

Consolidated Financial Results

for the Second Quarter of FY2010 Ending March 31, 2010

November 9, 2009

Listed company name: Ariake Japan Co., Ltd.
 Code number: 2815 URL: <http://www.ariakejapan.com> Listing exchange: Tokyo, 1st Section
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 Date to submit the quarterly securities report: November 10, 2009
 Date to start dividends distribution: December 10, 2009

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

1. Consolidated Financial Results for the Second Quarter of FY2010 Ending March 31, 2010 (April 1, 2009 – September 30, 2009)

(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	%
Second Quarter of FY2010	10,622	(0.9)	1,230	(3.1)	1,104	86.8	396	216.3
Second Quarter of FY2009	10,715	–	1,269	–	591	–	125	–

	Net income per share		Fully diluted net income per share	
	Yen		Yen	
Second Quarter of FY2010	12.45		–	
Second Quarter of FY2009	3.94		–	

(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, 2009	51,192	42,247	82.1	1,319.86
As of March 31, 2009	49,247	41,308	83.4	1,290.55

(Reference) Equity capital: As of September 30, 2009: ¥42,009 million; As of March 31, 2009: ¥41,077 million

2. Dividends

(Record date)	Dividends per share				
	First quarter	Second quarter	Third quarter	Year-end	Annual
	Yen				
FY2009	–	20.00	–	20.00	40.00
FY2010	–	20.00	–	20.00	40.00
FY2010 (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 FY2010 Ending March 31, 2010 (April 1, 2009 - March 31, 2010)

(Percentage figures indicate the rates 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	24,241	11.5	3,016	4.3	3,012	64.6	1,336	69.2	41.97

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

4. Other Information

- (1) Changes in Significant Subsidiaries during the Period (changes in specific subsidiaries resulting in changes in the scope of consolidation): None
- (2) Application of Simplified Accounting Methods and Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements: Yes
(Note) For details, please refer to “4. Others” of “Qualitative Information / Financial Statements” on Page 4.
- (3) Changes in Accounting Principles, Procedures and the Display Method of Presentation Associated with Preparation of Quarterly Consolidated Financial Statements (matters to be included in the section, “Changes in the Basis for the Preparation of Quarterly Consolidated Financial Statements”)
1. Changes associated with revisions of accounting standards, etc.: None
2. Change other than those included in 1: None
- (4) Number of Shares Outstanding (common stock)
- | | |
|---|---|
| 1. Number of shares outstanding at period-end (including treasury stock): | |
| As of September 30, 2009: 32,808,683 shares; | As of March 31, 2009: 32,808,683 shares |
| 2. Number of treasury stock at period-end: | |
| As of September 30, 2009: 979,495 shares; | As of March 31, 2009: 979,122 shares |
| 3. Average number of shares (quarterly consolidated cumulative period): | |
| Second quarter of FY2010: 31,829,294 shares; | FY2009: 31,830,496 shares |

* 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.

[Qualitative Information / Financial Statements]

1. Qualitative Information on Consolidated Operating Results

In the Japanese economy during the second quarter of the current fiscal year (April 1, 2009 - September 30, 2009), there were several positive signs of recovery in some industries, supported by the government's economic stimulus efforts as well as the revitalized growth in exports to Asia. Corporate earnings, however, continue to be sluggish, and there has been no improvement in employment conditions and consumer spending.

The food industry also faced a tough business environment marked by an increasing demand for lower prices due to stronger consumer awareness of saving money, in addition to the impacts of irregular climate patterns.

Under these circumstances, as a leading manufacturer in the field of natural seasonings, the Ariake Group strives to improve its profitability by enhancing the existing businesses while actively exploring new business fields. In addition, the Group takes effective quality control measures to ensure its products can deliver better taste, good health, and food safety.

To contribute to the development of food culture around the world, we have been constantly making efforts to globalize our businesses since our founding. In particular, we set up an optimal regional production system by establishing the "global six-pillar system" in the U.S., China, Taiwan, France, Belgium, as well as in Japan. This system enables stable supply of our products with high quality and much competitive prices, initiating a vital role of our new "Business Model of 21st Century."

As a result of these efforts, the Group and the Company were able to record the following earnings for the second quarter of the current fiscal year (April 1, 2009 - September 30, 2009).

Firstly, net sales of the Company (Ariake Japan Co., Ltd.) increased by 1.3% year-on-year to ¥9,495 million, as a result of our efforts to increase sales volume by focusing on a customer-oriented sales strategy, one of our strong points.

By segment, sales from instant noodles decreased by 2.3% year-on-year, while sales from processed foods increased by 1.1%. Sales from restaurants increased by 3.2% year-on-year, after showing a slight recovery in sales resulting from sales promotion initiatives.

Meanwhile, consolidated net sales declined by 0.9% year-on-year to ¥10,622 million, due to decreases in sales from overseas subsidiaries affected by the economic downturn, especially in the U.S, despite the strong performance of the Company.

Ordinary income increased by ¥603 million, or 58.3% year-on-year to ¥1,637 million, thanks to lower energy costs (approx. ¥160 million) as well as a decrease in valuation loss on derivatives, which are for the purpose of hedging exchange rate risks on import (¥127 million loss for the current period compared with ¥488 million loss in the previous accounting period).

Consolidated ordinary income increased by ¥513 million, or 86.8% year-on-year to ¥1,104 million, mainly due to a strong contribution from the Company, although overseas subsidiaries showed weak results.

Net income of the Company for the first half of the current fiscal year increased ¥362 million year on year to ¥933 million. Furthermore, consolidated net income increased ¥271 million year on year to ¥396 million.

2. Qualitative Information on Financial Position

Total assets for the first half of the current fiscal year increased by ¥1,944 million from the end of the previous fiscal year to ¥51,192 million.

Due to an increase in income tax payables and loans payable, liabilities increased by ¥1,004 million from the previous fiscal year end to ¥8,944 million.

Net assets increased by ¥939 million from the previous fiscal year end to ¥42,247 million, principally as a result of increase in unrealized gains on other securities.

(Cash flows)

Cash and cash equivalents at the end of the second quarter of the current fiscal year was ¥8,377 million, an increase of ¥167 million from the end of the previous consolidated accounting period.

Cash provided by operating activities was ¥1,848 million, an increase of 29.0% from the previous consolidated accounting period, which was mainly because of an increase of net income.

Cash used in investing activities was ¥1,238 million, compared with a net outflow of ¥5,032 million of the previous consolidated accounting period, mainly because of acquisition of tangible fixed assets.

For cash used in financing activities was ¥363 million, compared with a net inflow of ¥357 million of the previous consolidated accounting period, due substantially to ¥637 million of dividends paid.

3. Qualitative Information on Forecast of the Consolidated Financial Results

We have revised down our forecasts for the full year financial results previously released on May 13, 2009, taking into consideration the current economic conditions and overall weakness in consumer confidence toward the food industry. The revised forecasts were announced on November 6, 2009.

Revised full-year forecasts for the fiscal year ending March 2010 (April 1, 2009 – March 31, 2010)

	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)
Previous forecast (A)	26,089	3,578	3,522	1,861	58.47
Revised forecast (B)	24,241	3,016	3,012	1,336	41.97
Change (B) – (A)	(1,848)	(562)	(510)	(525)	–
Change (%)	(7.1)	(15.7)	(14.5)	(28.2)	–
Previous year result (Fiscal year ended March 31, 2009)	21,736	2,890	1,830	789	24.80

4. Others

(1) Significant Changes in Subsidiaries during the Period (changes in specific subsidiaries resulting in changes in the scope of consolidation)

There is no related information.

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

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 half 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.

Additionally, with respect to the depreciation of the book value of inventory assets, an estimate is made of the net sales price only of those goods which have clearly lost profitability and the method is based on undertaking a depreciation of book value.

3. Calculation of tax expenses

With respect to tax expenses, the effective tax rate after the application of tax effect accounting on current term pre-tax net profits of the consolidated accounting period, including the current second quarter consolidated accounting period were rationally estimated and tax expenses were calculated multiplying current term pre-tax net profits by said estimated effective tax rate.

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

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

There is no related information.

5. Quarterly Consolidated Financial Statements

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	Second Quarter of FY 2010 (As of September 30, 2009)	FY 2009 (As of March 31, 2009)
Assets		
Current assets		
Cash and time deposits	12,377,147	12,209,823
Notes and accounts receivable	4,593,830	4,551,662
Securities	—	87,470
Merchandise and finished goods	1,497,811	1,439,447
Work in process	482,197	442,564
Raw materials and supplies	1,769,381	1,889,528
Deferred tax assets	105,499	105,499
Others	323,843	169,686
Allowance for doubtful accounts	(10,823)	(10,022)
Total current assets	21,138,888	20,885,660
Fixed assets		
Tangible fixed assets		
Buildings and structures	19,207,658	17,695,650
Accumulated depreciation	(7,009,638)	(6,569,131)
Buildings and structures, net	12,198,020	11,126,518
Machines, devices, and delivery equipment	20,017,357	19,373,308
Accumulated depreciation	(13,396,532)	(12,762,939)
Machines, devices, and delivery equipment, net	6,620,824	6,610,368
Land	4,515,231	4,499,335
Construction in progress	1,442,124	2,365,977
Others	831,770	806,823
Accumulated depreciation	(715,463)	(693,056)
Others, net	116,307	113,767
Total tangible fixed assets	24,892,508	24,715,967
Intangible fixed assets	81,808	88,427
Investments and other assets		
Investment securities	3,557,772	2,035,486
Long-term loans receivable	391,875	90,009
Investments in real estates, net	554,352	557,386
Deferred tax assets	—	291,678
Others	575,085	583,382
Allowance for doubtful accounts	(265)	(265)
Total investments and other assets	5,078,820	3,557,678
Total fixed assets	30,053,138	28,362,072
Total assets	51,192,026	49,247,733

(Thousands of yen)

	Second Quarter of FY 2010 (As of September 30, 2009)	FY 2009 (As of March 31, 2009)
Liabilities		
Current liabilities		
Notes and accounts payable	1,900,670	1,799,221
Short-term loans payable	2,858,886	2,447,666
Income taxes payable	740,975	231,125
Allowance for employees' bonuses	145,629	146,800
Allowance for directors' bonuses	—	59,700
Others	1,780,651	1,916,545
Total current liabilities	7,426,814	6,601,059
Fixed liabilities		
Allowance for employees' retirement benefits	574,065	584,751
Allowance for directors' retirement benefits	273,506	280,355
Deferred tax liabilities	296,921	98,796
Others	372,739	374,535
Total fixed liabilities	1,517,232	1,338,438
Total liabilities	8,944,046	7,939,498
Net assets		
Shareholders' equity		
Common stock	7,095,096	7,095,096
Capital surplus	7,833,869	7,833,869
Retained earnings	28,801,401	29,041,642
Treasury stock	(2,058,239)	(2,057,727)
Total shareholders' equity	41,672,127	41,912,879
Unrealized gains and adjustments		
Unrealized gains (losses) on other securities	811,195	70,337
Adjustment account for foreign currency exchange	(473,342)	(905,512)
Total unrealized gains (losses) and adjustments	337,852	(835,175)
Minority interests	238,000	230,531
Total net assets	42,247,979	41,308,234
Total liabilities and net assets	51,192,026	49,247,733

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

	(Thousands of yen)	
	Second Quarter of FY2009 (April 1, 2008 to September 30, 2008)	Second Quarter of FY2010 (April 1, 2009 to September 30, 2009)
Net sales	10,715,039	10,622,318
Cost of sales	7,402,583	7,348,265
Gross profit	3,312,455	3,274,053
Selling, general and administrative expenses	2,042,525	2,043,586
Operating income	1,269,930	1,230,467
Non-operating income		
Interest income	22,736	22,592
Dividend income	27,309	29,640
Rent received	14,623	13,875
Gain on foreign exchange	3,212	—
Gain on sales of securities	18,542	14,803
Others	93,382	93,677
Total non-operating income	179,806	174,588
Non-operating expenses		
Interest paid	58,112	20,328
Loss on foreign exchange	—	93,469
Loss on derivatives	488,804	127,325
Expenses for new overseas businesses	260,166	26,012
Others	51,610	33,814
Total non-operating expenses	858,694	300,950
Ordinary income	591,042	1,104,105
Extraordinary income		
Gain on sale of fixed assets	1,898	—
Total extraordinary income	1,898	—
Extraordinary loss		
Loss on valuation of investment securities	48,475	—
Total extraordinary loss	48,475	—
Quarterly income before income taxes	544,465	1,104,105
Income taxes	419,831	713,065
Minority interests	(690)	(5,310)
Quarterly net income	125,324	396,350

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	Second Quarter of FY2009 (April 1, 2008 to September 30, 2008)	Second Quarter of FY2010 (April 1, 2009 to September 30, 2009)
Cash flows from operating activities		
Quarterly income before income taxes	544,465	1,104,105
Depreciation and amortization	1,048,273	980,887
Amortization of goodwill	9,831	9,831
Increase (decrease) in allowance for doubtful accounts	75	800
Increase (decrease) in allowance for employees' retirement benefits	(12,599)	(10,685)
Increase (decrease) in allowance for directors' retirement benefits	8,668	(6,849)
Increase (decrease) in allowance for employees' bonuses	(892)	(1,170)
Increase (decrease) in allowance for directors' bonuses	(59,700)	(59,700)
Interest and dividends received	(50,045)	(52,232)
Interest paid	58,112	20,328
Loss (gain) on foreign exchange	(4,242)	109,271
Loss (gain) on sales of securities	(18,542)	(14,803)
Loss (gain) on valuation of securities	23,730	—
Loss (gain) on valuation of investment securities	48,475	—
Decrease (increase) in accounts receivable	(1,556)	(19,795)
Decrease (increase) in inventories	(375,810)	50,485
Increase (decrease) in accounts payable	(76,751)	104,174
Others	904,859	(216,981)
Subtotal	2,046,350	1,997,667
Interest and dividend income received	50,045	52,232
Interest expenses paid	(58,112)	(20,328)
Income taxes paid	(604,979)	(181,214)
Cash provided by operating activities	1,433,303	1,848,356
Cash flows from investing activities		
Payments into time deposits	(4,000,000)	—
Payments for acquisition of securities	(377,883)	—
Proceeds from sale of securities	297,392	102,273
Payments for acquisition of tangible fixed assets	(858,891)	(737,045)
Proceeds from sale of tangible fixed assets	2,048	—
Payments for acquisition of investment securities	(92,191)	(264,922)
Payments for loans receivable	(4,121)	(355,150)
Proceeds from collection of loans receivable	4,273	21,908
Others	(3,613)	(5,431)
Cash used in investing activities	(5,032,986)	(1,238,367)
Cash flows from financing activities		
Net increase in short-term loans payable	835,807	274,849
Payments for acquisition of treasury stock	(1,144)	(511)
Dividends paid	(477,001)	(637,456)
Others	16	—
Cash used in financing activities	357,678	(363,118)
Exchange difference of cash and cash equivalents	(7,256)	(79,545)
Increase (decrease) in cash and cash equivalents	(3,249,261)	167,324
Cash and cash equivalents at beginning of term	11,620,276	8,209,823
Cash and cash equivalents at end of the quarter	8,371,014	8,377,147

(4) Notes on the Going Concern Assumption

There is no related information.

(5) Information by Segment

[Information by Industry Segment]

Second Quarter of FY2009 (April 1, 2008 – September 30, 2008) and FY2010 (April 1, 2009 – September 30, 2009)

Information by industry 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]

Second Quarter of FY2009 (April 1, 2008 – September 30, 2008)

(Thousands of yen)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
Net sales					
(1) External sales	9,586,165	1,128,873	10,715,039	—	10,715,039
(2) Internal sales to other segments or transfers	9,488	605,164	614,653	(614,653)	—
Total	9,595,654	1,734,037	11,329,692	(614,653)	10,715,039
Operating income (loss)	1,520,009	(512,261)	1,007,747	262,182	1,269,930

Second Quarter of FY2010 (April 1, 2009 – September 30, 2009)

(Thousands of yen)

	Japan	Other regions	Total	Elimination or corporate	Consolidated
Net sales					
(1) External sales	9,698,328	923,989	10,622,318	—	10,622,318
(2) Internal sales to other segments or transfers	2,486	430,716	433,203	(433,203)	—
Total	9,700,815	1,354,706	11,055,522	(433,203)	10,622,318
Operating income (loss)	1,803,070	(557,059)	1,246,011	(15,543)	1,230,467

(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., People's Republic of China, Taiwan, France and Belgium

[Overseas Sales]

Second Quarter of FY2009 (April 1, 2008 – September 30, 2008)

(Thousands of yen)

	North America	Asia	Total
I Overseas net sales	423,973	764,017	1,187,991
II Consolidated net sales	–	–	10,715,039
III Overseas net sales / Total consolidated net sales (%)	4.0	7.1	11.1

- (Notes)
1. The countries and regions are categorized based on geographical proximity.
 2. The followings are the breakdown of the regions in the categories.
 - (1) North America: the U.S.
 - (2) Asia: People's Republic of China (including Hong Kong), Taiwan and South Korea
 3. Overseas net sales represent the net sales of the Company and consolidated subsidiaries in the countries or regions except for home countries of these companies.

Second Quarter of FY2010 (April 1, 2009 – September 30, 2009)

Since the ratio of overseas net sales is less than 10% of consolidated net sales, description is omitted.

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

There is no related information.