

Consolidated Financial Results for the Second Quarter of FY2015 Ending March 31, 2015 (J-GAAP)

November 12, 2014

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: Kazuhiro Fujita, General Manager, Administration Department
 TEL: +81-3-3791-3301

Filing of quarterly financial report: November 12, 2014
 Date to start of dividends distribution: December 8, 2014
 Supplementary quarterly materials prepared: Yes
 Quarterly results information meeting held: Yes (for financial analysts)

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

1. Consolidated Financial Results for the Second Quarter of FY2015 Ending March 31, 2015 (April 1, 2014 – September 30, 2014)

(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 FY2015	18,529	6.6	2,651	(3.3)	3,065	(8.5)	1,931	(2.2)
Second Quarter of FY2014	17,381	10.8	2,742	8.1	3,351	39.3	1,975	48.2

(Note) Comprehensive income: Second Quarter of FY2015: ¥2,058 million (-40.8%) Second Quarter of FY2014: ¥3,477 million (153.4%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second Quarter of FY2015	60.69	–
Second Quarter of FY2014	62.06	–

(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, 2014	63,107	53,204	83.6	1,658.41
As of March 31, 2014	62,352	52,211	83.0	1,626.85

(Reference) Equity capital: As of September 30, 2014: ¥52,781 million

As of March 31, 2014: ¥51,777 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2014	–	20.00	–	30.00	50.00
FY2015	–	20.00			
FY2015 (forecast)			–	30.00	50.00

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

3. Forecast of the Consolidated Financial Results for FY2015 Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Full year percentage figures represent 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	41,879	12.6	6,961	23.4	7,724	6.7	5,066	19.1	159.17

(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): 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. Supplement to Summary Information (Notes).”

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

- | | |
|--|------|
| 1) Changes in accounting policies associated with revisions of accounting standards, etc.: | Yes |
| 2) Changes other than those included in 1): | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatement of revisions: | None |

(4) Number of Shares Outstanding (Common Stock)

1) Number of shares outstanding as of the period-end (including treasury shares)	As of September 30, 2014	32,808,683 shares	As of March 31, 2014	32,808,683 shares
2) Number of treasury shares as of the period-end	As of September 30, 2014	982,674 shares	As of March 31, 2014	981,952 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First six months of FY2015	31,826,409 shares	First six months of FY2014	31,827,729 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 10, 2014.

* 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.

Contents

1. Qualitative Information on Quarterly Consolidated Financial Results	2
(1) Explanation regarding Business Results	2
(2) Explanation regarding Financial Position	3
(3) Explanation regarding Information on Future Forecasts including Consolidated Business Forecasts, etc.	3
2. Supplement to Summary Information (Notes)	3
(1) Significant Changes in Subsidiaries during the Period.....	3
(2) Application of Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements	3
(3) Changes in Accounting Policies, Accounting Estimates, and Restatement of Revisions	3
3. Significant Events regarding Going Concern Assumption	3
4. Quarterly Consolidated Financial Statements	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	6
(Quarterly Consolidated Statements of Income)	6
(Quarterly Consolidated Statements of Comprehensive Income)	7
(3) Quarterly Consolidated Statements of Cash Flows	8
(4) Notes on Quarterly Financial Statements	9
(Notes on Going Concern Assumption)	9
(Notes on Significant Changes in the Amount of Shareholders' Equity)	9
(Segment Information, etc.).....	9

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, 2015 (April 1, 2014–September 30, 2014), the Japanese economy showed signs of a modest recovery supported by rising share prices and the weakening yen in anticipation for the positive fiscal and monetary policies put forward by the government. However, the outlook remained uncertain due to some concerns over financial and political instability in Europe and slowing economies in emerging countries.

In the food industry, despite signs of recovery in personal consumption in some segments, the yen depreciation trend, spurred by the economic recovery after the change in government at the end of 2012, is causing raw material costs to rise and is producing a headwind. However, companies saw signs of improvement in its business environment.

Under such circumstances, Ariake Japan Co., Ltd. (the “Company”) and its Group companies (collectively, the “Ariake Group”) have been striving to grasp customer needs early on, expand their existing businesses throughout the world, and actively develop new businesses. In this way, the Ariake Group endeavors, as a leading manufacturer in the field of natural seasonings, and also as a global enterprise setting up a “global seven-pillar system,” to fulfill its commitments to food safety, good health, and better taste.

As a result of these efforts, the Ariake Group and the Company were able to record the following earnings results for the first six months ended September 30, 2014 (April 1, 2014–September 30, 2014).

The Company’s net sales increased by 3.0% (¥427 million) year on year, to ¥14,756 million, resulting from our successful sales and marketing efforts focusing on a “customer-first” approach. Net sales of consolidated subsidiaries increased due to the increase in net sales of consolidated subsidiaries in Asia and, in particular, Europe. Therefore, consolidated net sales for the six months under review increased by 6.6% to ¥18,529 million (up by ¥1,147 million year on year).

The Company’s operating income decreased by 8.7% (¥230 million) year on year, to ¥2,402 million. This was mainly due to an increase in costs of raw materials and an increase in fixed manufacturing costs (up by approximately ¥125 million year on year), despite the higher sales achieved. Consolidated operating income was ¥2,651 million, representing a decrease of 3.3% (¥90 million) from the same period in the previous fiscal year.

The Company’s ordinary income decreased by 8.2% (¥261 million) year on year, to ¥2,916 million. This was mainly due to the deterioration of general and administrative expenses (¥31 million) and a decrease in the foreign exchange gains (including valuation gains in derivatives trading) from ¥296 million posted in the previous fiscal year to ¥291 million. Consolidated ordinary income decreased by 8.5% (¥285 million) year on year to ¥3,065 million.

Net income for the Company decreased by 0.2% (¥3 million) year on year to ¥1,961 million.

Consolidated net income decreased by 2.2% (¥43 million) year on year to ¥1,931 million.

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

Net sales

(Billions of yen)

	First six months of FY2015	First six months of FY2014	Difference
Ariake Japan Co., Ltd.	14.76	14.33	0.43
U.S.	0.82	1.11	(0.29)
Asia	1.36	1.26	0.10
Europe	1.41	0.48	0.93
Japan	0.18	0.20	(0.02)
Consolidated subsidiaries total	3.77	3.05	0.72
Total	18.53	17.38	1.15

Operating income (loss)

(Billions of yen)

	First six months of FY2015	First six months of FY2014	Difference
Ariake Japan Co., Ltd.	2.40	2.63	(0.23)
U.S.	0.07	0.18	(0.11)
Asia	0.34	0.22	0.12
Europe	(0.17)	(0.29)	0.12
Japan	0.01	0.00	0.01
Consolidated subsidiaries total	0.25	0.11	0.14
Total	2.65	2.74	(0.09)

(2) Explanation regarding Financial Position

As of September 30, 2014, consolidated total assets were ¥63,107 million. This represents an increase of ¥754 million compared to March 31, 2014.

Total liabilities fell by ¥238 million from March 31, 2014 to ¥9,903 million, mainly due to decreases in accounts payable - facilities and notes payable - facilities. Net assets were ¥53,204 million, which represents an increase of ¥994 million from March 31, 2014.

(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 12, 2014.

2. Supplement to Summary Information (Notes)

(1) Significant Changes in Subsidiaries during the Period

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, Accounting Estimates, and Restatement of Revisions

(Changes in Accounting Policies)

(Application of Accounting Standard for Retirement Benefits and Others)

Regarding Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) (hereinafter the "Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) (hereinafter the "Guidance"), the Company has applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard and in Paragraph 67 of the Guidance, beginning with the first quarter of the fiscal year 2015, and reviewed its method for calculating retirement benefit obligations and service costs. The Company has changed the attribution method for expected retirement benefits from straight-line basis to benefit-formula basis, and also changed the method for determining the discount rate from the use of the period approximate to the estimated average remaining service period to the use of a single-weighted average discount rate that reflects the estimated period of retirement benefits and the expected amount of retirement benefit payments for each such period.

The application of the Accounting Standard and the Guidance is in line with the transitional treatment stated in Paragraph 37 of the Accounting Standard and the amount of financial impact resulting from the change was added to or deducted from retained earnings at the beginning of the fiscal year 2015.

As a result, net defined benefit liabilities increased by ¥134,956 thousand and retained earnings decreased by ¥87,991 thousand at the beginning of the fiscal year 2015. The effect of the change on consolidated operating income, ordinary income and income before income taxes and minority interests for the six months ended September 30, 2014 was insignificant.

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)

	FY2014 (As of March 31, 2014)	Second Quarter of FY2015 (As of September 30, 2014)
Assets		
Current assets		
Cash and deposits	8,475,323	9,933,556
Notes and accounts receivable - trade	7,131,256	7,425,878
Securities	3,590,000	2,500,000
Merchandise and finished goods	3,078,829	2,819,054
Work in process	893,386	920,422
Raw materials and supplies	1,771,276	2,233,391
Deferred tax assets	192,287	196,447
Others	1,104,125	1,083,580
Allowance for doubtful accounts	(1,522)	(2,914)
Total current assets	26,234,964	27,109,417
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,108,779	22,714,717
Accumulated depreciation	(10,820,544)	(11,032,328)
Buildings and structures, net	12,288,235	11,682,389
Machinery, equipment and vehicles	26,139,882	26,596,057
Accumulated depreciation	(18,977,895)	(19,376,145)
Machinery, equipment and vehicles, net	7,161,987	7,219,912
Land	4,695,695	4,667,162
Leased assets	56,194	56,194
Accumulated depreciation	(25,649)	(30,953)
Leased assets, net	30,545	25,241
Construction in progress	1,152,225	765,498
Others	997,400	1,014,668
Accumulated depreciation	(864,258)	(867,427)
Others, net	133,142	147,241
Total property, plant and equipment	25,461,830	24,507,444
Intangible assets		
Goodwill	1,057,882	956,996
Other	177,903	160,795
Total intangible assets	1,235,785	1,117,792
Investments and other assets		
Investment securities	7,477,484	9,273,186
Long-term loans receivable	48,327	14,607
Real estate for investment, net	1,469,306	690,570
Others	433,168	394,965
Allowance for doubtful accounts	(7,976)	(643)
Total investments and other assets	9,420,310	10,372,687
Total non-current assets	36,117,926	35,997,924
Total assets	62,352,891	63,107,341

(Thousands of yen)

	FY2014 (As of March 31, 2014)	Second Quarter of FY2015 (As of September 30, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,381,377	3,131,996
Short-term loans payable	461,090	725,403
Lease obligations	11,138	11,138
Income taxes payable	1,508,758	1,256,223
Provision for bonuses	203,526	198,461
Provision for directors' bonuses	58,000	–
Others	1,917,345	1,601,795
Total current liabilities	7,541,238	6,925,019
Non-current liabilities		
Long-term loans payable	220,054	127,308
Lease obligations	20,933	15,364
Deferred tax liabilities	955,848	1,317,747
Provision for directors' retirement benefits	348,795	352,020
Net defined benefit liability	638,985	782,057
Others	415,516	383,767
Total non-current liabilities	2,600,134	2,978,265
Total liabilities	10,141,372	9,903,284
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,833,869	7,833,869
Retained earnings	36,153,808	37,026,083
Treasury shares	(2,062,514)	(2,064,385)
Total shareholders' equity	49,020,258	49,890,662
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,626,742	2,341,595
Foreign currency translation adjustment	1,120,558	540,464
Remeasurements of defined benefit plans	9,664	8,543
Total accumulated other comprehensive income	2,756,966	2,890,603
Minority interests	434,293	422,790
Total net assets	52,211,518	53,204,056
Total liabilities and net assets	62,352,891	63,107,341

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

(Thousands of yen)

	Second Quarter of FY2014 (April 1, 2013 to September 30, 2013)	Second Quarter of FY2015 (April 1, 2014 to September 30, 2014)
Net sales	17,381,792	18,529,164
Cost of sales	11,882,010	12,837,983
Gross profit	5,499,781	5,691,180
Selling, general and administrative expenses	2,757,468	3,039,601
Operating income	2,742,312	2,651,579
Non-operating income		
Interest income	57,435	58,673
Dividend income	61,673	69,977
House rent income	14,960	15,018
Foreign exchange gains	244,068	308,343
Gain on valuation of derivatives	175,218	–
Others	76,801	79,787
Total non-operating income	630,157	531,801
Non-operating expenses		
Interest expenses	7,449	11,418
Cost of lease revenue	10,407	37,343
Loss on valuation of derivatives	–	50,065
Others	3,604	19,527
Total non-operating expenses	21,461	118,355
Ordinary income	3,351,009	3,065,025
Extraordinary income		
Gain on sales of non-current assets	–	145,379
Total extraordinary income	–	145,379
Extraordinary losses		
Loss on debt waiver of subsidiaries and affiliates	–	20,736
Total extraordinary losses	–	20,736
Income before income taxes and minority interests	3,351,009	3,189,669
Income taxes	1,353,748	1,238,403
Income before minority interests	1,997,260	1,951,266
Minority interests in income	22,146	19,562
Net income	1,975,113	1,931,703

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Second Quarter of FY2014 (April 1, 2013 to September 30, 2013)	Second Quarter of FY2015 (April 1, 2014 to September 30, 2014)
Income before minority interests	1,997,260	1,951,266
Other comprehensive income		
Valuation difference on available-for-sale securities	281,860	714,852
Foreign currency translation adjustment	1,198,691	(606,252)
Remeasurements of defined benefit plans	-	(1,121)
Total other comprehensive income	1,480,551	107,478
Comprehensive income	3,477,812	2,058,744
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	3,407,457	2,065,340
Comprehensive income attributable to minority interests	70,355	(6,596)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Second Quarter of FY2014 (April 1, 2013 to September 30, 2013)	Second Quarter of FY2015 (April 1, 2014 to September 30, 2014)
Cash flows from operating activities		
Income before income taxes and minority interests	3,351,009	3,189,669
Depreciation	895,719	1,062,390
Increase (decrease) in allowance for doubtful accounts	1,345	(5,941)
Amortization of goodwill	–	51,729
Increase (decrease) in provision for retirement benefits	31,760	–
Increase (decrease) in provision for directors' retirement benefits	10,216	3,224
Increase (decrease) in net defined benefit liability	–	6,995
Increase (decrease) in provision for bonuses	17,611	(5,064)
Increase (decrease) in provision for directors' bonuses	(58,000)	(58,000)
Interest and dividend income	(119,108)	(128,651)
Interest expenses	7,449	11,418
Foreign exchange losses (gains)	55,848	(341,353)
Loss (gain) on valuation of derivatives	(175,218)	50,065
Loss (gain) on sales of non-current assets	–	(145,379)
Decrease (increase) in notes and accounts receivable - trade	470,664	(371,243)
Decrease (increase) in inventories	(338,376)	(322,634)
Increase (decrease) in notes and accounts payable - trade	77,124	(226,397)
Loss on debt waiver of subsidiaries and affiliates	–	20,736
Others	(412,238)	(26,479)
Subtotal	3,815,808	2,765,083
Interest and dividend income received	119,562	143,065
Interest expenses paid	(7,449)	(11,418)
Income taxes paid	(1,345,401)	(1,416,505)
Net cash provided by operating activities	2,582,520	1,480,224
Cash flows from investing activities		
Proceeds from sale of securities	500,000	2,000,000
Purchase of property, plant and equipment	(995,148)	(952,276)
Purchase of intangible assets	(3,316)	(2,859)
Purchase of investment securities	(3,182)	(1,609,301)
Payments of loans receivable	(5,393)	(1,218)
Collection of loans receivable	46,472	24,002
Payments for investments in real estates	(29,060)	–
Proceeds from sales of investments in real estates	–	918,521
Net cash provided by (used in) investing activities	(489,627)	376,867
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(30,401)	205,991
Purchase of treasury shares	(1,738)	(1,870)
Cash dividends paid	(795,799)	(966,930)
Cash dividends paid to minority shareholders	(4,198)	(4,906)
Net cash used in financing activities	(832,138)	(767,717)
Effect of exchange rate change on cash and cash equivalents	237,827	368,857
Net increase (decrease) in cash and cash equivalents	1,498,581	1,458,232
Cash and cash equivalents at beginning of period	8,102,330	8,475,323
Cash and cash equivalents at end of period	9,600,912	9,933,556

(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, etc.)

[Segment information]

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