

Consolidated Financial Results for the Second Quarter of FY2016 Ending March 31, 2016 (J-GAAP)

November 11, 2015

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 Date to start of dividends distribution: December 7, 2015
 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 FY2016 Ending March 31, 2016 (April 1, 2015 – September 30, 2015)

(1) Consolidated Business Results (cumulative)

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

	Net sales		Operating income		Ordinary income		Quarterly net income attributable to shareholders of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Second Quarter of FY2016	22,059	19.1	3,984	50.3	4,322	41.0	2,754	42.6
Second Quarter of FY2015	18,529	6.6	2,651	(3.3)	3,065	(8.5)	1,931	(2.2)

(Note) Comprehensive income: Second Quarter of FY2016: ¥2,142 million (4.0%) Second Quarter of FY2015: ¥2,058 million (-40.8%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second Quarter of FY2016	86.55	–
Second Quarter of FY2015	60.69	–

(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, 2015	68,832	58,069	83.5	1,806.45
As of March 31, 2015	68,293	57,034	82.7	1,775.07

(Reference) Equity capital: As of September 30, 2015: ¥57,490 million

As of March 31, 2015: ¥56,492 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2015	–	20.00	–	35.00	55.00
FY2016	–	20.00	–	–	–
FY2016 (forecast)	–	–	–	35.00	55.00

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

3. Forecast of the Consolidated Financial Results for FY2016 Ending March 31, 2016 (April 1, 2015–March 31, 2016)

(Full year percentage figures represent of changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	46,007	12.4	7,933	26.9	8,654	14.4	5,439	15.1	170.90

(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, 2015	32,808,683 shares	As of March 31, 2015	32,808,683 shares
2) Number of treasury shares as of the period-end	As of September 30, 2015	983,849 shares	As of March 31, 2015	983,271 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First six months of FY2016	31,825,046 shares	First six months of FY2015	31,826,409 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 9, 2015.

* 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, 2016 (April 1, 2015 to September 30, 2015), the Japanese economy showed a modest recovery trend against the backdrop of Abenomics. However, consumer sentiment failed to recover and there were some factors affecting Japanese companies' production costs, such as higher raw material prices due to a weakening yen and rising employment costs.

In these circumstances, Ariake Japan Co., Ltd. (the "Company") and its Group companies (collectively, the "Ariake Group") have been striving to ascertain 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, 2015 (April 1, 2015–September 30, 2015).

The Company's net sales increased by 13.0% (¥1,912 million) year on year, to ¥16,669 million, resulting from our successful sales and marketing efforts focusing on a "customer-first" approach. Regarding net sales of consolidated subsidiaries, those of the subsidiaries in the U.S. and Asia marked an increase. Therefore, consolidated net sales for the six months under review increased by 19.1% year on year, to ¥22,059 million (up by ¥3,530 million year on year).

The Company's operating income increased by 33.8% (¥811 million) year on year to ¥3,214 million, owing to increased operating income associated with the higher sales achieved as well as to painstaking cost management. Consolidated operating income was ¥3,984 million, representing an increase of 50.3% (¥1,333 million) from the same period in the previous fiscal year.

The Company's ordinary income increased by 25.1% (¥732 million) year on year to ¥3,648 million. This was mainly because the foreign exchange gains (including valuation losses in derivatives trading) resulted in a gain of ¥136 million, although it was a decrease by ¥154 million from a gain of ¥291 million for the previous fiscal year.

Consolidated ordinary income increased by 41.0% (¥1,257 million) year on year to ¥4,322 million.

The Company's quarterly net income increased by 25.9% (¥507 million) year on year to ¥2,468 million.

Quarterly consolidated net income attributable to shareholders of the parent company increased by 42.6% (¥822 million) year on year to ¥2,754 million.

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

- Net sales

(Billions of yen)			
	First six months of FY2016	First six months of FY2015	Difference
Ariake Japan Co., Ltd.	16.67	14.76	1.91
U.S.	1.98	0.82	1.16
Asia	1.90	1.36	0.54
Europe	1.33	1.41	(0.08)
Japan	0.18	0.18	0.00
Consolidated subsidiaries total	5.39	3.77	1.62
Total	22.06	18.53	3.53

- Operating income (loss)

(Billions of yen)			
	First six months of FY2016	First six months of FY2015	Difference
Ariake Japan Co., Ltd.	3.21	2.40	0.81
U.S.	0.38	0.07	0.31
Asia	0.51	0.34	0.17
Europe	(0.12)	(0.17)	0.05
Japan	0.01	0.01	0.00
Consolidated subsidiaries total	0.78	0.25	0.53
Total	3.99	2.65	1.34

(2) Explanation regarding Financial Position

As of September 30, 2015, consolidated total assets were ¥68,832 million. This represents an increase of ¥538 million compared to March 31, 2015.

Total liabilities fell by ¥496 million to ¥10,762 million compared to March 31, 2015, mainly due to a drop in consumption tax payable and long-term loans payable. Net assets were ¥58,069 million, which represents an increase of ¥1,035 million from March 31, 2015.

(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 14, 2015.

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 consolidated 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

(Application of Accounting Standard for Business Combinations)

With regard to the Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013), the company has applied the provisions set forth therein, beginning with the first quarter of the consolidated fiscal year 2016. The company has changed the presentation of net income, and also has changed the presentation of interests from minority interests to non-controlling interests. To reflect such presentational changes, the company has changed the presentation of the quarterly consolidated financial results as well as the consolidated financial results for the first six months of the last consolidated fiscal year and for the last consolidated fiscal year.

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)

	FY2015 (As of March 31, 2015)	Second Quarter of FY2016 (As of September 30, 2015)
Assets		
Current assets		
Cash and deposits	12,955,853	16,838,692
Notes and accounts receivable - trade	8,054,268	8,371,631
Securities	1,081,368	581,368
Merchandise and finished goods	2,765,089	2,834,809
Work in process	855,994	887,188
Raw materials and supplies	2,054,591	2,371,546
Deferred tax assets	156,992	168,908
Others	2,048,526	1,079,219
Allowance for doubtful accounts	(4,495)	(5,779)
Total current assets	29,968,190	33,127,586
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,942,871	23,773,759
Accumulated depreciation	(11,730,882)	(12,010,520)
Buildings and structures, net	12,211,988	11,763,238
Machinery, equipment and vehicles	26,255,588	26,436,262
Accumulated depreciation	(19,257,940)	(19,801,276)
Machinery, equipment and vehicles, net	6,997,648	6,634,985
Land	4,776,579	4,771,427
Leased assets	56,194	68,932
Accumulated depreciation	(36,258)	(42,163)
Leased assets, net	19,936	26,769
Construction in progress	25,597	461,894
Others	1,063,781	1,057,694
Accumulated depreciation	(908,258)	(895,283)
Others, net	155,522	162,410
Total property, plant and equipment	24,187,274	23,820,725
Intangible assets		
Goodwill	959,134	846,872
Other	166,684	156,080
Total intangible assets	1,125,819	1,002,953
Investments and other assets		
Investment securities	9,893,724	8,802,905
Long-term loans receivable	12,436	12,006
Real estate for investment, net	684,960	680,227
Others	2,422,423	1,386,823
Allowance for doubtful accounts	(1,165)	(1,165)
Total investments and other assets	13,012,379	10,880,797
Total non-current assets	38,325,473	35,704,476
Total assets	68,293,663	68,832,062

(Thousands of yen)

	FY2015 (As of March 31, 2015)	Second Quarter of FY2016 (As of September 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,618,361	3,691,724
Short-term loans payable	836,738	800,413
Lease obligations	11,038	9,094
Income taxes payable	1,337,112	1,356,366
Provision for bonuses	202,200	207,991
Provision for directors' bonuses	63,800	-
Others	2,004,710	1,569,507
Total current liabilities	8,073,962	7,635,098
Non-current liabilities		
Long-term loans payable	51,113	-
Lease obligations	9,895	19,111
Deferred tax liabilities	1,538,716	1,574,219
Provision for directors' retirement benefits	360,191	289,753
Net defined benefit liability	876,397	903,291
Others	348,939	340,745
Total non-current liabilities	3,185,253	3,127,120
Total liabilities	11,259,216	10,762,218
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,833,869	7,833,869
Retained earnings	39,183,311	40,840,610
Treasury shares	(2,066,179)	(2,068,888)
Total shareholders' equity	52,046,097	53,700,687
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,645,340	2,290,927
Foreign currency translation adjustment	1,852,500	1,544,989
Remeasurements of defined benefit plans	(51,658)	(46,575)
Total accumulated other comprehensive income	4,446,183	3,789,341
Non-controlling interests	542,167	579,815
Total net assets	57,034,447	58,069,844
Total liabilities and net assets	68,293,663	68,832,062

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

(Thousands of yen)

	First Half of FY2015 (April 1, 2014 to September 30, 2014)	First Half of FY2016 (April 1, 2015 to September 30, 2015)
Net sales	18,529,164	22,059,380
Cost of sales	12,837,983	14,839,592
Gross profit	5,691,180	7,219,787
Selling, general and administrative expenses	3,039,601	3,234,917
Operating income	2,651,579	3,984,870
Non-operating income		
Interest income	58,673	39,901
Dividend income	69,977	66,939
House rent income	15,018	17,944
Foreign exchange gains	308,343	391,044
Others	79,787	97,394
Total non-operating income	531,801	613,224
Non-operating expenses		
Interest expenses	11,418	9,160
Loss on valuation of derivatives	50,065	235,015
Cost of lease revenue	37,343	8,610
Others	19,527	23,017
Total non-operating expenses	118,355	275,803
Ordinary income	3,065,025	4,322,291
Extraordinary income		
Gain on sales of non-current assets	145,379	–
Gain on sales of investment securities	–	4,822
Total extraordinary income	145,379	4,822
Extraordinary losses		
Loss on debt waiver of subsidiaries and affiliates	20,736	–
Provision for directors' retirement benefits	–	15,596
Total extraordinary losses	20,736	15,596
Income before income taxes and minority interests	3,189,669	4,311,518
Income taxes	1,238,403	1,523,560
Quarterly net income	1,951,266	2,787,957
Quarterly net income attributable to non-controlling interests	19,562	33,404
Quarterly net income attributable to shareholders of the parent company	1,931,703	2,754,552

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Half of FY2015 (April 1, 2014 to September 30, 2014)	First Half of FY2016 (April 1, 2015 to September 30, 2015)
Quarterly net income	1,951,266	2,787,957
Other comprehensive income		
Valuation difference on available-for-sale securities	714,852	(354,413)
Foreign currency translation adjustment	(606,252)	(296,581)
Remeasurements of defined benefit plans	(1,121)	5,082
Total other comprehensive income	107,478	(645,911)
Quarterly comprehensive income	2,058,744	2,142,045
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	2,065,340	2,097,711
Quarterly comprehensive income attributable to non- controlling interests	(6,596)	44,334

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First Half of FY2015 (April 1, 2014 to September 30, 2014)	First Half of FY2016 (April 1, 2015 to September 30, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	3,189,669	4,311,518
Depreciation	1,062,390	1,055,657
Increase (decrease) in allowance for doubtful accounts	(5,941)	1,283
Amortization of goodwill	51,729	51,325
Increase (decrease) in provision for directors' retirement benefits	3,224	(70,438)
Increase (decrease) in net defined benefit liability	6,995	31,977
Increase (decrease) in provision for bonuses	(5,064)	5,790
Increase (decrease) in provision for directors' bonuses	(58,000)	(63,800)
Interest and dividend income	(128,651)	(106,840)
Interest expenses	11,418	9,160
Foreign exchange losses (gains)	(341,353)	(371,987)
Loss (gain) on valuation of derivatives	50,065	235,015
Loss (gain) on sales of non-current assets	(145,379)	–
Loss (gain) on sales of investment securities	–	(4,822)
Loss on debt waiver of subsidiaries and affiliates	20,736	–
Decrease (increase) in notes and accounts receivable - trade	(371,243)	(333,306)
Decrease (increase) in inventories	(322,634)	(465,806)
Increase (decrease) in notes and accounts payable - trade	(226,397)	97,836
Others	(26,479)	(713,564)
Subtotal	2,765,083	3,668,998
Interest and dividend income received	143,065	109,535
Interest expenses paid	(11,418)	(9,160)
Contribution received	–	1,057,157
Income taxes paid	(1,416,505)	(1,277,250)
Net cash provided by operating activities	1,480,224	3,549,280
Cash flows from investing activities		
Proceeds from sale of securities	2,000,000	1,047,771
Payments into time deposits	–	(1,000,000)
Purchase of property, plant and equipment	(952,276)	(898,257)
Purchase of intangible assets	(2,859)	(866)
Purchase of investment securities	(1,609,301)	(3,409)
Proceeds from sales of investment securities	–	41,584
Payments of loans receivable	(1,218)	(1,723)
Collection of loans receivable	24,002	2,429
Proceeds from sales of investments in real estates	918,521	–
Net cash provided by (used in) investing activities	376,867	(812,472)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	205,991	(126,819)
Purchase of treasury shares	(1,870)	(2,709)
Cash dividends paid	(966,930)	(1,113,347)
Cash dividends paid to non-controlling interests	(4,906)	(6,686)

Net cash used in financing activities	(767,717)	(1,249,563)
Effect of exchange rate change on cash and cash equivalents	368,857	395,593
Net increase (decrease) in cash and cash equivalents	1,458,232	1,882,838
Cash and cash equivalents at beginning of period	8,475,323	12,955,853
Cash and cash equivalents at end of period	9,933,556	14,838,692

(4) Notes on Quarterly Financial Statements

(Notes on the Going Concern Assumption)

There is nothing to report.

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

There is nothing to report.

(Segment Information, etc.)

[Segment information]

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