

Consolidated Financial Results

for the Third Quarter of FY2010 Ending March 31, 2010

February 10, 2010

Listed company name: Ariake Japan Co., Ltd.
 Code number: 2815 URL: <http://www.ariakejapan.com> Listing exchange: Tokyo, 1st Section
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 Date to submit the quarterly securities report: February 10, 2010
 Date to start dividends distribution: —

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Third Quarter of FY2010 Ending March 31, 2010 (April 1, 2009 – December 31, 2009)

(1) Consolidated Business Results (cumulative)

(Percentage figures represent changes compared with the same period in the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Third Quarter of FY2010	17,001	1.0	2,213	(2.5)	2,273	242.0	971	645.1
Third Quarter of FY2009	16,830	—	2,268	—	664	—	130	—

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
Third Quarter of FY2010	30.53		—	
Third Quarter of FY2009	4.10		—	

(2) Consolidated Financial Position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Millions of yen		Millions of yen		%		Yen	
As of December 31, 2009	51,157		41,717		81.1		1,303.62	
As of March 31, 2009	49,247		41,308		83.4		1,290.55	

(Reference) Equity capital: As of December 31, 2009: ¥41,492 million; As of March 31, 2009: ¥41,077 million

2. Dividends

(Record date)	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen				
FY2009	—	20.00	—	20.00	40.00
FY2010	—	20.00	—		
FY2010 (Forecast)				20.00	40.00

(Note) Revisions to the above forecast of dividends in the current quarter under review: None

3. Forecast of the Consolidated Financial Results for FY2010 Ending March 31, 2010 (April 1, 2009 - March 31, 2010)

(Percentage figures indicate the rates of changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full Year	24,241	11.5	3,016	4.3	3,012	64.6	1,336	69.2	41.97

(Note) Revisions to the above forecast of the consolidated financial results in the current quarter under review: None

4. Other Information

- (1) Changes in Significant Subsidiaries during the Period (changes in specific subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of Simplified Accounting Methods and Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements: Yes
(Note) For details, please refer to “4. Others” of “Qualitative Information / Financial Statements” on Page 3.
- (3) Changes in Accounting Principles, Procedures and the Display Method of Presentation Associated with Preparation of Quarterly Consolidated Financial Statements (matters to be included in the section, “Changes in the Basis for the Preparation of Quarterly Consolidated Financial Statements”)
1. Changes associated with revisions of accounting standards, etc.: None
2. Change other than those included in 1: None
- (4) Number of Shares Outstanding (common stock)
- | | |
|---|--|
| 1. Number of shares outstanding at period-end (including treasury stock): | |
| As of December 30, 2009: 32,808,683 shares; | As of March 31, 2009: 32,808,683 shares |
| 2. Number of treasury stock at period-end: | |
| As of December 30, 2009: 979,635 shares; | As of March 31, 2009: 979,122 shares |
| 3. Average number of shares (quarterly consolidated cumulative period): | |
| Third quarter of FY2010: 31,829,246 shares; | Third quarter of FY2009: 31,830,240 shares |

* Explanation regarding the appropriate use of projected financial results and other special instructions

Descriptions regarding the future, including the financial outlook contained in this material, are based on certain information currently available to the Company and particular assumptions, which are, at the discretion of the Company, deemed reasonable, and actual business results may significantly vary due to various factors.

[Qualitative Information / Financial Statements]

1. Qualitative Information on Consolidated Operating Results

During the first nine months of the fiscal year ending March 31, 2010 (April 1, 2009 – December 31, 2009), the Japanese economy saw progress in inventory adjustments and signs of a recovery dependent on external demand. However, with persistent deflation setting the stage, ongoing declines in capital expenditures and consumer spending, together with other factors, meant the continuation of severe economic conditions overall.

In the food industry, as well, increasingly defensive consumer sentiment resulted in growing demand for economically priced goods, which combined with unfavorable weather conditions to hinder recovery. Against that background, the Ariake Group, as a leading manufacturer in the field of natural seasonings, worked to expand its existing businesses and actively develop new businesses. We strove to increase our earnings, while doing our utmost in the areas of food safety and quality.

With a year now having passed since the startup of operations at plants owned by two subsidiaries – one in Belgium and another in France – joining existing operations in Japan, the U.S., China, and Taiwan, we have now established a "global six-pillar system." As a result, we feel we now have a system that allows us to make our products wherever it makes the most sense to do so throughout the world, and we are now able to sell high-quality products made with attractively priced European ingredients not only in Europe but in Japan as well.

Efforts to expand our sales in Japan by offering such new products are well underway.

As a result of these efforts, the Group and the Company were able to record the following earnings for the first nine months of the current fiscal year (April 1, 2009 - December 31, 2009).

Net sales of the Company (Ariake Japan Co., Ltd.) increased by 2.3% year on year to ¥15,195 million, as a result of our efforts to increase sales volume by focusing on a customer-oriented sales strategy.

Consolidated net sales increased by 1.0% year on year to ¥17,001 million as higher sales by the Company helped to overcome declines in the sales of overseas subsidiaries.

Ordinary income increased by ¥1,788 million, or 147.1% year on year to ¥3,003 million. This was resulted from an increase in net sales, a decrease in energy costs by approximately ¥184 million, and a valuation gain of ¥19 million on derivatives (which are for hedging exchange rate risk on import transactions) compared with a loss of ¥1,353 million in the previous accounting period.

Consolidated ordinary income increased by ¥1,608 million, or 242.0% year on year to ¥2,273 million, mainly due to a strong contribution from the Company, although overseas subsidiaries showed weak results.

Net income of the Company for the first nine months of the current fiscal year increased by ¥1,029 million, or 151.2% year on year to ¥1,711 million. Consolidated net income increased by ¥841 million, or 645.1% year on year to ¥971 million.

2. Qualitative Information on Financial Position

Total assets for the first nine months of the current fiscal year increased by ¥1,909 million from the end of the previous fiscal year end to ¥51,157 million.

Due to an increase in income tax payables and loans payable, liabilities increased by ¥1,500 million from the previous fiscal year end to ¥9,440 million. Net assets increased by ¥409 million from the previous fiscal year end to ¥41,717 million.

(Cash flows)

Cash and cash equivalents at the end of the third quarter of the current fiscal year was ¥8,246 million, an increase of ¥36 million from the end of the previous consolidated accounting period.

Cash provided by operating activities was ¥2,376 million, an increase of 73.4% from the previous consolidated accounting period, which was mainly because of an increase of net income.

Cash used in investing activities was ¥1,541 million, compared with a net outflow of ¥5,677 million of the previous consolidated accounting period, mainly because of acquisition of tangible fixed assets.

For cash used in financing activities was ¥659 million, compared with a net inflow of ¥247 million of the previous consolidated accounting period, due substantially to ¥1,237 million of dividends paid.

3. Qualitative Information on Forecast of the Consolidated Financial Results

We have not revised our forecast of the consolidated financial results which were announced on November 6, 2009.

4. Others

(1) Significant Changes in Subsidiaries during the Period (changes in specific subsidiaries resulting in changes in the scope of consolidation)

There is no related information.

(2) Application of Simplified Accounting Methods and Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements

1. Calculation method of the depreciation expenses for fixed assets

With respect to assets for which the declining balance method has been adopted, the method of calculation is based on a proportional division over the term of the depreciation expenses relating to the consolidated accounting period.

2. Inventory assets valuation method

With respect to the calculation of inventory levels at the end of the first nine months of the current fiscal year, physical inventory is omitted and the method of calculation is based on a rational method on the foundation of levels of physical inventory at the end of the preceding consolidated accounting period.

Additionally, with respect to the depreciation of the book value of inventory assets, an estimate is made of the net sales price only of those goods which have clearly lost profitability and the method is based on undertaking a depreciation of book value.

3. Calculation of tax expenses

With respect to tax expenses, the effective tax rate after the application of tax effect accounting on current term pre-tax net profits of the consolidated accounting period, including the current third quarter consolidated accounting period were rationally estimated and tax expenses were calculated multiplying current term pre-tax net profits by said estimated effective tax rate.

Adjustments for income and other taxes are included in income taxes.

(3) Changes in Accounting Principles, Procedures and the Display Method of Presentation Associated with Preparation of Quarterly Consolidated Financial Statements

There is no related information.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Third Quarter of FY 2010 (As of December 31, 2009)	FY 2009 (As of March 31, 2009)
Assets		
Current assets		
Cash and time deposits	12,246,602	12,209,823
Notes and accounts receivable	5,796,606	4,551,662
Securities	—	87,470
Merchandise and finished goods	1,384,336	1,439,447
Work in process	385,658	442,564
Raw materials and supplies	1,637,444	1,889,528
Deferred tax assets	105,499	105,499
Others	368,531	169,686
Allowance for doubtful accounts	(10,799)	(10,022)
Total current assets	21,913,881	20,885,660
Fixed assets		
Tangible fixed assets		
Buildings and structures	18,976,546	17,695,650
Accumulated depreciation	(7,145,880)	(6,569,131)
Buildings and structures, net	11,830,666	11,126,518
Machines, devices, and delivery equipment	19,882,139	19,373,308
Accumulated depreciation	(13,577,237)	(12,762,939)
Machines, devices, and delivery equipment, net	6,304,902	6,610,368
Land	4,504,765	4,499,335
Construction in progress	1,589,664	2,365,977
Others	835,119	806,823
Accumulated depreciation	(720,331)	(693,056)
Others, net	114,787	113,767
Total tangible fixed assets	24,344,785	24,715,967
Intangible fixed assets	73,399	88,427
Investments and other assets		
Investment securities	3,312,443	2,035,486
Long-term loans receivable	389,428	90,009
Investments in real estates, net	552,835	557,386
Deferred tax assets	—	291,678
Others	571,134	583,382
Allowance for doubtful accounts	(265)	(265)
Total investments and other assets	4,825,577	3,557,678
Total fixed assets	29,243,761	28,362,072
Total assets	51,157,643	49,247,733

(Thousands of yen)

	Third Quarter of FY 2010 (As of December 31, 2009)	FY 2009 (As of March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable	2,306,554	1,799,221
Short-term loans payable	3,025,095	2,447,666
Allowance for employees' bonuses	50,536	146,800
Income taxes payable	827,271	231,125
Allowance for directors' bonuses	—	59,700
Others	1,827,978	1,916,545
Total current liabilities	8,037,436	6,601,059
Fixed liabilities		
Allowance for employees' retirement benefits	573,791	584,751
Allowance for directors' retirement benefits	277,490	280,355
Deferred tax liabilities	200,131	98,796
Others	351,218	374,535
Total fixed liabilities	1,402,630	1,338,438
Total liabilities	9,440,067	7,939,498
Net assets		
Shareholders' equity		
Common stock	7,095,096	7,095,096
Capital surplus	7,833,869	7,833,869
Retained earnings	28,740,077	29,041,642
Treasury stock	(2,058,434)	(2,057,727)
Total shareholders' equity	41,610,608	41,912,879
Unrealized gains and adjustments		
Unrealized gains (losses) on other securities	664,793	70,337
Adjustment account for foreign currency exchange	(782,452)	(905,512)
Total unrealized gains (losses) and adjustments	(117,658)	(835,175)
Minority interests	224,626	230,531
Total net assets	41,717,576	41,308,234
Total liabilities and net assets	51,157,643	49,247,733

(2) Quarterly Consolidated Statements of Income
(Third Quarter Cumulative Consolidated Accounting Period)

	(Thousands of yen)	
	Third Quarter of FY2009 (April 1, 2008 to December 31, 2008)	Third Quarter of FY2010 (April 1, 2009 to December 31, 2009)
Net sales	16,830,833	17,001,609
Cost of sales	11,502,507	11,654,633
Gross profit	5,328,326	5,346,976
Selling, general and administrative expenses	3,059,593	3,133,829
Operating income	2,268,732	2,213,147
Non-operating income		
Interest income	39,113	31,945
Dividend income	47,430	58,069
Rent received	20,942	20,122
Gain on sales of securities	18,542	14,803
Others	119,224	151,414
Total non-operating income	245,253	276,355
Non-operating expenses		
Interest paid	82,182	29,947
Loss on foreign exchange	41,199	90,333
Loss on valuation of derivatives	1,353,594	—
Expenses for new overseas businesses	275,281	37,618
Others	96,946	57,955
Total non-operating expenses	1,849,204	215,855
Ordinary income	664,781	2,273,647
Extraordinary income		
Gain on sale of fixed assets	1,898	—
Total extraordinary income	1,898	—
Extraordinary loss		
Loss on valuation of investment securities	40,334	2,137
Total extraordinary loss	40,334	2,137
Quarterly income before income taxes	626,345	2,271,509
Income taxes	499,131	1,302,722
Minority interests	(3,193)	(2,823)
Quarterly net income	130,408	971,610

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Third Quarter of FY2009 (April 1, 2008 to December 31, 2008)	Third Quarter of FY2010 (April 1, 2009 to December 31, 2009)
Cash flows from operating activities		
Quarterly income before income taxes	626,345	2,271,509
Depreciation and amortization	1,566,495	1,471,686
Amortization of goodwill	14,746	14,746
Increase (decrease) in allowance for doubtful accounts	3,985	776
Increase (decrease) in allowance for employees' retirement benefits	(13,142)	(10,960)
Increase (decrease) in allowance for directors' retirement benefits	13,002	(2,865)
Increase (decrease) in allowance for employees' bonuses	(93,069)	(96,263)
Increase (decrease) in allowance for directors' bonuses	(59,700)	(59,700)
Interest and dividends received	(86,543)	(90,015)
Interest paid	82,182	29,947
Loss (gain) on foreign exchange	56,290	138,974
Loss (gain) on sales of securities	(18,542)	(14,803)
Loss (gain) on valuation of securities	55,781	—
Loss (gain) on valuation of investment securities	40,334	2,137
Decrease (increase) in accounts receivable	(1,353,284)	(1,246,754)
Decrease (increase) in inventories	(315,252)	360,921
Increase (decrease) in accounts payable	51,221	526,132
Others	1,924,440	(282,635)
Subtotal	2,495,290	3,012,838
Interest and dividend income received	86,543	90,015
Interest expenses paid	(82,182)	(29,947)
Income taxes paid	(1,129,295)	(696,076)
Cash provided by operating activities	1,370,356	2,376,828
Cash flows from investing activities		
Payments into time deposits	(4,000,000)	—
Payments for acquisition of securities	(461,087)	—
Proceeds from sale of securities	309,574	102,273
Payments for acquisition of tangible fixed assets	(1,390,189)	(1,047,923)
Proceeds from sale of tangible fixed assets	2,048	—
Payments for acquisition of investment securities	(137,806)	(264,922)
Payments for loans receivable	(2,781)	(355,150)
Proceeds from collection of loans receivable	7,064	29,708
Others	(4,013)	(5,631)
Cash used in investing activities	(5,677,189)	(1,541,645)
Cash flows from financing activities		
Net increase in short-term loans payable	1,324,110	578,249
Payments for acquisition of treasury stock	(1,785)	(706)
Dividends paid	(1,075,148)	(1,237,241)
Others	151	—
Cash used in financing activities	247,328	(659,697)
Exchange difference of cash and cash equivalents	(93,287)	(138,706)
Increase (decrease) in cash and cash equivalents	(4,152,792)	36,779
Cash and cash equivalents at beginning of term	11,620,276	8,209,823
Cash and cash equivalents at end of the quarter	7,467,483	8,246,602

(4) Notes on the Going Concern Assumption

There is no related information.

(5) Information by Segment

[Information by Industry Segment]

Third Quarter of FY2009 (April 1, 2008 – December 31, 2008) and FY2010 (April 1, 2009 – December 31, 2009)

Information by industry segment has been omitted because net sales and operating income from the manufacturing and sales of natural seasonings account for more than 90% of total net sales and operating income.

[Information by Geographic Segment]

Third Quarter of FY2009 (April 1, 2008 – December 31, 2008)

(Thousands of yen)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
Net sales					
(1) External sales	15,162,553	1,668,280	16,830,833	—	16,830,833
(2) Internal sales to other segments or transfers	12,474	1,168,099	1,180,573	(1,180,573)	—
Total	15,175,027	2,836,379	18,011,407	(1,180,573)	16,830,833
Operating income (loss)	2,640,312	(632,392)	2,007,920	260,812	2,268,732

Third Quarter of FY2010 (April 1, 2009 – December 31, 2009)

(Thousands of yen)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
Net sales					
(1) External sales	15,480,336	1,521,272	17,001,609	—	17,001,609
(2) Internal sales to other segments or transfers	2,588	632,997	635,585	(635,585)	—
Total	15,482,925	2,154,269	17,637,195	(635,585)	17,001,609
Operating income (loss)	3,006,503	(773,064)	2,233,439	(20,292)	2,213,147

(Notes) 1. Country and regional categories are based on similarities in economic activity.

2. Main countries and regions outside of Japan

Other regions: the U.S., People's Republic of China, Taiwan, France and Belgium

[Overseas Sales]

Third Quarter of FY2009 (April 1, 2008 –December 31, 2008)

(Thousands of yen)

	North America	Asia	Total
I Overseas net sales	652,408	1,096,073	1,748,482
II Consolidated net sales	—	—	16,830,833
III Overseas net sales / Total consolidated net sales (%)	3.9	6.5	10.4

- (Notes)
1. The countries and regions are categorized based on geographical proximity.
 2. The followings are the breakdown of the regions in the categories.
 - (1) North America: the U.S.
 - (2) Asia: People's Republic of China (including Hong Kong), Taiwan and South Korea
 3. Overseas net sales represent the net sales of the Company and consolidated subsidiaries in the countries or regions except for home countries of these companies.

Third Quarter of FY2010 (April 1, 2009 – December 31, 2009)

Since the ratio of overseas net sales is less than 10% of consolidated net sales, description is omitted.

(6) Notes to Significant Changes in the Amount of Shareholders' Equity

There is no related information.