

# Consolidated Financial Results for the First Quarter of FY2011 (J-GAAP)

August 6, 2010

Listed company name: Ariake Japan Co., Ltd.  
 Code number: 2815 URL: <http://www.ariakejapan.com> Listing exchange: Tokyo, 1st Section  
 Representative: Tomoki Tagawa, President (COO)  
 Contact: Akio Miyakawa, Manager of the Management Coordination Department TEL: 03-3791-3301  
 Filing of quarterly financial report: August 6, 2010  
 Start of cash dividend payments: –  
 Supplementary quarterly materials prepared: None  
 Quarterly results information meeting held: None

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

## 1. Consolidated Financial Results for the First Quarter of FY2011 Ending March 31, 2011 (April 1, 2010 – June 30, 2010)

### (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	%
First Quarter of FY2011	6,039	20.6	758	32.0	259	(63.7)	13	(95.5)
First Quarter of FY2010	5,008	(1.3)	574	(28.3)	713	16.2	305	7.1

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
First Quarter of FY2011	0.43		–	
First Quarter of FY2010	9.61		–	

### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
First Quarter of FY2011	51,426	41,148	79.5	1,285.29
FY2010	52,561	42,088	79.6	1,314.97

(Reference) Equity capital: First Quarter of FY2011: ¥40,909 million; FY2010: ¥41,854 million

### 2. Dividends

(Record date)	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2010	–	20.00	–	20.00	40.00
FY2011	–	–	–	–	–
FY2011 (Forecast)	–	20.00	–	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 FY2011 Ending March 31, 2011 (April 1, 2010 – March 31, 2011)

(Full year percentage figures indicate the rates of changes from the previous fiscal year, and half year figures indicate the rates of changes from the same period of the previous 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
Half Year	12,272	15.5	1,756	42.7	1,742	57.8	838	111.4	26.33
Full Year	27,600	20.6	4,130	42.3	4,100	38.2	2,060	59.2	64.72

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

4. Other Information (For more details, refer to “2. Other Information” on Page 3.)

(1) Significant Changes in Subsidiaries during the Period: None

(Note) This refers to changes in specified subsidiaries resulting in change of scope of consolidation during the quarter.

(2) Application of Simplified Accounting Methods and Specified Accounting Methods: Yes

(Note) This refers to the application of simplified accounting methods and specified accounting methods for preparing quarterly consolidated financial statements.

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

1. Changes associated with revisions of accounting standards, etc.: Yes

2. Change other than those included in 1: None

(Note) This refers to changes in accounting principles, procedures and method of presentation associated with quarterly consolidated financial statement preparation (entries of changes in important matters that are basic to preparation of quarterly consolidated financial statements).

(4) Number of Shares Outstanding (common stock)

1. Number of shares outstanding at period-end (including treasury stock):

First quarter of FY2011: 32,808,683 shares;

FY2010: 32,808,683 shares

2. Number of treasury stock at period-end:

First quarter of FY2011: 979,733 shares;

FY2010: 979,644 shares

3. Average number of shares (quarterly consolidated cumulative period):

First quarter of FY2011: 31,829,024 shares;

First quarter of FY2010: 31,829,332 shares

\* Presentation of implementation status for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to these Consolidated Financial Results and the procedure based on this Act had been completed. The quarterly review report was received as of the release of these Consolidated Financial Results.

\* 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.

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## **1. Qualitative Information on Quarterly Consolidated Financial Results**

### **(1) Qualitative Information on Consolidated Business Results**

During the first quarter of the fiscal year ending March 31, 2011 (April 1, 2010 – June 30, 2010), the Japanese economy saw some positive signs, including an improvement in business confidence. However, with ongoing high unemployment and a sustained deflationary trend, conditions related to personal income and consumption remained unfavorable.

In the food industry, heightened price sensitivity among consumers fueled even greater price competition among firms and extended the adverse business conditions that took hold last year.

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. While striving to maintain and improve the quality of its products which can deliver better taste, good health, and food safety, the Group also moved forward with efforts to further develop its markets in order to ensure its earnings.

As a result of these efforts, the Group and the Company (Ariake Japan Co., Ltd.) were able to record the following earnings for the first quarter of the current fiscal year.

Net sales of the Company increased by ¥721 million, or 16.2% year on year to ¥5,178 million, on the strength of the contributions of sales activities by the top management, which boosted sales significantly in the previous fiscal year, and effective applications of R&D functions in the Tokyo head office, which produced results in the current first quarter, too.

Consolidated net sales increased by ¥1,031 million, or 20.6% year on year to ¥6,039 million as the sales of overseas subsidiaries increased ¥309 million year on year.

Operating income also increased by ¥206 million, or 25.5% year on year to ¥1,017 million, thanks to an increase in net sales. Consolidated operating income increased by ¥183 million, or 32.0% year on year to ¥758 million.

Meanwhile, ordinary income decreased by ¥434 million, or 46.0% year on year to ¥509 million. This was resulted from a significant loss on valuation of derivatives, which was a loss of ¥404 million in this accounting period compared with a gain of ¥63 million in the previous accounting period.

Consolidated ordinary income decreased by ¥454 million, or 63.7% year on year to ¥259 million, mainly due to a decrease from the Company's income.

Net income of the Company for the first quarter decreased by ¥248 million year on year to ¥290 million. Consolidated net income for the first quarter decreased by ¥292 million year on year to ¥13 million.

### **(2) Qualitative Information on Consolidated Financial Position**

Total assets for the first quarter of the current fiscal year decreased by ¥1,134 million from the end of the previous fiscal year to ¥51,426 million.

Due mainly to a decrease in income taxes payable, liabilities decreased by ¥195 million from the previous fiscal year end to ¥10,278 million. Net assets decreased by ¥939 million from the previous fiscal year to ¥41,148 million.

(Qualitative information on consolidated cash flows)

Cash and cash equivalents at the end of the first quarter of the current fiscal year was ¥9,273 million, a decrease of ¥240 million from the end of the previous consolidated accounting period. This was resulted from a decrease in quarterly income before income taxes by ¥258 million, or 63.8% from the end of the previous fiscal year, as well as depreciation and amortization.

Cash provided by operating activities was ¥109 million, a decrease of ¥799 million year on year, which was mainly because of an increase in income taxes paid.

Cash used in investing activities was ¥155 million, an increase of ¥930 million year on year, as ¥374 million from payments into time deposits outweighed capital expenditures of ¥220 million.

For cash used in financing activities was ¥377 million, a decrease of ¥183 million year on year, due substantially to 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 May 13, 2010.

## **2. Other Information**

### **(1) Overview of Significant Changes in Subsidiaries**

There is no related information.

### **(2) Overview of Simplified Accounting Methods and Specified Accounting Methods**

#### 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 quarter 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.

#### 3. Calculation of tax expenses

With respect to tax expenses, the effective tax rate after the application of tax effect accounting on income before income taxes of the consolidated accounting period, including the current first quarter consolidated accounting period were rationally estimated and tax expenses were calculated multiplying quarterly income before income taxes by said estimated effective tax rate.

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

### **(3) Overview of Accounting Principles, Procedures and the Method of Presentation**

Application of the “Accounting Standards for Asset Retirement Obligations”

Effective April 1, 2010, the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No.18 issued on March 31, 2008) and the “Implementation Guidance on Accounting Standards for Asset Retirement Obligations” (ASBJ Guidance No.21 issued on March 31 2008) have been applied.

Note that this application had no impact on operating income, ordinary income or quarterly income before income taxes.

### **(4) Important Events Regarding Going Concern Assumption**

There is no related information.

**3. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheets**

(Thousands of yen)

	First Quarter of FY 2011 (As of June 30, 2010)	FY 2010 (As of March 31, 2010)
<b>Assets</b>		
<b>Current assets</b>		
Cash and time deposits	14,060,649	14,716,688
Notes and accounts receivable	4,799,618	4,839,007
Merchandise and finished goods	1,720,633	1,466,383
Work in process	523,722	477,646
Raw materials and supplies	1,484,027	1,523,951
Deferred tax assets	160,229	160,229
Others	352,030	153,733
Allowance for doubtful accounts	(2,392)	(1,747)
<b>Total current assets</b>	<b>23,098,520</b>	<b>23,335,892</b>
<b>Fixed assets</b>		
<b>Tangible fixed assets</b>		
Buildings and structures	19,910,315	19,618,002
Accumulated depreciation	(7,491,990)	(7,330,835)
Buildings and structures, net	12,418,325	12,287,166
Machines, devices, and delivery equipment	20,083,432	20,105,024
Accumulated depreciation	(14,012,236)	(13,789,819)
Machines, devices, and delivery equipment, net	6,071,195	6,315,205
Land	4,452,371	4,507,186
Leased assets	6,100	6,100
Accumulated depreciation	(338)	(84)
Leased assets, net	5,761	6,015
Construction in progress	693,471	1,099,246
Others	819,697	818,326
Accumulated depreciation	(719,470)	(710,677)
Others, net	100,226	107,648
<b>Total tangible fixed assets</b>	<b>23,741,351</b>	<b>24,322,469</b>
Intangible fixed assets	119,316	125,598
<b>Investments and other assets</b>		
Investment securities	3,082,422	3,265,645
Long-term loans receivable	300,457	388,245
Investments in real estates, net	549,846	551,318
Others	535,024	572,664
Allowance for doubtful accounts	(86)	(86)
<b>Total investments and other assets</b>	<b>4,467,664</b>	<b>4,777,787</b>
<b>Total fixed assets</b>	<b>28,328,332</b>	<b>29,225,855</b>
<b>Total assets</b>	<b>51,426,852</b>	<b>52,561,748</b>

(Thousands of yen)

	First Quarter of FY 2011 (As of June 30, 2010)	FY 2010 (As of March 31, 2010)
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable	2,393,020	2,293,803
Short-term loans payable	3,839,255	3,654,718
Lease liabilities	987	977
Income taxes payable	265,571	1,258,123
Allowance for employees' bonuses	51,344	152,517
Allowance for directors' bonuses	—	52,700
Others	2,453,388	1,688,315
Total current liabilities	9,003,567	9,101,156
Long-term liabilities		
Allowance for employees' retirement benefits	571,192	570,552
Allowance for directors' retirement benefits	285,582	281,474
Lease liabilities	5,135	5,386
Deferred tax liabilities	102,271	175,488
Others	310,649	339,454
Total long-term liabilities	1,274,832	1,372,356
Total liabilities	10,278,400	10,473,513
<b>Net assets</b>		
Shareholders' equity		
Common stock	7,095,096	7,095,096
Capital surplus	7,833,869	7,833,869
Retained earnings	28,439,271	29,062,185
Treasury stock	(2,058,431)	(2,058,368)
Total shareholders' equity	41,309,805	41,932,782
Unrealized gains (losses) and adjustments		
Unrealized gains (losses) on other securities	525,349	635,334
Adjustment account for foreign currency exchange	(925,803)	(713,897)
Total unrealized gains (losses) and adjustments	(400,453)	(78,563)
Minority interests	239,100	234,015
Total net assets	41,148,452	42,088,234
Total liabilities and net assets	51,426,852	52,561,748

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

(Thousands of yen)

	First Quarter of FY2010 (April 1, 2009 to June 30, 2009)	First Quarter of FY2011 (April 1, 2010 to June 30, 2010)
Net sales	5,008,636	6,039,722
Cost of sales	3,442,664	4,182,986
Gross profit	1,565,972	1,856,735
Selling, general and administrative expenses	991,368	1,098,168
Operating income	574,604	758,566
Non-operating income		
Interest income	12,484	8,108
Dividend income	28,799	30,754
Rent received	7,597	7,636
Gain on sales of securities	14,803	–
Gain on valuation of derivatives	63,341	–
Others	67,704	67,358
Total non-operating income	194,730	113,857
Non-operating expenses		
Interest paid	6,352	15,776
Loss on foreign exchange	16,603	181,084
Loss on valuation of derivatives	–	404,023
Expenses for new overseas businesses	13,961	–
Others	18,814	12,448
Total non-operating expenses	55,731	613,333
Ordinary income	713,603	259,091
Extraordinary loss		
Loss on valuation of investment securities	–	524
Total extraordinary loss	–	524
Quarterly income before income taxes	713,603	258,566
Income taxes	406,353	242,174
Quarterly income before minority interests	–	16,392
Minority interests	1,319	2,725
Quarterly net income	305,929	13,666



**(3) Quarterly Consolidated Statements of Cash Flows**

(Thousands of yen)

	First Quarter of FY2010 (April 1, 2009 to June 30, 2009)	First Quarter of FY2011 (April 1, 2010 to June 30, 2010)
<b>Cash flows from operating activities</b>		
Quarterly income before income taxes	713,603	258,566
Depreciation and amortization	478,508	459,811
Amortization of goodwill	4,915	4,915
Increase (decrease) in allowance for doubtful accounts	564	645
Increase (decrease) in allowance for employees' retirement benefits	(12,190)	640
Increase (decrease) in allowance for directors' retirement benefits	(10,833)	4,108
Increase (decrease) in allowance for employees' bonuses	(98,270)	(101,172)
Increase (decrease) in allowance for directors' bonuses	(59,700)	(52,700)
Interest and dividends received	(41,283)	(38,863)
Interest paid	6,352	15,776
Loss (gain) on foreign exchange	26,208	170,920
Loss (gain) on valuation of securities	(14,803)	—
Loss (gain) on sales and valuation of investment securities	—	524
Decrease (increase) in accounts receivable	372,578	45,468
Decrease (increase) in inventories	(228,636)	(254,508)
Increase (decrease) in accounts payable	113,309	89,017
Others	(179,343)	664,153
Subtotal	1,070,979	1,267,304
Interest and dividend income received	41,283	38,863
Interest expenses paid	(6,352)	(15,776)
Income taxes paid	(197,241)	(1,181,121)
Cash provided by operating activities	908,669	109,269
<b>Cash flows from investing activities</b>		
Payments into time deposits	—	374,760
Proceeds from sale of securities	102,273	—
Payments for purchase of tangible fixed assets	(404,113)	(220,308)
Payments for acquisition of investment securities	(124,897)	—
Payments for loans receivable	(350,150)	(950)
Proceeds from collection of loans receivable	1,634	1,693
Cash used in investing activities	(775,253)	155,194
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term loans payable	39,602	223,852
Proceeds from sale of treasury stock	—	126
Payments for acquisition of treasury stock	(377)	(252)
Dividends paid	(601,141)	(601,685)
Cash used in financing activities	(561,916)	(377,958)
Exchange difference of cash and cash equivalents	7,741	(127,199)
Increase (decrease) in cash and cash equivalents	(420,759)	(240,694)
Cash and cash equivalents at beginning of term	8,209,823	9,513,872
Cash and cash equivalents at end of the quarter	7,789,064	9,273,177

**(4) Notes on the Going Concern Assumption**

There is no related information.

**(5) Segment Information**

[Information by Business Segment]

First Quarter of FY2010 (April 1, 2009 – June 30, 2009)

Information by business 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]

First Quarter of FY2010 (April 1, 2009 – June 30, 2009)

(Thousands of yen)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
Net sales					
(1) External sales	4,535,071	473,565	5,008,636	–	5,008,636
(2) Internal sales to other segments or transfers	2,467	214,279	216,746	(216,746)	–
Total	4,537,538	687,844	5,225,383	(216,746)	5,008,636
Operating income (loss)	837,002	(251,792)	585,210	(10,605)	574,604

(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., China, Taiwan, France and Belgium

[Overseas Sales]

First Quarter of FY2010 (April 1, 2009 – June 30, 2009)

Overseas sales are omitted because they are less than 10% of consolidated net sales.

[Segment Information]

First Quarter of FY2011 (April 1, 2010 – June 30, 2010)

Segment information is omitted because natural seasoning business is our only segment.

(Additional Information)

Effective from the current first quarter, the Company has applied “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17 issued on March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20 issued on March 21, 2008).

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

There is no related information.