

# Consolidated Financial Results

## for the Second Quarter of FY2014 ending March 31, 2014

### (J-GAAP)

November 12, 2013

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: +81-3-3791-3301  
 Filing of quarterly financial report: November 12, 2013  
 Start of cash dividend payments: December 9, 2013  
 Supplementary quarterly materials prepared: Yes  
 Quarterly results information meeting held: Yes (for analysts)

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

#### 1. Consolidated Financial Results for the Second Quarter of FY2014 Ending March 31, 2013 (April 1, 2013 – September 30, 2013)

##### (1) Consolidated Business Results (cumulative)

(Percentage figures are changes from the same period in the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second Quarter of FY2014	17,381	10.8	2,742	8.1	3,351	39.3	1,975	48.2
Second Quarter of FY2013	15,690	3.3	2,536	21.9	2,405	42.3	1,332	57.3

(Note) Comprehensive Income: Second Quarter of FY2014: ¥3,477 million (153.4 %) Second Quarter of FY2013: ¥1,372 million (24.4 %)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second Quarter of FY2014	62.06	–
Second Quarter of FY2013	41.87	–

##### (2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2013	58,777	49,226	83.1	1,534.91
As of March 31, 2013	54,662	46,550	84.6	1,452.87

(Reference) Equity capital: As of September 30, 2013: ¥48,852 million As of March 31, 2013: ¥46,241 million

#### 2. Dividends

	Annual dividends				
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total
Fiscal year ended March 31, 2012	Yen –	Yen 20.00	Yen –	Yen 25.00	Yen 45.00
Fiscal year ending March 31, 2013	–	20.00			
Fiscal year ending March 31, 2013 (forecast)			–	25.00	45.00

(Note) Revisions since the most recently announced dividend forecast: None

#### 3. Forecast of the Consolidated Financial Results for FY2014 Ending March 31, 2014 (April 1, 2013 – March 31, 2014)

(Percentage figures are 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	37,657	12.1	6,241	14.0	6,810	6.3	4,336	14.5	136.23

(Note) Revisions since the most recently announced forecast of the consolidated financial results: None

\*Notes

- (1) Significant Changes in Subsidiaries during the Period (Changes in specified subsidiaries resulting in change of scope of consolidation during the quarter): None
- (2) Application of Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements: Yes  
(Note) For details, please refer to “(2) Application of Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements” of “2. Summary (Notes) Information.”
- (3) Changes in Accounting Policies, Accounting Estimates, and Restatement of Revisions
- |  |      |
|--|------|
| 1) Changes in accounting policies associated with revisions of accounting standards, etc.: | None |
| 2) Changes other than those included in 1):  | None |
| 3) Changes in accounting estimates:  | Yes  |
| 4) Restatement of revisions:   | None |

(4) Number of Shares Outstanding (Common Stock)

1) Number of shares outstanding as of the period-end (including treasury stock)	As of September 30, 2013	32,808,683 shares	As of March 31, 2013	32,808,683 shares
2) Number of treasury stock as of the period-end	As of September 30, 2013	981,483 shares	As of March 31, 2013	980,716 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First six months of FY2014	31,827,581 shares	First six months of FY2013	31,828,192 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 November 11, 2013.

\* Explanation regarding the appropriate use of forecast of consolidated 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) Explanation regarding Business Results

During the first six months of the fiscal year ending March 31, 2014 (April 1, 2013 – September 30, 2013), the Japanese economy started seeing gradually the effect of the government policy, particularly monetary easing and showed some signs of economic recovery on the back of the correction of the strong yen and the rise in the stock market. On the other hand, households' tendency to economize continues to be strong and it will likely take some time for the food industry to emerge from the difficult operating environment.

Amid those conditions, Ariake Japan Co., Ltd. (the Company) and the Group (collectively, the Ariake Group), as a global enterprise with a “global six-pillar system” and a leading manufacturer in the field of natural seasonings working to discern customer needs early on, has worked to expand existing businesses throughout the world, and actively develop new businesses, while delivering on commitments to food safety, good health, and better taste.

The Company posted a net sales increase of ¥794 million, or 5.9% year on year, to ¥14,328 million supported by aggressive consulting sales.

Consolidated net sales also increased by 10.8% year on year to ¥17,381 million as a result of the increase in net sales of consolidated subsidiaries in the U.S., Asia, and Europe.

Operating income at the Company level was helped by the higher net sales noted above, which were enough to absorb higher outlays, including increases in raw material costs (approx. ¥132 million) and fixed cost of manufacturing (approx. ¥89 million). The Company finished the first six months, therefore, with an operating income increase of ¥87 million, or 3.4% year on year, to ¥2,633 million.

At the consolidated level, overseas subsidiaries contributed remarkable improved results to bring the Group's operating income up by ¥205 million, or 8.1% year on year, to ¥2,742 million.

As for ordinary income, the Company, benefiting from the improvement in foreign exchange gains/losses, which included the significant improvement in loss or gain on valuation of derivatives (-¥249 million for the first six months of the previous fiscal year vs. +¥296 million for the first six months of the current fiscal year) in addition to the increase in operating income, recorded an increase of ¥606 million, or 23.6% year on year, to ¥3,178 million.

Consolidated ordinary income, with more overseas subsidiaries achieving profitability, increased by ¥945 million, or 39.3% year on year, to ¥3,351 million.

Business results of the Company and its consolidated subsidiaries by region were described below.

Net sales			(Billions of yen)
	First six months of FY2014	First six months of FY2013	Difference
<b>Ariake Japan Co., Ltd.</b>	14.33	13.53	0.80
<b>Consolidated subsidiaries</b>	3.05	2.16	0.89
U.S.	1.11	0.69	0.42
Asia	1.26	0.98	0.28
Europe	0.48	0.27	0.21
Japan	0.20	0.22	(0.02)
<b>Total</b>	17.38	15.69	1.69

Ordinary income (loss)			(Billions of yen)
	First six months of FY2014	First six months of FY2013	Difference
<b>Ariake Japan Co., Ltd.</b>	2.63	2.55	0.08
<b>Consolidated subsidiaries</b>	0.11	(0.01)	0.12
U.S.	0.18	0.05	0.13
Asia	0.22	0.19	0.03
Europe	(0.29)	(0.26)	(0.03)
Japan	0.00	0.01	(0.01)
<b>Total</b>	2.74	2.54	0.2

\*The Company recorded profit by geographic segment on an ordinary income and loss basis up to the fiscal year ended March 31, 2013. Effective from the fiscal year ending March 31, 2014, profit by geographic segment is being recorded on an operating income and loss basis. Recognizing that ordinary income and loss includes such short-term market trends as foreign exchange losses (gains), operating income and loss is deemed to more accurately reflect the Company's mainstay operating results.

**(2) Explanation regarding Financial Position**

Total assets at the end of the current second quarter increased by ¥4,115 million from the end of the previous fiscal year to ¥58,777 million.

Total liabilities increased by ¥1,439 million from the end of the previous fiscal year to ¥9,551 million, mainly because of increases in accounts payable—facilities and notes payable—facilities. Net assets increased by ¥2,676 million to ¥49,226 million.

**(3) Explanation regarding Information on Future Forecasts including Consolidated Business Forecasts, etc.**

We have not revised our forecast of the consolidated financial results which were announced on May 13, 2013.

**2. Supplement to Summary Information (Notes)**

**(1) Changes in Significant Subsidiaries during the Term**

There is no related information.

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

With respect to tax expenses, the effective tax rate after the application of tax effect accounting on income before income taxes and minority interests of the fiscal year, including the second quarter under review were rationally estimated and tax expenses were calculated multiplying income before income taxes and minority interests by said estimated effective tax rate.

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

**(3) Changes in Accounting Policies, Procedures and Accounting Estimates, and Restatement of Revisions**

(Change in useful lives)

Based on the review of the actual use of property, plant and equipment within the Group, some of the overseas consolidated subsidiaries changed the useful lives of certain items of machinery, equipment and vehicles starting from the second quarter of the current fiscal year.

As a result, operating income, ordinary income, and net income before income taxes and minority interests for the first six months increased by ¥78 million as compared with the respective amounts that would have been posted with the use of previous useful lives.

**3. Significant Events Regarding Going Concern Assumption**

There is no related information.

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

(Thousands of yen)

	FY2013 (As of March 31, 2013)	Second Quarter of FY2014 (As of September 30, 2013)
<b>Assets</b>		
Current assets		
Cash and time deposits	8,102,330	9,600,912
Notes and accounts receivable	6,766,744	6,414,683
Securities	1,000,000	2,590,000
Merchandise and finished goods	2,432,717	2,537,386
Work in process	677,707	784,520
Raw materials and supplies	1,568,228	1,844,043
Deferred tax assets	215,645	214,696
Others	470,089	763,031
Allowance for doubtful accounts	(1,425)	(2,770)
Total current assets	21,232,038	24,746,504
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	20,577,196	21,475,124
Accumulated depreciation	(9,251,388)	(9,800,063)
Buildings and structures, net	11,325,807	11,675,061
Machines, devices, and delivery equipment	21,908,262	23,292,565
Accumulated depreciation	(16,676,929)	(17,603,348)
Machines, devices, and delivery equipment, net	5,231,333	5,689,216
Land	4,499,643	4,558,102
Leased assets	44,156	56,194
Accumulated depreciation	(15,542)	(20,345)
Leased assets, net	28,613	35,849
Construction in progress	191,547	1,574,620
Others	835,870	871,930
Accumulated depreciation	(748,915)	(782,144)
Others, net	86,955	89,785
Total tangible fixed assets	21,363,900	23,622,635
Intangible assets	143,645	149,948
Investments and other assets		
Investment securities	9,856,060	8,201,544
Long-term loans receivable	64,897	44,933
Investments in real estates, net	1,453,834	1,476,097
Others	548,170	536,122
Allowance for doubtful accounts	(193)	(193)
Total investments and other assets	11,922,770	10,258,504
Total noncurrent assets	33,430,316	34,031,088
Total assets	54,662,355	58,777,592

(Thousands of yen)

	FY2013 (As of March 31, 2013)	Second Quarter of FY2014 (As of September 30, 2013)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable	2,851,630	2950992
Short-term loans payable	223,785	303065
Lease liabilities	9,032	11138
Income taxes payable	1,404,238	1308760
Allowance for employees' bonuses	179,443	197055
Allowance for directors' bonuses	58,000	—
Others	1,341,858	2470138
Total current liabilities	6,067,989	7241150
<b>Long-term liabilities</b>		
Long-term loans payable	324,848	287,882
Lease liabilities	21,012	26,503
Deferred tax liabilities	412,717	636,897
Allowance for employees' retirement benefits	612,951	644,711
Allowance for directors' retirement benefits	328,362	338,579
Others	344,121	375,338
Total long-term liabilities	2,044,012	2,309,912
Total liabilities	8,112,001	9,551,062
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Common stock	7,095,096	7,095,096
Capital surplus	7,833,869	7,833,869
Retained earnings	33,333,121	34,152,536
Treasury stock	(2,059,636)	(2,061,374)
Total shareholders' equity	46,202,450	47,830,126
<b>Accumulated other comprehensive income (loss)</b>		
Unrealized gains (losses) on other securities	1,161,420	1,443,280
Adjustment account for foreign currency exchange	(1,121,873)	28,609
Total accumulated other comprehensive income (loss)	39,546	1,471,890
Minority interests	308,356	374,512
Total net assets	46,550,353	49,226,530
Total liabilities and net assets	54,622,355	58,777,592

**(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income  
(Quarterly Consolidated Statements of Income)**

(Thousands of yen)

	Second Quarter of FY2013 (April 1, 2012 to September 30, 2012)	Second Quarter of FY2014 (April 1, 2013 to September 30, 2013)
Net sales	15,690,138	17,381,792
Cost of sales	10,493,865	11,882,010
Gross profit	5,196,273	5,499,781
Selling, general and administrative expenses	2,659,716	2,757,468
Operating income	2,536,556	2,742,312
Non-operating income		
Interest income	73,859	57,435
Dividend income	39,082	61,673
Rent received	14,413	14,960
Foreign exchange gains	—	244,068
Gain on valuation of derivatives	28,327	175,218
Others	96,241	76,801
Total non-operating income	251,925	630,157
Non-operating expenses		
Interest paid	18,552	7,449
Loss on foreign exchange	341,347	—
Cost of lease revenue	6,691	10,407
Others	15,992	3,604
Total non-operating expenses	382,583	21,461
Ordinary income	2,405,898	3,351,009
Extraordinary loss		
Loss on retirement of noncurrent assets	8,792	—
Loss on closing of stores	4,341	—
Total extraordinary loss	13,134	—
Income before income taxes and minority interests	2,392,763	3,351,009
Income taxes	1,049,336	1,353,748
Income before minority interests	1,343,427	1,997,260
Minority interests	10,890	22,146
Net income	1,332,536	1,975,113



**(Quarterly Consolidated Statements of Comprehensive Income)**

(Thousands of yen)

	Second Quarter of FY2013 (April 1, 2012 to September 30, 2012)	Second Quarter of FY2014 (April 1, 2013 to September 30, 2013)
Income before minority interests	1,343,427	1,997,260
Other comprehensive income		
Unrealized gains (losses) on other securities	(21,581)	281,860
Adjustment account for foreign currency exchange	50,667	1,198,691
Total accumulated other comprehensive income	29,086	1,480,551
Total other comprehensive income	1,372,513	3,477,812
(Breakdown of comprehensive income)		
Parent company portion of comprehensive income	1,352,583	3,407,457
Minority interest portion of comprehensive income	19,930	70,355

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

(Thousands of yen)

	Second Quarter of FY2013 (April 1, 2012 to September 30, 2012)	Second Quarter of FY2014 (April 1, 2013 to September 30, 2013)
Cash flows from operating activities		
Income before income taxes and minority interests	2,392,763	3,351,009
Depreciation and amortization	877,884	895,719
Increase (decrease) in allowance for doubtful accounts	1,226	1,345
Increase (decrease) in allowance for employees' retirement benefits	9,569	31,760
Increase (decrease) in allowance for directors' retirement benefits	9,985	10,216
Increase (decrease) in allowance for employees' bonuses	16,501	17,611
Increase (decrease) in allowance for directors' bonuses	(56,000)	(58,000)
Interest and dividends received	(112,942)	(119,108)
Interest paid	18,552	7,449
Loss (gain) on foreign exchange	149,869	55,848
Loss (gain) on valuation of derivatives	—	(175,218)
Loss on retirement of noncurrent assets	8,792	—
Decrease (increase) in accounts receivable—trade	101,407	470,664
Decrease (increase) in inventories	(604,623)	(338,376)
Increase (decrease) in accounts payable—trade	(113,749)	77,124
Others	(189,958)	(412,238)
Subtotal	2,509,280	3,815,808
Interest and dividend income received	104,289	119,562
Interest expenses paid	(18,552)	(7,449)
Income taxes paid	(1,396,196)	(1,345,401)
Cash provided by operating activities	1,198,820	2,852,520
Cash flows from investing activities		
Proceeds from sales of securities	2,000,000	500,000
Payments for purchase of tangible fixed assets	(787,254)	(995,148)
Purchase of intangible assets	(27,188)	(3,316)
Payments for acquisition of investment securities	(1,703,023)	(3,182)
Payments for loans receivable	(5,215)	(5,393)
Proceeds from collection of loans receivable	47,515	46,472
Payments for investments in real estates	(146,577)	(29,060)
Cash used in investing activities	(621,745)	(489,627)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(103,750)	(30,401)
Payments for acquisition of treasury stock	(360)	(1,738)
Proceeds from sale of treasury stock	146	—
Dividends paid	(636,755)	(795,799)
Cash dividends paid to minority shareholders	(2,572)	(4,198)
Cash used in financing activities	(743,292)	(832,138)
Exchange difference of cash and cash equivalents	(130,147)	237,827
Increase (decrease) in cash and cash equivalents	(296,364)	1,498,581
Cash and cash equivalents at beginning of term	5,383,293	8,102,330
Cash and cash equivalents at end of the quarter	5,086,929	9,600,912

**(4) Notes on Quarterly Financial Statements**

**(Notes on Going Concern Assumption)**

There is no related information.

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

There is no related information.

**(Segment Information)**

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