

[Notes of caution]

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February 14, 2020

Summary of Consolidated Financial Results (Japanese Accounting Standards) for the Fiscal Year Ended December 31, 2019

Listed company name: Ezaki Glico Co., Ltd.

Listed stock exchange: Tokyo Stock Exchange

Securities Code: 2206 URL: <https://www.glico.com/jp/>

Representative: Katsuhisa Ezaki, President and CEO

Scheduled date of Annual Shareholders' Meeting: March 24, 2020

Scheduled filing date of securities report: March 25, 2020

Scheduled commencement date of dividend payments: March 6, 2020

Preparation of explanatory materials for financial results: Yes

Holding of a briefing on financial results: Yes

(Amounts less than ¥ million are rounded down.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2019

(April 1, 2019 to December 31, 2019)

(1) Consolidated results of operations

(The percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
December 31, 2019	288,187	-	15,605	-	17,002	-	12,047	-
March 31, 2019	350,270	(0.9)	16,746	(17.8)	19,217	(12.6)	11,844	(22.2)

(Note) Comprehensive Income: Fiscal year ended December 31, 2019: ¥9,057 million [- %]

Fiscal year ended March 31, 2019: ¥9,520 million [(51.1) %]

Fiscal year ended	Earnings per share (basic)	Earnings per share (diluted)	Return on Equity	Ordinary profit to total asset ratio	Operating profit to net sales ratio
December 31, 2019	¥ 185.31	¥ -	5.6%	4.9%	5.4%
March 31, 2019	¥ 180.02	¥ -	5.6%	5.6%	4.8%

(Reference) Share of profit of entities accounted for using equity method: Fiscal year ended December 31, 2019: ¥181 million

Fiscal year ended March 31, 2019: ¥138 million

The Company changed its fiscal year end from March 31 to December 31 upon the resolution of "Partial Amendment of Articles of Incorporation" at the 114th Annual Shareholders Meeting held on June 25, 2019. As a result, the fiscal year ended December 31, 2019, which is the transitional period, is the nine-month period from April 1, 2019 until December 31, 2019. Therefore, the percentages indicating year-on-year changes are not presented. The period for consolidated accounting of the Company and its domestic subsidiaries whose fiscal year end was March 31 is the nine-month period from April 1 until December 31. The period for consolidated accounting of overseas subsidiaries whose fiscal year end is already December 31 is the twelve-month period from January 1 until December 31.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ million	¥ million	%	¥
As of December 31, 2019	343,812	220,915	62.0	3,284.19
As of March 31, 2019	348,452	220,853	61.4	3,250.07

(Reference) Shareholders' equity: As of December 31, 2019: ¥213,181 million

As of March 31, 2019: ¥213,893 million

(3) Consolidated cash flows

Fiscal year ended	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of year
	¥ million	¥ million	¥ million	¥ million
December 31, 2019	17,344	(9,022)	(9,616)	98,005
March 31, 2019	20,324	(8,697)	(4,566)	99,237

2. Dividend Status

	Annual dividends					Total dividends (annual)	Payout ratio (consolidated)	Dividends to net assets ratio (consolidated)
	1Q end	2Q end	3Q end	Year end	Total			
Fiscal year ended	¥	¥	¥	¥	¥	¥ million	%	%
March 31, 2019	-	25.00	-	35.00	60.00	3,952	33.3	1.9
December 31, 2019	-	30.00	-	30.00	60.00	3,895	32.4	1.8
Fiscal year ending December 31, 2020 (Forecast)	-	30.00	-	35.00	65.00		33.8	

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

(The percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	¥ million	%	¥ million	%	¥ million	%	¥ million	%	¥
2Q end (Cumulative)	170,500	-	5,400	-	6,000	-	4,300	-	66.24
Full year	366,000	-	18,000	-	18,500	-	12,500	-	192.57

The fiscal year ended December 31, 2019 is the nine-month period from April 1, 2019 until December 31, 2019 due to the change of the fiscal year end. Therefore, the percentages indicating year-on-year changes are not presented.

* Notes to the Consolidated Financial Statements

(1) Transfers of important subsidiaries during fiscal period (transfers of designated subsidiaries incidental to changes in scope of consolidation): None

New – Company (company name) Eliminated – Company (company name)

(2) Changes in accounting practices, changes in accounting estimates, retrospective restatements

(i) Changes in accounting practices due to a revision of accounting standards, etc.: None

(ii) Changes in accounting practices other than (i): Yes

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(3) Number of shares issued (common stock)

(i) Number of shares issued as of term-end (including treasury shares)

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

As of March 31, 2019 69,414,469 shares

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

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

As of March 31, 2019 3,602,394 shares

(iii) Average number of shares during fiscal year

Fiscal year ended December 31, 2019 65,013,019 shares

Fiscal year ended March 31, 2019 65,795,742 shares

* Summaries of financial results are exempt from audit conducted by certified public accountants or an audit corporation.

* Explanation of appropriate use of earnings projections, other explanatory notes

Earnings projections and other forward-looking statements indicated in these materials are based on information available at the time and on certain assumptions deemed reasonable at the time. These statements do not represent any guarantee of achievement by the Company. Furthermore, there is the possibility of significant changes in actual earnings due to various factors.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Unit: ¥ million)

	As of March 31, 2019	As of December 31, 2019
Assets		
Current assets		
Cash and deposits	103,601	99,640
Notes and accounts receivable - trade	40,128	43,788
Securities	1,645	5,968
Merchandise and finished goods	16,237	14,061
Work in process	768	795
Raw materials and supplies	14,106	15,016
Advance payments - trade	29	100
Prepaid expenses	385	800
Short-term loans receivable	49	44
Other	3,268	4,186
Allowance for doubtful accounts	(50)	(50)
Total current assets	180,171	184,352
Non-current assets		
Property, plant and equipment		
Buildings and structures	73,062	80,573
Accumulated depreciation and impairment loss	(40,402)	(39,916)
Buildings and structures, net	32,659	40,656
Machinery, equipment and vehicles	118,992	123,428
Accumulated depreciation and impairment loss	(83,972)	(87,475)
Machinery, equipment and vehicles, net	35,019	35,953
Tools, furniture and fixtures	24,340	24,799
Accumulated depreciation and impairment loss	(21,174)	(21,149)
Tools, furniture and fixtures, net	3,165	3,649
Land	15,584	15,259
Leased assets	1,720	1,385
Accumulated depreciation and impairment loss	(1,105)	(871)
Leased assets, net	615	513
Construction in progress	12,421	3,774
Total property, plant and equipment	99,465	99,807
Intangible assets		
Software	4,688	4,776
Goodwill	3,874	489
Other	914	1,721
Total intangible assets	9,477	6,987
Investments and other assets		
Investment securities	41,799	35,302
Long-term loans receivable	917	72
Long-term prepaid expenses	113	133
Retirement benefit asset	1,336	1,901
Real estate for investment	12,667	12,605
Accumulated depreciation and impairment loss	(371)	(364)
Real estate for investment, net	12,296	12,240
Deferred tax assets	939	798
Other	1,987	2,269
Allowance for doubtful accounts	(53)	(53)
Total investments and other assets	59,338	52,665
Total non-current assets	168,281	159,460
Total assets	348,452	343,812

(Unit: ¥ million)

	As of March 31, 2019	As of December 31, 2019
Liabilities		
Current liabilities		
Notes and accounts payable - trade	33,831	36,020
Short-term loans payable	417	244
Accrued expenses	30,128	28,413
Income taxes payable	2,651	4,266
Provision for sales promotion expenses	2,448	2,977
Provision for bonuses for directors (and other officers)	38	36
Provision for share-based remuneration	44	30
Provision for loss on guarantees	-	134
Other	12,188	8,565
Total current liabilities	81,749	80,689
Non-current liabilities		
Convertible bond-type bonds with share acquisition rights	30,103	30,087
Long-term loans payable	220	-
Retirement benefit liability	5,286	2,831
Deferred tax liabilities	5,098	4,186
Other	5,140	5,102
Total non-current liabilities	45,849	42,207
Total liabilities	127,598	122,897
Net assets		
Shareholders' equity		
Capital stock	7,773	7,773
Capital surplus	8,999	7,459
Retained earnings	190,892	197,881
Treasury shares	(6,566)	(8,944)
Total shareholders' equity	201,098	204,169
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	12,551	8,835
Deferred gains or losses on hedges	73	73
Foreign currency translation adjustment	395	45
Remeasurements of defined benefit plans	(225)	56
Total accumulated other comprehensive income	12,794	9,011
Non-controlling interests	6,960	7,733
Total net assets	220,853	220,915
Total liabilities and net assets	348,452	343,812

(2) Consolidated Statements of Income and Comprehensive Income

(Unit: ¥ million)

	Fiscal year ended March 31, 2019	Fiscal year ended December 31, 2019
Net sales	350,270	288,187
Cost of sales	184,167	150,127
Gross profit	166,103	138,060
Selling, general and administrative expenses		
Transportation and warehousing expenses	30,617	24,855
Promotion expenses	53,243	42,776
Provision for sales promotion expenses	2,448	2,977
Advertising expenses	14,408	11,717
Provision of allowance for doubtful accounts	22	(0)
Salaries and allowances	17,200	14,182
Bonuses	5,615	4,069
Provision for bonuses for directors (and other officers)	38	36
Provision for share-based remuneration	44	30
Retirement benefit expenses	492	723
Welfare expenses	5,158	4,127
Depreciation	2,635	2,354
Other	17,430	14,602
Total selling, general and administrative expenses	149,357	122,454
Operating profit	16,746	15,605
Non-operating income		
Interest income	545	434
Dividend income	729	720
Foreign exchange gains	176	-
Real estate rent	757	602
Subsidy income	489	534
Other	1,239	934
Total non-operating income	3,937	3,227
Non-operating expenses		
Interest expenses	33	11
Contribution	71	113
Foreign exchange losses	-	315
Loss on abandonment of non-current assets	149	235
Loss on retirement of non-current assets	336	238
Depreciation of inactive non-current assets	265	211
Provision for loss on guarantees	-	134
Other	609	571
Total non-operating expenses	1,466	1,831
Ordinary profit	19,217	17,002

(Unit: ¥ million)

	Fiscal year ended March 31, 2019	Fiscal year ended December 31, 2019
Extraordinary income		
Gain on sales of non-current assets	358	1,621
Gain on sales of investment securities	425	5,647
Total extraordinary income	784	7,268
Extraordinary losses		
Impairment loss	307	3,249
Business structure improvement expenses	516	75
Loss on valuation of investment securities	-	650
Special retirement expenses	85	18
Loss on abolishment of retirement benefit plan	292	-
Other	-	92
Total extraordinary losses	1,202	4,087
Profit before income taxes	18,798	20,183
Income taxes - current	5,911	6,909
Income taxes - deferred	470	862
Total income taxes	6,381	7,771
Profit	12,417	12,411
Profit attributable to		
Profit attributable to owners of parent	11,844	12,047
Profit attributable to non-controlling interests	572	364
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,035)	(3,716)
Deferred gains or losses on hedges	73	0
Foreign currency translation adjustment	(1,435)	231
Remeasurements of defined benefit plans, net of tax	(314)	281
Share of other comprehensive income of entities accounted for using equity method	(184)	(153)
Total other comprehensive income	(2,896)	(3,354)
Comprehensive income	9,520	9,057
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,039	8,263
Comprehensive income attributable to non-controlling interests	481	793

(Segment Information, etc.)

[Segment Information]

I. Previous fiscal year (April 1, 2018- March 31, 2019)

Information on net sales and profit or losses by reportable segment

(Unit: ¥ million)

	Reportable Segment						Others (Note) 1	Total	Adjusted amount (Note) 2	Amounts indicated on consolidated financial statements (Note 3)
	Confec- tionaries and Food- Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal				
Net sales										
Sales to third parties	94,905	85,037	90,149	10,768	51,572	332,434	17,836	350,270	-	350,270
Inter-segment sales and transfers	965	120	177	204	1	1,469	4,855	6,325	(6,325)	-
Total	95,871	85,157	90,327	10,973	51,573	333,904	22,692	356,596	(6,325)	350,270
Segment profit	6,134	6,864	2,821	915	1,409	18,145	336	18,481	(1,735)	16,746

(Notes)

1. The "Other" category is a business segment not included in reporting segments, and includes the Health segment (includes former Sports Foods segment), Office Glico segment, and the Systems Maintenance & Development Business segment.
2. The adjusted amount of negative ¥1,735 million in segment profit or losses includes ¥1,290 million for the elimination of intersegment transactions and other adjustment amounts, and companywide expenses of negative ¥3,026 million which are not allocated to any reporting segment.
3. The total amount for segment profit is adjusted based on the operating profit recorded for consolidated financial statements.

II. Current fiscal year (April 1, 2019- December 31, 2019)

Information on net sales and profit or losses by reportable segment

(Unit: ¥ million)

	Reportable Segment						Others (Note) 1	Total	Adjusted amount (Note) 2	Amounts indicated on consolidated financial statements (Note 3)
	Confec- tionaries and Food- Products	Ice Cream	Dairy	Food Ingredients	Overseas	Subtotal				
Net sales										
Sales to third parties	71,789	73,353	67,032	8,314	53,200	273,690	14,496	288,187	-	288,187
Inter-segment sales and transfers	598	84	8	164	-	855	4,531	5,386	(5,386)	-
Total	72,388	73,437	67,040	8,479	53,200	274,546	19,028	293,574	(5,386)	288,187
Segment profit	5,236	6,209	2,386	648	1,260	15,742	251	15,993	(388)	15,605

(Notes)

1. The "Other" category is a business segment not included in reporting segments, and includes the Health segment (includes former Sports Foods segment), Office Glico segment, and the Systems Maintenance & Development Business segment.
2. The adjusted amount of negative ¥388 million in segment profit or losses includes ¥1,740 million for the elimination of intersegment transactions and other adjustment amounts, and companywide expenses of negative ¥2,128 million which are not allocated to any reporting segment.
3. The total amount for segment profit is adjusted based on the operating profit recorded for consolidated financial statements.

Supplementary Information

For the Fiscal Year Ended December 31, 2019

Ezaki Glico Co.,Ltd.

1. Consolidated results of operations (Cumulative)

(1) Status of Net Sales and Profit

Unit: 1 million yen

	FYE Mar. '19 (Adjusted)	FYE Dec. '19	Change from previous period	
			Amount	%
Net sales	284,830	288,187	3,357	1.2
Operating profit	15,938	15,605	(332)	(2.1)
Ordinary profit	18,431	17,002	(1,429)	(7.8)
Profit	11,886	12,047	160	1.4

(2) Status of Net Sales by Geographic Segment

Unit: 1 million yen

	FYE Mar. '19 (Adjusted)	FYE Dec. '19	Change from previous period	
			Amount	%
Japan	-	234,987	-	-
China	-	26,774	-	-
Southeast Asia	-	16,625	-	-
Others	-	9,800	-	-
Total	-	288,187	-	-

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

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

(3) Status of Operating Profit

Unit: 1 million yen

	FYE Mar. '19		FYE Dec. '19	
	(Adjusted)	%	Results	%
Net sales	284,830	100.0	288,187	100.0
Cost of sales	148,356	52.1	150,127	52.1
Gross profit	136,473	47.9	138,060	47.9
Freight and charges	24,216	8.5	24,855	8.6
Sales promotion	45,593	16.0	45,753	15.9
Advertising expenses	12,197	4.3	11,717	4.1
Salaries and benefits	22,372	7.9	23,171	8.0
Expenses and depreciation	16,155	5.7	16,957	5.9
SG&A expenses	120,535	42.3	122,454	42.5
Operating profit	15,938	5.6	15,605	5.4

Factors behind change in operating profit	vs FYE Mar. '19 (Adjusted)	
		Of which, is domestic
(1) Change due increase/decrease in net sales	1,008	462
(2) Change due to fluctuation in composition of sales product varieties and other	68	(273)
(3) Change due to increase/decrease in raw materials prices	(318)	(327)
(4) Change due to fluctuation in freight and charges ratio	(354)	(164)
(5) Change due to increase/decrease in sales (5) promotion ratio / advertising expenses	857	526
(6) Change due to increase/decrease in SG&A	(1,593)	(408)
Total	(332)	(184)

(4) Status of Net Sales by Segment

Unit: 1 million yen

	FYE Mar. '19 (Adjusted)	FYE Dec. '19	Change from previous period	
			Amount	%
Confectioneries and Food Products	70,465	71,789	1,323	1.9
(Of which, is confectioneries)	55,506	57,289	1,782	3.2
(Of which, is food products)	14,958	14,500	(458)	(3.1)
Ice Cream	71,048	73,353	2,305	3.2
Dairy	69,681	67,032	(2,649)	(3.8)
Food Ingredients	8,476	8,314	(161)	(1.9)
Overseas	51,403	53,200	1,796	3.5
Other	13,754	14,496	742	5.4
Total	284,830	288,187	3,357	1.2

(5) Status of Operating Profit by Segment

Unit: 1 million yen

	FYE Mar. '19 (Adjusted)	FYE Dec. '19	Change from previous period	
			Amount	%
Confectioneries and Food	4,858	5,236	378	7.8
(Of which, is confectioneries)	4,459	4,965	506	11.4
(Of which, is food products)	398	270	(127)	(32.1)
Ice Cream	7,076	6,209	(866)	(12.2)
Dairy	2,632	2,386	(245)	(9.3)
Food Ingredients	798	648	(149)	(18.7)
Overseas	1,348	1,260	(88)	(6.6)
Other	45	251	206	454.1
Adjustment	(820)	(388)	432	-
Total	15,938	15,605	(332)	(2.1)

<Reference>

The following rates have been used for currency conversion.

FYE Mar. '19 (Adjusted)	FYE Dec. '19
1CNY=16.16YEN	1CNY=15.85YEN
1THB=3.41YEN	1THB=3.52YEN
1USD=111.00YEN	1USD=109.37YEN

2. Consolidated financial position

Unit: 1 million yen

	Mar. '19	Dec. '19	Change		Mar. '19	Dec. '19	Change
Total current assets	180,171	184,352	4,181	Total current liabilities	81,749	80,689	(1,059)
Cash and deposits	103,601	99,640	(3,961)	Notes and accounts payable-trade	33,831	36,020	2,189
Notes and accounts receivable-trade	40,128	43,788	3,660	Short-term loans payable	417	244	(173)
Inventories	31,112	29,873	(1,238)	Other	47,500	44,424	(3,075)
Other	5,328	11,050	5,721	Total non-current liabilities	45,849	42,207	(3,641)
Total non-current assets	168,281	159,460	(8,820)	Convertible bond-type bonds with share acquisition rights	30,103	30,087	(16)
Property, plant and equipment	99,465	99,807	341	Long-term loans payable	220	-	(220)
Intangible assets	9,477	6,987	(2,490)	Retirement benefit liability	5,286	2,831	(2,454)
Investment securities	41,799	35,302	(6,497)	Other	10,238	9,289	(949)
Real estate for investment	12,296	12,240	(55)	Total liabilities	127,598	122,897	(4,701)
Other	5,241	5,122	(119)	Total net assets	220,853	220,915	61
				Shareholders' equity	201,098	204,169	3,071
				Accumulated other comprehensive	12,794	9,011	(3,783)
				Non-controlling interests	6,960	7,733	773
Total assets	348,452	343,812	(4,639)	Total liabilities and net assets	348,452	343,812	(4,639)