

Consolidated Financial Results for the Second Quarter of FY2020 Ending March 31, 2020 (J-GAAP)

November 8, 2019

Listed company name: Ariake Japan Co., Ltd.
 Code number: 2815 URL: <http://www.ariakejapan.com/> Listing exchange: Tokyo, 1st Section
 Representative: Tomoki Tagawa, President (CEO)
 Contact: Kazuhiro Fujita, General Manager, Administration Department
 TEL: +81-3-3791-3301

Filing of quarterly financial report: November 8, 2019
 Date to start of dividends distribution: December 4, 2019
 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 FY2020 Ending March 31, 2020 (April 1, 2019–September 30, 2019)

(1) Consolidated Financial 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 FY2020	25,453	(3.7)	5,471	(3.3)	5,629	(6.0)	3,821	(6.9)
Second Quarter of FY2019	26,427	2.5	5,661	7.4	5,991	9.5	4,104	9.6

(Note) Comprehensive income: Second Quarter of FY2020: ¥3,329 million (-27.9%) Second Quarter of FY2019: ¥4,619 million (2.9%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second Quarter of FY2020	120.08	–
Second Quarter of FY2019	128.98	–

(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, 2019	102,788	90,408	87.4	2,824.41
As of March 31, 2019	106,699	88,904	82.8	2,777.83

(Reference) Equity capital: As of September 30, 2019: ¥89,875 million

As of March 31, 2019: ¥88,393 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2019	–	20.00	–	57.00	77.00
FY2020	–	20.00	–	–	–
FY2020 (forecast)	–	–	–	57.00	77.00

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

3. Forecast of the Consolidated Financial Results for FY2020 Ending March 31, 2020 (April 1, 2019–March 31, 2020)

(Full year percentage figures represent 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	52,000	(8.0)	11,100	(7.1)	11,200	(10.7)	8,200	(50.8)	257.69

(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 "(Application of Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements)" under "(4) Notes on Quarterly Financial Statements in 2. Quarterly Consolidated Financial Statements and Major Notes."

(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: 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, 2019	32,808,683 shares	As of March 31, 2019	32,808,683 shares
2) Number of treasury shares as of the period-end	As of September 30, 2019	987,784 shares	As of March 31, 2019	987,527 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First six months of FY2020	31,821,088 shares	First six months of FY2019	31,821,838 shares

* These quarterly financial results are outside the scope of quarterly review procedures by certified public accountants or auditing firms.

* 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 financial results may significantly vary due to various factors.

Contents

1. Qualitative Information on Quarterly Consolidated Financial Results	2
(1) Explanation regarding Financial Results.....	2
(2) Explanation regarding Financial Position	3
(3) Explanation regarding Information on Future Forecasts including Consolidated Financial Forecasts, etc.	3
2. Quarterly Consolidated Financial Statements and Major Notes.....	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.....	10
(Notes on the Going Concern Assumption).....	10
(Notes on Significant Changes in the Amount of Shareholders' Equity)	10
(Application of Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements).....	10
(Segment Information, etc.).....	10

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation regarding Financial Results

During the first six months of the fiscal year ending March 31, 2020 (April 1, 2019–September 30, 2019), the Japanese economy continued to be on a moderate recovery trend with improvements in corporate earnings and employment and income conditions. However, uncertainty concerning the future remains as the tendency among consumers to economize still persists.

In the food industry, although some companies showed steady growth in sales, the business environment for the industry remained harsh against a backdrop of price competition.

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, 2019.

The Company's net sales increased by 8.3% (¥1,551 million) year on year, to ¥20,190 million, resulting from our steady sales and marketing efforts focusing on a "customer-first" approach. Net sales of consolidated subsidiaries decreased substantially as a result of the sale of Ariake U.S.A., Inc. at the end of the previous fiscal year. Therefore, consolidated net sales for the six months under review decreased by 3.7% year on year, to ¥25,453 million (down by ¥974 million year on year).

The Company's operating income increased by 10.5% (¥395 million) year on year to ¥4,172 million, owing to painstaking cost management. Consolidated operating income was ¥5,471 million, representing a decrease of 3.3% (¥189 million) from the same period in the previous fiscal year.

The Company's ordinary income increased by 2.7% (¥118 million) year on year to ¥4,476 million mainly due to significant decreases in foreign exchange gains and gains on the valuation of derivatives from the previous fiscal year.

Consolidated ordinary income decreased by 6.0% (¥361 million) year on year to ¥5,629 million.

The Company's quarterly net income increased by 2.7% (¥83 million) year on year to ¥3,126 million.

Quarterly net income attributable to shareholders of the parent company decreased by 6.9% (¥283 million) year on year to ¥3,821 million.

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

- Net sales

(Billions of yen)

	First six months of FY2020	First six months of FY2019	Increase (Decrease)
Ariake Japan Co., Ltd.	20.19	18.64	1.55
U.S.	–	2.71	(2.71)
Asia	3.28	3.31	(0.03)
Europe	1.81	1.61	0.20
Japan	0.17	0.16	0.01
Consolidated subsidiaries total	5.26	7.79	(2.53)
Total	25.45	26.43	(0.98)

- Operating income

(Billions of yen)

	First six months of FY2020	First six months of FY2019	Increase (Decrease)
Ariake Japan Co., Ltd.	4.17	3.78	0.39
U.S.	0.10	0.76	(0.66)
Asia	0.82	0.86	(0.04)
Europe	0.37	0.25	0.12
Japan	0.01	0.01	0.00
Consolidated subsidiaries total	1.30	1.88	(0.58)
Total	5.47	5.66	(0.19)

(2) Explanation regarding Financial Position

As of September 30, 2019, consolidated total assets were ¥102,788 million. This represents a decrease of ¥3,911 million compared to March 31, 2019.

Total liabilities decreased by ¥5,415 million to ¥12,380 million compared to March 31, 2019, mainly due to a decline in income taxes payable. Net assets were ¥90,408 million, which represents an increase of ¥1,504 million from March 31, 2019.

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

We have not revised our forecast of the consolidated financial results which were announced on May 10, 2019.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY2019 (As of March 31, 2019)	Second Quarter of FY2020 (As of September 30, 2019)
Assets		
Current assets		
Cash and deposits	32,043,385	44,499,171
Notes and accounts receivable - trade	10,414,698	9,666,131
Securities	2,000,000	1,500,000
Merchandise and finished goods	3,481,308	3,477,829
Work in process	840,647	882,777
Raw materials and supplies	2,425,690	3,017,918
Accounts receivable - other	17,059,384	19,538
Others	586,341	670,137
Allowance for doubtful accounts	(1,157)	(1,154)
Total current assets	68,850,299	63,732,350
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,004,303	21,809,235
Accumulated depreciation	(12,497,864)	(12,575,125)
Buildings and structures, net	9,506,438	9,234,109
Machinery, equipment and vehicles	24,477,897	24,601,967
Accumulated depreciation	(19,503,488)	(19,744,352)
Machinery, equipment and vehicles, net	4,974,409	4,857,614
Land	4,587,383	4,604,631
Leased assets	118,282	118,144
Accumulated depreciation	(90,140)	(96,731)
Leased assets, net	28,141	21,412
Construction in progress	365,917	301,272
Others	1,126,376	1,158,429
Accumulated depreciation	(931,647)	(949,065)
Others, net	194,728	209,363
Total property, plant and equipment	19,657,018	19,228,405
Intangible assets		
Goodwill	451,244	389,407
Others	140,918	142,077
Total intangible assets	592,163	531,484
Investments and other assets		
Investment securities	13,714,667	15,287,302
Long-term loans receivable	14,700	13,707
Real estate for investment, net	558,543	574,439
Deferred tax assets	10,630	9,223
Long-term accounts receivable - other	3,000,000	3,000,000
Others	301,872	411,596
Allowance for doubtful accounts	(129)	(129)
Total investments and other assets	17,600,284	19,296,141
Total non-current assets	37,849,466	39,056,031
Total assets	106,699,766	102,788,382

(Thousands of yen)

	FY2019 (As of March 31, 2019)	Second Quarter of FY2020 (As of September 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,285,535	4,481,487
Lease obligations	14,110	12,221
Income taxes payable	7,425,753	1,643,786
Provision for bonuses	269,916	269,135
Provision for directors' bonuses	78,400	–
Others	2,086,572	2,209,222
Total current liabilities	14,160,288	8,615,852
Non-current liabilities		
Lease obligations	15,751	10,231
Deferred tax liabilities	1,974,145	2,082,181
Provision for directors' retirement benefits	136,796	141,308
Net defined benefit liability	1,234,749	1,269,167
Others	274,005	261,312
Total non-current liabilities	3,635,447	3,764,201
Total liabilities	17,795,735	12,380,053
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,840,343	7,840,343
Retained earnings	69,596,355	71,603,647
Treasury shares	(2,095,860)	(2,097,878)
Total shareholders' equity	82,435,933	84,441,208
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,285,414	5,252,690
Foreign currency translation adjustment	738,760	229,652
Remeasurements of defined benefit plans	(66,454)	(48,424)
Total accumulated other comprehensive income	5,957,720	5,433,918
Non-controlling interests	510,376	533,201
Total net assets	88,904,030	90,408,328
Total liabilities and net assets	106,699,766	102,788,382

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

(Thousands of yen)

	First Half of FY2019 (April 1, 2018 to September 30, 2018)	First Half of FY2020 (April 1, 2019 to September 30, 2019)
Net sales	26,427,416	25,453,198
Cost of sales	17,065,121	16,235,641
Gross profit	9,362,295	9,217,557
Selling, general and administrative expenses	3,701,205	3,745,973
Operating income	5,661,089	5,471,583
Non-operating income		
Interest income	11,889	41,142
Dividend income	85,503	80,605
House rent income	18,079	16,078
Foreign exchange gains	6,842	–
Gain on valuation of derivatives	124,324	–
Others	98,908	52,165
Total non-operating income	345,546	189,991
Non-operating expenses		
Interest expenses	211	6
Foreign exchange losses	–	18,017
Cost of lease revenue	7,542	6,960
Others	7,660	7,234
Total non-operating expenses	15,414	32,218
Ordinary income	5,991,221	5,629,356
Income before income taxes and minority interests	5,991,221	5,629,356
Income taxes	1,835,441	1,761,039
Quarterly net income	4,155,780	3,868,317
Quarterly net income attributable to non-controlling interests	51,457	47,219
Quarterly net income attributable to shareholders of the parent company	4,104,322	3,821,098

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Half of FY2019 (April 1, 2018 to September 30, 2018)	First Half of FY2020 (April 1, 2019 to September 30, 2019)
Quarterly net income	4,155,780	3,868,317
Other comprehensive income		
Valuation difference on available-for-sale securities	1,354,795	(32,724)
Foreign currency translation adjustment	(905,231)	(523,796)
Remeasurements of defined benefit plans	14,001	18,030
Total other comprehensive income	463,565	(538,490)
Quarterly comprehensive income	4,619,346	3,329,827
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	4,584,083	3,297,296
Quarterly comprehensive income attributable to non-controlling interests	35,262	32,530

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First Half of FY2019 (April 1, 2018 to September 30, 2018)	First Half of FY2020 (April 1, 2019 to September 30, 2019)
Cash flows from operating activities		
Income before income taxes and minority interests	5,991,221	5,629,356
Depreciation	929,072	730,938
Amortization of goodwill	47,839	45,812
Increase (decrease) in allowance for doubtful accounts	(330)	–
Increase (decrease) in provision for directors' retirement benefits	5,343	4,512
Increase (decrease) in net defined benefit liability	47,467	52,448
Increase (decrease) in provision for bonuses	4,007	186
Increase (decrease) in provision for directors' bonuses	(70,000)	(78,400)
Interest and dividend income	(97,392)	(121,748)
Interest expenses	211	6
Foreign exchange losses (gains)	5,513	26,613
Loss (gain) on valuation of derivatives	(124,324)	–
Decrease (increase) in notes and accounts receivable - trade	(385,013)	682,693
Decrease (increase) in inventories	(612,658)	(691,241)
Increase (decrease) in notes and accounts payable - trade	(300,382)	186,249
Others	(62,574)	(565,510)
Subtotal	5,378,001	5,901,919
Interest and dividend income received	94,173	113,630
Interest expenses paid	(211)	(6)
Income taxes paid	(1,871,628)	(6,865,884)
Net cash provided by operating activities	3,600,334	(850,341)
Cash flows from investing activities		
Proceeds from sale of securities	–	1,500,000
Payments into time deposits	–	(1,500,000)
Purchase of property, plant and equipment	(1,823,968)	(497,533)
Purchase of intangible assets	(2,850)	(14,313)
Purchase of investment securities	(503,721)	(2,619,330)
Payments of loans receivable	(719)	–
Collection of loans receivable	1,476	1,100
Proceeds from sales of shares of subsidiaries	–	16,998,352
Others	–	(18,500)
Net cash used in investing activities	(2,329,783)	13,849,775
Cash flows from financing activities		
Purchase of treasury shares	(4,749)	(2,018)
Cash dividends paid	(1,464,181)	(1,813,437)
Cash dividends paid to non-controlling interests	(9,395)	(9,705)
Others	(7,634)	(7,375)
Net cash used in financing activities	(1,485,961)	(1,832,536)

Effect of exchange rate change on cash and cash equivalents	(318,784)	(211,110)
Net increase (decrease) in cash and cash equivalents	(534,195)	10,955,786
Cash and cash equivalents at beginning of period	17,316,304	19,543,385
Cash and cash equivalents at end of period	16,782,109	30,499,171

(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.

(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 reasonably 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.

(Segment Information, etc.)

[Segment information]

Segment information is omitted because the natural seasonings business is our only segment.