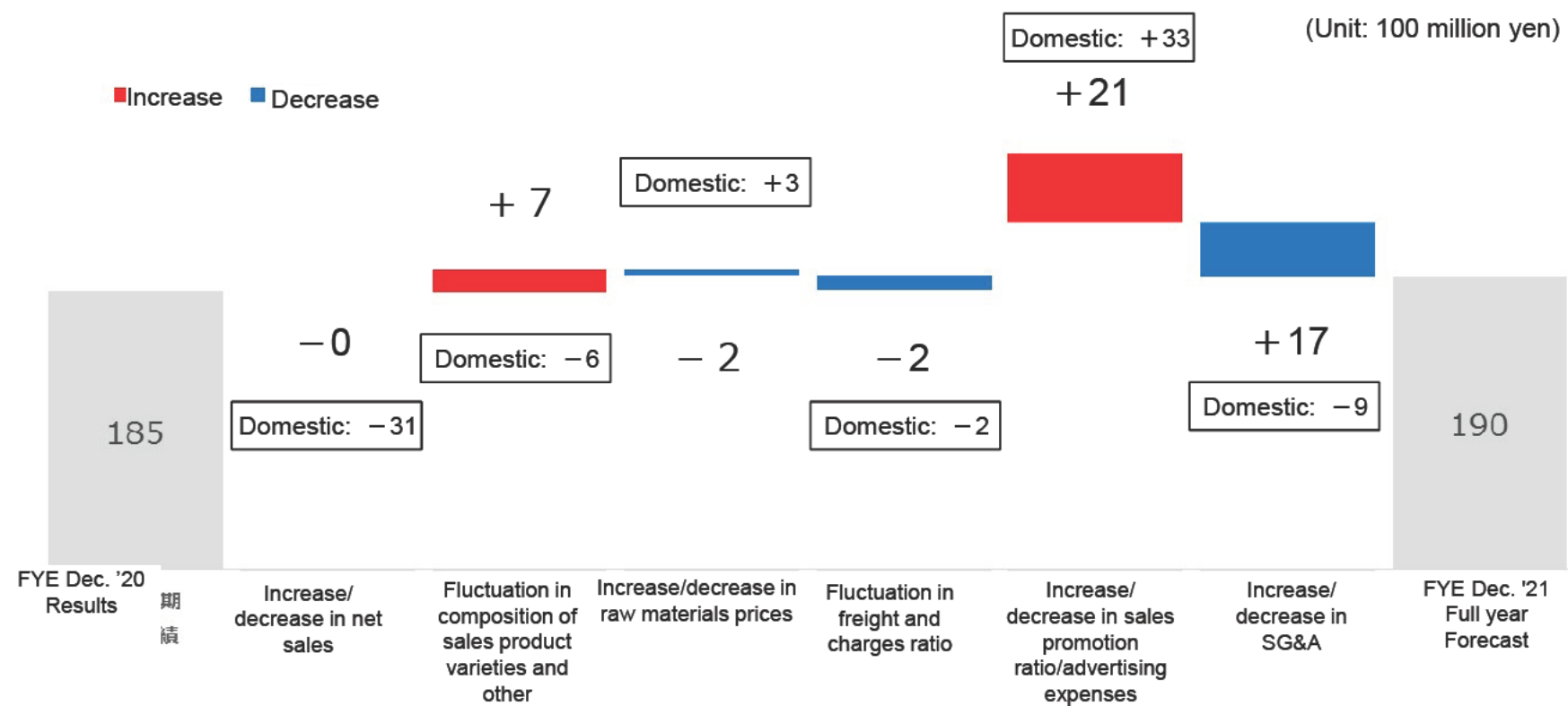
	FYE Dec. 2020 Full year		FYE Dec. 2021 Full year	
	Results	Sales Ratio %	Latest Forecast	Sales Ratio %
Net sales	3,440	100.0%	3,440	100.0%
Cost of sales	1,816	52.8%	1,811	52.6%
Gross profit	1,624	47.2%	1,629	47.4%
Freight and charges	315	9.2%	319	9.3%
Sales promotion	528	15.4%	512	14.9%
Advertising expenses	121	3.5%	117	3.4%
Salaries and benefits	289	8.4%	290	8.4%
Expenses and depreciation	186	5.4%	201	5.8%
SGA total	1,439	41.8%	1,439	41.8%
Operating income	185	5.4%	190	5.5%

Factors of Increases (Decreases) in Operating Income



<Change from previous period>

- In Japan, although significant decreases in the sales promotion ratio and advertising expenses are expected to occur, operating income is forecasted to decrease overall due lower income resulting from lower net sales.
- Overseas, although the sales promotion ratio and advertising expenses are expected to increase, higher income is nonetheless forecasted overall due to increased earnings attributable to higher net sales.



Net Sales Forecast by Segment



- In the domestic segment, although net sales from Health are expected to increase, an overall decrease of -3.9% is forecast due to continuing struggles particularly in Confectioneries and Food Products.
- The overseas segment is expected to see an increase of +22.6% YoY amid strong performance in China and the U.S.A.

(Unit: 100 million yen)

	FYE Dec. 2020	FYE Dec. 2021			
	Results	Forecast	Latest Forecast	Change from Previous Period	Change from Forecast
Total	3,440	3,500	3,440	-0.0%	-1.7%
(Japan)	2,930	2,930	2,815	-3.9%	-3.9%
Confectioneries and Food Products	893	895	810	-9.3%	-9.5%
(Confectioneries)	702	715	649	-7.6%	-9.2%
(Food Products)	191	180	161	-15.5%	-10.6%
Ice Cream	923	936	897	-2.8%	-4.2%
Milk and Dairy Products	834	799	801	-4.0%	+0.3%
Food Ingredients	101	102	108	+7.4%	+5.9%
Overseas business	510	570	625	+22.6%	+9.6%
Other	180	198	199	+10.8%	+0.5%
(Health)	129	147	147	+13.8%	+0.0%

Reference: The following exchange rates are used.

	FYE Dec. 2020 Results	FYE Dec. 2021 Forecast	FYE Dec. 2021 Latest forecast
China (CNY)	1 CNY = 15.44 JPY	1 CNY = 15.00 JPY	1 CNY = 16.85 JPY
Thailand (THB)	1 THB = 3.42 JPY	1 THB = 3.30 JPY	1 THB = 3.46 JPY
U.S.A (USD)	1 USD = 106.67 JPY	1 USD = 105.00 JPY	1 USD = 109.05 JPY

Operating Income Forecast by Segment



- For Japan, we expect that operating income will decrease by -1.2 billion yen YoY due to the major impact of lower net sales.
- As for overseas business, we anticipate an increase of +1.7 billion yen YoY from the effects of increased earnings.

(Unit: 100 million yen)

	FYE Dec. 2020	FYE Dec. 2021			
	Results	Forecast	Latest Forecast	Change from Previous Period	Change from Forecast
Total	185	190	190	5	0
(Japan)	159	161	147	-12	-14
Confectioneries and Food Products	50	55	46	-4	-9
(Confectioneries)	41	48	41	0	-7
(Food Products)	9	7	5	-4	-2
Ice Cream	61	69	56	-5	-13
Milk and Dairy Products	25	25	21	-4	-4
Food Ingredients	9	9	9	0	0
Overseas business	26	29	43	17	14
Other	3	4	8	5	4
Adjustment	12	-1	7	-5	8

Reference: The following exchange rates are used.

	FYE Dec. 2020 Results	FYE Dec. 2021 Forecast	FYE Dec. 2021 Latest forecast
China (CNY)	1 CNY = 15.44 JPY	1 CNY = 15.00 JPY	1 CNY = 16.85 JPY
Thailand (THB)	1 THB = 3.42 JPY	1 THB = 3.30 JPY	1 THB = 3.46 JPY
U.S.A (USD)	1 USD = 106.67 JPY	1 USD = 105.00 JPY	1 USD = 109.05 JPY

Overseas Business: Latest Forecasts of Region-Specific Net Sales and Operating Income



◆ China

(Unit: 1 million CNY)

	FYE Dec. 2020	FYE Dec. 2021			
	Results	Forecast	Latest Forecast	Change from Previous Period	Change from Forecast
Net sales	1,705	1,949	1,949	+ 14.3%	—
Operating income	150	182	182	+ 20.9%	—

◆ ASEAN *

(Unit: 1 million USD)

	FYE Dec. 2020	FYE Dec. 2021			
	Results	Forecast	Latest Forecast	Change from Previous Period	Change from Forecast
Net sales	128	137	137	+7.3%	+0.1%
Operating income	-10	-8	-8	-	-

◆ U.S.A.*

(Unit: 1 million USD)

	FYE Dec. 2020	FYE Dec. 2021			
	Results	Forecast	Latest Forecast	Change from Previous Period	Change from Forecast
Net sales	71	78	98	+37.4%	+24.6%
Operating income	20	22	28	+39.6%	+26.2%

*Concerning the accounting terms for ASEAN countries, figures were converted with the exchange rate (latest forecast) for FYE December 2021 for each country.

*Figures for the U.S.A. are based on consolidated results.

*From this period, the overseas local-currency based results has been rounded down to the nearest million CNY, million USD.

TTM Currency Rate



		USD	EUR	THB	CNY	100KRW	100IDR
<u>2018</u>	3/31	106.24	130.52	3.40	16.92	9.99	0.78
	6/30	110.54	127.91	3.33	16.66	9.88	0.77
	9/30	113.57	132.14	3.50	16.50	10.23	0.76
	12/31	111.00	127.00	3.41	16.16	9.94	0.77
<u>2019</u>	3/31	110.99	124.56	3.49	16.47	9.80	0.78
	6/30	107.79	122.49	3.50	15.69	9.33	0.77
	9/30	107.92	118.02	3.53	15.13	8.99	0.76
	12/31	109.56	122.54	3.63	15.67	9.46	0.79
<u>2020</u>	3/31	108.83	119.55	3.34	15.31	8.92	0.67
	6/30	107.74	121.08	3.49	15.23	9.00	0.76
	9/30	105.80	124.17	3.34	15.54	9.08	0.72
	12/31	103.50	126.95	3.44	15.88	9.52	0.74
<u>2021</u>	3/31	110.71	129.80	3.54	16.84	9.78	0.77
	6/30	110.58	131.58	3.44	17.11	9.78	0.77

Net Sales by Category



(Unit: 100 million yen)

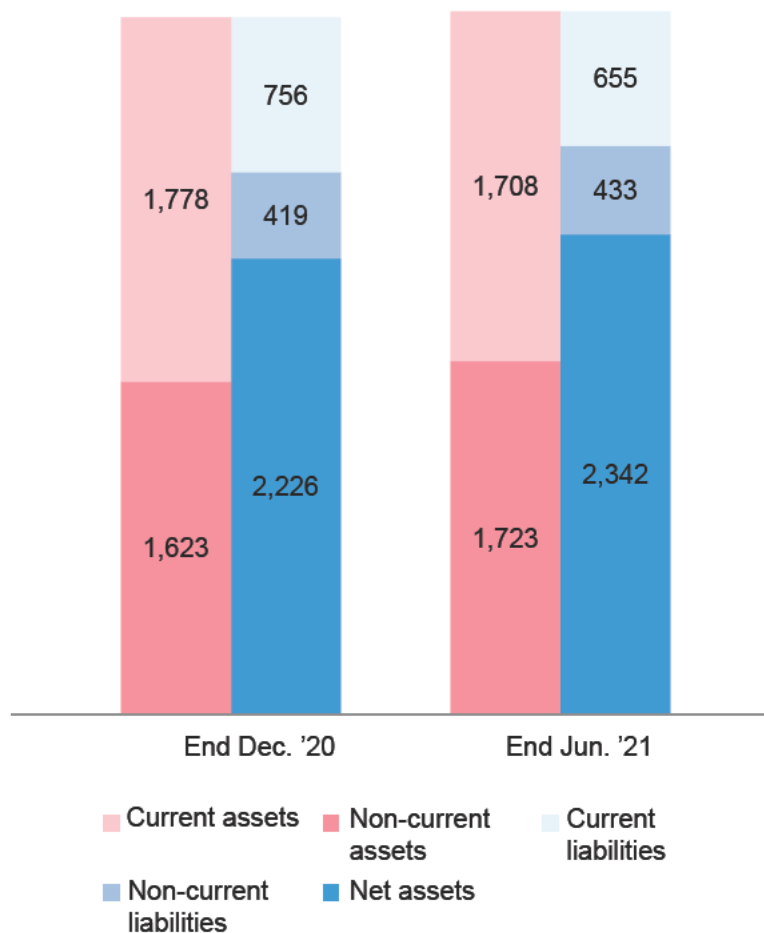
Segment	Category	FYE Dec. 2020		FYE Dec. 2021 (full year)				
		First Half Results	Results	First Half Results	Forecast	Latest Forecast	Change from Previous Period	Change from Forecast
Confectioneries and Food Products	Chocolate	216	445	197	449	415	-6.7%	-7.6%
	Cookies	121	240	109	246	218	-9.2%	-11.4%
	Food Products	97	191	77	180	161	-15.5%	-10.6%
	Other	9	17	7	20	16	-7.3%	-20.0%
	Total	443	893	390	895	810	-9.3%	-9.5%
Ice Cream	Ice cream, wholesale subsidiaries	427	923	395	936	897	-2.8%	-4.2%
	Total	427	923	395	936	897	-2.8%	-4.2%
Milk and Dairy Products	Yoghurt	104	195	90	194	178	-8.9%	-8.1%
	Drinking Milk	122	256	117	239	243	-4.9%	+1.6%
	Fruit juices, Carbonated drinks	107	218	109	203	216	-1.1%	+6.4%
	Western confections	57	113	56	107	114	+0.7%	+6.5%
	Baby care	26	52	23	56	50	-4.1%	-10.7%
	Total	415	835	394	799	801	-4.0%	+0.3%
Food Ingredients	Food Ingredients	49	101	51	102	108	+7.4%	+5.9%
	Total	49	101	51	102	108	+7.4%	+5.9%
Overseas	Overseas subsidiaries, export	237	510	280	570	625	+22.6%	+9.6%
	Total	237	510	280	570	625	+22.6%	+9.6%
Other	Health	62	129	69	147	147	+13.8%	+0.0%
	Total	87	180	93	198	199	+10.7%	+0.5%
Total		1,660	3,440	1,603	3,500	3,440	-0.0%	-1.7%

Status of Balance Sheet



(Unit: 100 million yen)

◆ Net worth ratio: 65.2% (end of December 2020)
→ 68.2% (end of June 2021)



Assets Major account items		End Dec. '20	End Jun. '21	Vs. end Dec. '20
Current assets	Cash and deposits	979	941	-38
	Notes and accounts receivable	435	384	-51
	Securities	7	2	-5
	Inventories	289	330	+41
	Total current assets	1,778	1,708	-70
Non-current assets	Property, plants and equipment	976	985	+9
	Intangible assets	107	133	+26
	Investment securities	354	415	+61
	Total non-current assets	1,623	1,723	+100
Liabilities and net assets Major account items		End Dec. '20	End Jun. '21	Vs. end Dec. '20
Current liabilities	Notes and accounts payable, trade	326	302	-23
	Short-term loans payable			
	Current portion of long-term loans payable	2	2	+0
	Total current liabilities	756	655	-101
Non-current liabilities	Convertible bonds	301	301	-0
	Long-term loans payable	3	2	-1
	Total non-current liabilities	419	433	+14
Net assets	Shareholders' equity	2,137	2,199	+63
	Total net assets	2,226	2,342	+117

[Notes of caution]

*Current Glico and Glico Group plans, forecasts, and initiatives indicated in these materials reflect determinations made based on information available at the present time. As such, this information may include major risks and uncertainties. Please note that actual performance may differ significantly from these predictions due to a number of factors.

*Examples of such factors include economic decline, currency rate fluctuations, changes in legal code or administrative systems, pressure from competitor pricing or product strategies, decline in the marketability of new or existing Glico products, production stoppages, infringement of Glico intellectual property rights, sudden technological innovation, and unfavorable decisions in major lawsuits and other factors. However, factors that influence earnings are not limited to these factors.

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