

Consolidated Financial Results for the Third Quarter of FY2014 Ending March 31, 2014 (J-GAAP)

February 7, 2014

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 Code number: 2815 URL: <http://www.ariakejapan.com/> Listing exchange: Tokyo, 1st Section
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Filing of quarterly financial report: February 7, 2014
 Start of cash dividend payments: –
 Supplementary quarterly materials prepared: None
 Quarterly results information meeting held: None

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

1. Consolidated Financial Results for the Third Quarter of FY2014 Ending March 31, 2014 (April 1, 2013 – December 31, 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	%
Third Quarter of FY2014	27,532	10.3	4,544	4.2	6,030	31.6	3,585	35.0
Third Quarter of FY2013	24,952	5.0	4,361	21.3	4,583	40.7	2,656	60.6

(Note) Comprehensive income: Third Quarter of FY2014: ¥5,102 million (98.0%) Third Quarter of FY2013: ¥2,576 million (88.9%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Third Quarter of FY2014	112.65	–
Third Quarter of FY2013	83.46	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2013	59,800	50,214	83.3	1,565.71
As of March 31, 2013	54,662	46,550	84.6	1,452.87

(Reference) Equity capital: As of December 31, 2013: ¥49,831 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
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 31, 2013	–	20.00	–	25.00	45.00
Fiscal year ending March 31, 2014	–	20.00	–		
Fiscal year ending March 31, 2014 (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. 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.: | 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 December 31, 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 December 31, 2013	981,706 shares	As of March 31, 2013	980,716 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First nine months of FY2014	31,827,581 shares	First nine months of FY2013	31,828,174 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 February 6, 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) Notes on Quarterly Financial Statements	8
(Notes on Going Concern Assumption)	8
(Notes on Significant Changes in the Amount of Shareholders' Equity)	8
(Segment Information)	8
(Important Subsequent Events)	8

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation regarding Business Results

Over the first nine months of the fiscal year ending March 31, 2014 (April 1, 2013 – December 31, 2013), the Japanese economy showed some improvements such as the weaker yen resulting from active monetary policies implemented by the government and the Bank of Japan, giving a better outlook for company earnings.

Companies in the food industry, however, have been facing difficult conditions reflecting a sharp rise in raw material costs due to the weaker yen and higher labor costs due to a manpower shortage.

Under such circumstances, Ariake Japan Co., Ltd. (the Company) and its Group companies (the Group) focused on sales expansion, as a global enterprise setting up a “global six-pillar system,” by leveraging its unique technologies and sales capabilities in the natural seasoning business.

During the term, the Company acquired Henningsen Nederland B.V. through its subsidiary Ariake Europe N.V. in Belgium, in order to strengthen its production and marketing base in Europe.

The business results produced by these efforts over the first nine months of the fiscal year are discussed below.

The Company posted a net sales increase of ¥1,071 million, or 4.9% year on year, to ¥22,726 million by making steady efforts to expand its sales channels. Consolidated net sales increased by ¥2,580 million, or 10.3% year on year, to ¥27,532 million due to a strong 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 raw material costs (approx. ¥307 million). The Company finished the first nine months, therefore, with an operating income increase of ¥31 million, or 0.8% year on year, to ¥4,252 million. At the consolidated level, overseas subsidiaries contributed remarkable improved results to bring the Group’s operating income up by ¥183 million, or 4.2% year on year, to ¥4,544 million.

As for ordinary income, the Company, benefiting from the improvement in foreign exchange gains (¥56 million for the first nine months of the previous fiscal year vs. ¥1,080 million for the first nine months of the current fiscal year), which included the significant improvement in loss or gain on valuation of derivatives in addition to the increase in operating income, recorded an increase of ¥1,033 million, or 22.3% year on year, to ¥5,669 million.

Consolidated ordinary income increased by ¥1,446 million, or 31.6% year on year, to ¥6,030 million.

Net income increased by ¥669 million, or 23.6% year on year, to ¥3,506 million at the Company level, while consolidated net income increased by ¥929 million, or 35.0% year on year, to ¥3,585 million.

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

Net sales

(Billions of yen)

	First nine months of FY2014	First nine months of FY2013	Difference
Ariake Japan Co., Ltd.	22.72	21.65	1.07
Consolidated subsidiaries	4.81	3.30	1.51
U.S.	1.68	1.12	0.56
Asia	1.99	1.47	0.52
Europe	0.85	0.38	0.47
Japan	0.29	0.33	(0.04)
Total	27.53	24.95	2.58

Operating income (loss)

(Billions of yen)

	First nine months of FY2014	First nine months of FY2013	Difference
Ariake Japan Co., Ltd.	4.25	4.22	0.03
Consolidated subsidiaries	0.29	0.14	0.15
U.S.	0.35	0.18	0.17
Asia	0.40	0.32	0.08
Europe	(0.47)	(0.38)	(0.09)
Japan	0.01	0.02	(0.01)
Total	4.54	4.36	0.18

* 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 gains/losses, 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 third quarter increased by ¥5,137 million from the end of the previous fiscal year to ¥59,800 million.

Total liabilities increased by ¥1,473 million from the end of the previous fiscal year to ¥9,585 million, mainly because of increases in accounts payable – facilities and notes payable – facilities. Net assets increased by ¥3,663 million to ¥50,214 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) 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 third 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 estimates)

(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 nine months each increased by ¥121 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)	Third Quarter of FY2014 (As of December 31, 2013)
Assets		
Current assets		
Cash and deposits	8,102,330	8,146,713
Notes and accounts receivable - trade	6,766,744	8,261,452
Securities	1,000,000	3,590,000
Merchandise and finished goods	2,432,717	2,689,036
Work in process	677,707	744,221
Raw materials and supplies	1,568,228	1,565,567
Deferred tax assets	215,645	211,015
Others	470,089	1,257,028
Allowance for doubtful accounts	(1,425)	(3,398)
Total current assets	21,232,038	26,461,638
Non-current assets		
Property, plant and equipment		
Buildings and structures	20,577,196	21,544,322
Accumulated depreciation	(9,251,388)	(9,988,101)
Buildings and structures, net	11,325,807	11,556,221
Machinery, equipment and vehicles	21,908,262	24,211,318
Accumulated depreciation	(16,676,929)	(17,915,513)
Machinery, equipment and vehicles, net	5,231,333	6,295,805
Land	4,499,643	4,564,573
Leased assets	44,156	56,194
Accumulated depreciation	(15,542)	(22,997)
Leased assets, net	28,613	33,197
Construction in progress	191,547	1,414,133
Others	835,870	879,036
Accumulated depreciation	(748,915)	(790,935)
Others, net	86,955	88,100
Total property, plant and equipment	21,363,900	23,952,031
Intangible assets	143,645	144,925
Investments and other assets		
Investment securities	9,856,060	7,188,879
Long-term loans receivable	64,897	47,703
Real estate for investment, net	1,453,834	1,472,702
Others	548,170	532,536
Allowance for doubtful accounts	(193)	(193)
Total investments and other assets	11,922,770	9,241,628
Total non-current assets	33,430,316	33,338,585
Total assets	54,662,355	59,800,223

(Thousands of yen)

	FY2013 (As of March 31, 2013)	Third Quarter of FY2014 (As of December 31, 2013)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	2,851,630	3,415,660
Short-term loans payable	223,785	357,065
Lease obligations	9,032	11,138
Income taxes payable	1,404,238	1,137,305
Provision for employees' bonuses	179,443	70,361
Provision for directors' bonuses	58,000	-
Others	1,341,858	2,260,183
Total current liabilities	6,067,989	7,251,715
Non-current liabilities		
Long-term loans payable	324,848	244,766
Lease obligations	21,012	23,718
Deferred tax liabilities	412,717	699,844
Provision for employees' retirement benefits	612,951	637,161
Provision for directors' retirement benefits	328,362	343,687
Others	344,121	385,001
Total non-current liabilities	2,044,012	2,334,178
Total liabilities	8,112,001	9,585,894
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,833,869	7,833,869
Retained earnings	33,333,121	35,486,242
Treasury shares	(2,059,636)	(2,061,905)
Total shareholders' equity	46,202,450	48,353,302
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,161,420	1,434,063
Foreign currency translation adjustment	(1,121,873)	44,352
Total accumulated other comprehensive income	39,546	1,478,416
Minority interests	308,356	382,610
Total net assets	46,550,353	50,214,328
Total liabilities and net assets	54,662,355	59,800,223

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

(Thousands of yen)

	Third Quarter of FY2013 (April 1, 2012 to December 31, 2012)	Third Quarter of FY2014 (April 1, 2013 to December 31, 2013)
Net sales	24,952,313	27,532,466
Cost of sales	16,533,356	18,718,461
Gross profit	8,418,956	8,814,004
Selling, general and administrative expenses	4,057,741	4,269,144
Operating income	4,361,215	4,544,860
Non-operating income		
Interest income	102,370	85,461
Dividend income	73,616	106,521
House rent income	21,469	21,672
Foreign exchange gains	–	491,348
Gain on valuation of derivatives	156,387	718,106
Others	120,753	93,835
Total non-operating income	474,597	1,516,946
Non-operating expenses		
Interest expenses	27,605	10,528
Foreign exchange losses	188,479	–
Cost of lease revenue	9,907	15,676
Others	26,506	5,537
Total non-operating expenses	252,498	31,742
Ordinary income	4,583,314	6,030,063
Extraordinary losses		
Loss on retirement of non-current assets	17,788	–
Loss on store closing	4,341	–
Total extraordinary losses	22,130	–
Income before income taxes and minority interests	4,561,184	6,030,063
Income taxes	1,884,842	2,412,899
Income before minority interests	2,676,341	3,617,164
Minority interests in income	20,023	31,800
Net income	2,656,318	3,585,364

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Third Quarter of FY2013 (April 1, 2012 to December 31, 2012)	Third Quarter of FY2014 (April 1, 2013 to December 31, 2013)
Income before minority interests	2,676,341	3,617,164
Other comprehensive income		
Valuation difference on available-for-sale securities	46,910	272,643
Foreign currency translation adjustment	(146,447)	1,212,878
Total other comprehensive income	(99,536)	1,485,522
Comprehensive income	2,576,805	5,102,686
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,556,312	5,024,233
Comprehensive income attributable to minority interests	20,492	78,452

(3) 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.

(Important Subsequent Events)

Business combination through acquisition

Ariake Europe N.V., a consolidated subsidiary of the Company, entered into an agreement to acquire 100% shares of Henningsen Nederland B.V. (address: Waalwijk, Netherlands) on November 28, 2013 (Netherlands time). As a result, Henningsen Nederland B.V. becomes a subsidiary of Ariake Europe N.V.

(1) Overview of business combination

1) Name of the company acquired and its business line

Name: Henningsen Nederland B.V.

Business line: Manufacturing of dehydrated meat products

2) Main reason for business combination

Henningsen Nederland B.V. mainly sells dehydrated meat products to major food companies and spice manufacturers. Although they manufacture different types of products, Henningsen Nederland B.V. and Ariake Europe N.V. can share the same market. Ariake Europe N.V. plans to strengthen its sales channel to supply products that can meet the needs of European markets, by leveraging its advanced production technologies in both hard and soft aspects, together with the sales capability and market information database of Henningsen Nederland B.V. in Europe.

3) Date of business combination

October 1, 2013

The closing date of Ariake Europe N.V. is December 31. The business results of the acquired company after business combination will be recorded from the fourth quarter of the current fiscal year.

4) Legal form of business combination

Share purchase in consideration for cash

5) Name of the company acquired after business combination

Henningsen Nederland B.V.

6) Share of voting rights acquired

100%

(2) Number of shares of the company acquired and acquisition cost

Number of shares acquired: 359,568

Acquisition cost: 17 million euros

(Note) A part of acquisition cost has not yet been finalized; therefore, the final acquisition cost may differ from the above figure.