

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

February 6, 2015

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: February 6, 2015
 Date to start of dividends distribution: –
 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 FY2015 Ending March 31, 2015 (April 1, 2014 – December 31, 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	%
Third quarter of FY2015	29,822	8.3	4,698	3.4	5,836	(3.2)	3,649	1.8
Third quarter of FY2014	27,532	10.3	4,544	4.2	6,030	31.6	3,585	35.0

(Note) Comprehensive income: Third Quarter of FY2015: ¥4,503 million (-11.7%) Third Quarter of FY2014: ¥5,102 million (98.0%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Third Quarter of FY2015	114.66	–
Third Quarter of FY2014	112.65	–

(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, 2014	66,051	55,011	82.6	1,713.59
As of March 31, 2014	62,352	52,211	83.0	1,626.85

(Reference) Equity capital: As of December 31, 2014: ¥54,536 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 December 31, 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 December 31, 2014	983,043 shares	As of March 31, 2014	981,952 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First nine months of FY2015	31,826,237 shares	First nine months of FY2014	31,827,581 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 4, 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.

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, etc.)	8

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation regarding Business Results

During the first nine months of the fiscal year ending March 31, 2015 (April 1, 2014–December 31, 2014), the Japanese economy showed signs of a modest recovery supported by rising share prices and the weakening yen in anticipation of 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 the business environment.

Under such circumstances, Ariake Japan Co., Ltd. (the “Company”) and its Group companies (collectively, the “Ariake Group”) have been striving to understand 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 nine months of the fiscal year ending March 31, 2015 (April 1, 2014–December 31, 2014).

The Company’s net sales increased by 3.9% (¥881 million) year on year, to ¥23,608 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 nine months under review increased by 8.3% to ¥29,822 million (up by ¥2,289 million year on year).

The Company’s operating income decreased by 1.0% (¥40 million) year on year, to ¥4,211 million. This was mainly due to an increase in costs of raw materials and an increase in fixed manufacturing costs (up by approximately ¥156 million year on year), despite the higher sales achieved. Consolidated operating income was ¥4,698 million, representing an increase of 3.4% (¥153 million) from the same period in the previous fiscal year.

The Company’s ordinary income decreased by 6.2% (¥348 million) year on year, to ¥5,321 million. This was mainly due to the deterioration of general and administrative expenses (¥128 million) and a decrease in the foreign exchange gains (including valuation gains in derivatives trading) from ¥1,080 million posted in the previous fiscal year to ¥798 million. Consolidated ordinary income decreased by 3.2% (¥193 million) year on year to ¥5,836 million.

Net income for the Company increased by 0.6% (¥20 million) year on year to ¥3,526 million.

Consolidated net income increased by 1.8% (¥63 million) year on year to ¥3,649 million.

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

Net sales

(Billions of yen)

	First nine months of FY2015	First nine months of FY2014	Difference
Ariake Japan Co., Ltd.	23.61	22.72	0.89
U.S.	1.59	1.68	(0.09)
Asia	2.36	1.99	0.37
Europe	1.98	0.85	1.13
Japan	0.28	0.29	(0.01)
Consolidated subsidiaries total	6.21	4.81	1.40
Total	29.82	27.53	2.29

Operating income (loss)

(Billions of yen)

	First nine months of FY2015	First nine months of FY2014	Difference
Ariake Japan Co., Ltd.	4.21	4.25	(0.04)
U.S.	0.21	0.35	(0.14)
Asia	0.54	0.40	0.14
Europe	(0.28)	(0.47)	0.19
Japan	0.02	0.01	0.01
Consolidated subsidiaries total	0.49	0.29	0.20
Total	4.70	4.54	(0.16)

(2) Explanation regarding Financial Position

As of December 31, 2014, consolidated total assets were ¥66,051 million. This represents an increase of ¥3,698 million compared to March 31, 2014.

Total liabilities rose by ¥898 million from March 31, 2014 to ¥11,040 million, mainly due to increases in notes and accounts payable - trade and short-term loans payable. Net assets were ¥55,011 million, which represents an increase of ¥2,799 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 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 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 nine months ended December 31, 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)	Third Quarter of FY2015 (As of December 31, 2014)
Assets		
Current assets		
Cash and deposits	8,475,323	11,192,257
Notes and accounts receivable - trade	7,131,256	9,526,850
Securities	3,590,000	1,000,000
Merchandise and finished goods	3,078,829	2,994,594
Work in process	893,386	863,122
Raw materials and supplies	1,771,276	2,095,361
Deferred tax assets	192,287	194,835
Others	1,104,125	1,145,156
Allowance for doubtful accounts	(1,522)	(3,691)
Total current assets	26,234,964	29,008,487
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,108,779	23,078,858
Accumulated depreciation	(10,820,544)	(11,329,067)
Buildings and structures, net	12,288,235	11,749,790
Machinery, equipment and vehicles	26,139,882	27,368,053
Accumulated depreciation	(18,977,895)	(19,975,622)
Machinery, equipment and vehicles, net	7,161,987	7,392,430
Land	4,695,695	4,731,392
Leased assets	56,194	56,194
Accumulated depreciation	(25,649)	(33,605)
Leased assets, net	30,545	22,588
Construction in progress	1,152,225	654,216
Others	997,400	1,040,819
Accumulated depreciation	(864,258)	(889,784)
Others, net	133,142	151,034
Total property, plant and equipment	25,461,830	24,701,454
Intangible assets		
Goodwill	1,057,882	934,902
Other	177,903	162,560
Total intangible assets	1,235,785	1,097,462
Investments and other assets		
Investment securities	7,477,484	9,652,869
Long-term loans receivable	48,327	13,165
Real estate for investment, net	1,469,306	687,773
Others	433,168	891,055
Allowance for doubtful accounts	(7,976)	(873)
Total investments and other assets	9,420,310	11,243,989
Total non-current assets	36,117,926	37,042,906
Total assets	62,352,891	66,051,394

(Thousands of yen)

	FY2014 (As of March 31, 2014)	Third Quarter of FY2015 (As of December 31, 2014)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	3,381,377	4,013,912
Short-term loans payable	461,090	787,449
Lease obligations	11,138	11,138
Income taxes payable	1,508,758	924,403
Provision for bonuses	203,526	68,478
Provision for directors' bonuses	58,000	–
Others	1,917,345	2,019,394
Total current liabilities	7,541,238	7,824,776
Non-current liabilities		
Long-term loans payable	220,054	91,938
Lease obligations	20,933	12,579
Deferred tax liabilities	955,848	1,572,745
Provision for directors' retirement benefits	348,795	356,106
Net defined benefit liability	638,985	802,920
Others	415,516	379,071
Total non-current liabilities	2,600,134	3,215,360
Total liabilities	10,141,372	11,040,137
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	38,107,140
Treasury shares	(2,062,514)	(2,065,395)
Total shareholders' equity	49,020,258	50,970,709
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,626,742	2,588,182
Foreign currency translation adjustment	1,120,558	969,049
Remeasurements of defined benefit plans	9,664	8,263
Total accumulated other comprehensive income	2,756,966	3,565,495
Minority interests	434,293	475,052
Total net assets	52,211,518	55,011,256
Total liabilities and net assets	62,352,891	66,051,394

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

(Thousands of yen)

	Third Quarter of FY2014 (April 1, 2013 to December 31, 2013)	Third Quarter of FY2015 (April 1, 2014 to December 31, 2014)
Net sales	27,532,466	29,822,168
Cost of sales	18,718,461	20,416,717
Gross profit	8,814,004	9,405,451
Selling, general and administrative expenses	4,269,144	4,707,336
Operating income	4,544,860	4,698,114
Non-operating income		
Interest income	85,461	79,482
Dividend income	106,521	124,832
House rent income	21,672	22,850
Foreign exchange gains	491,348	792,652
Gain on valuation of derivatives	718,106	86,909
Others	93,835	98,296
Total non-operating income	1,516,946	1,205,023
Non-operating expenses		
Interest expenses	10,528	17,454
Cost of lease revenue	15,676	41,946
Others	5,537	7,243
Total non-operating expenses	31,742	66,644
Ordinary income	6,030,063	5,836,493
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
Early retirement expenses	–	37,061
Total extraordinary losses	–	57,798
Income before income taxes and minority interests	6,030,063	5,924,075
Income taxes	2,412,899	2,238,100
Income before minority interests	3,617,164	3,685,974
Minority interests in income	31,800	36,706
Net income	3,585,364	3,649,267

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Third Quarter of FY2014 (April 1, 2013 to December 31, 2013)	Third Quarter of FY2015 (April 1, 2014 to December 31, 2014)
Income before minority interests	3,617,164	3,685,974
Other comprehensive income		
Valuation difference on available-for-sale securities	272,643	961,440
Foreign currency translation adjustment	1,212,878	(142,550)
Remeasurements of defined benefit plans	—	(1,401)
Total other comprehensive income	1,485,522	817,487
Comprehensive income	5,102,686	4,503,462
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	5,024,233	4,457,796
Comprehensive income attributable to minority interests	78,452	45,665

(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, etc.)

[Segment information]

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