

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

August 2, 2019

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 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 First Quarter of FY2020 Ending March 31, 2020 (April 1, 2019–June 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	%
First quarter of FY2020	12,500	(2.9)	2,692	(2.1)	2,841	(4.8)	1,961	(3.8)
First quarter of FY2019	12,875	4.5	2,750	10.6	2,986	13.0	2,039	9.5

(Note) Comprehensive income: First Quarter of FY2020: ¥1,300 million (-13.7%) First Quarter of FY2019: ¥1,507 million (-3.4%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
First Quarter of FY2020	61.63	–
First Quarter of FY2019	64.09	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2019	99,840	88,381	88.0	2,760.59
As of March 31, 2019	106,699	88,904	82.8	2,777.83

(Reference) Equity capital: As of June 30, 2019: ¥87,845 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	–	–	–	–	–
FY2020 (forecast)	–	20.00	–	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, and first half figures represent the rates of changes from the same period of the previous 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
First half	24,600	(6.9)	5,200	(8.1)	5,300	(11.5)	3,800	(7.4)	119.42
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 "(3) 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 June 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 June 30, 2019	987,577 shares	As of March 31, 2019	987,527 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First three months of FY2020	31,821,124 shares	First three months of FY2019	31,821,931 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 Business 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) Notes on Quarterly Financial Statements.....	8
(Notes on the Going Concern Assumption).....	8
(Notes on Significant Changes in the Amount of Shareholders' Equity)	8
(Application of Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements).....	8
(Segment Information, etc.).....	8
3. Others	8
Significant Events regarding Going Concern Assumption.....	8

1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation regarding Financial Results

During the three months under review (April 1, 2019–June 30, 2019), the Japanese economy remained on a moderate recovery trend with continued solid corporate earnings and improvements in the employment situation. However, the outlook continues to remain uncertain due to trade issues involving the U.S. administration, and uncertainties regarding economic conditions and policies in China and Europe.

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, 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 three months ended June 30, 2019 (April 1, 2019–June 30, 2019).

The Company's net sales increased by 8.2% (¥723 million) year on year to ¥9,555 million, as a result of our steady sales and marketing efforts.

Net sales of consolidated subsidiaries decreased by 27.2% year on year due to a decrease in net sales of consolidated subsidiaries abroad 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 three months under review decreased by 2.9% (¥375 million) year on year to ¥12,500 million.

Owing to the increase in net sales, the Company's operating income increased, marking an increase of 9.7% (¥168 million) year on year to ¥1,911 million.

Consolidated operating income was ¥2,692 million, representing a decrease of 2.1% (¥58 million) from the same period in the previous fiscal year.

The Company's ordinary income increased by 0.6% (¥12 million) year on year to ¥2,183 million, mainly due to a decrease in gains on the valuation of derivatives.

Consolidated ordinary income decreased by 4.8% (¥144 million) year on year to ¥2,841 million.

The Company's quarterly net income increased by 0.6% (¥8 million) year on year to ¥1,525 million.

Quarterly consolidated net income attributable to shareholders of the parent company decreased by 3.8% (¥78 million) to ¥1,961 million.

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

- Net sales

(Billions of yen)

		First three months of FY2020	First three months of FY2019	Difference
Ariake Japan Co., Ltd.		9.56	8.83	0.73
Consolidated subsidiaries total		2.94	4.04	(1.10)
Region	U.S.	0.00	1.39	(1.39)
	Asia	1.82	1.68	0.14
	Europe	1.04	0.89	0.15
	Japan	0.08	0.08	0.00
Total		12.50	12.87	(0.37)

- Operating income

(Billions of yen)

		First three months of FY2020	First three months of FY2019	Difference
Ariake Japan Co., Ltd.		1.91	1.74	0.17
Consolidated subsidiaries total		0.78	1.01	(0.23)
Region	U.S.	0.10	0.42	(0.32)
	Asia	0.47	0.45	0.02
	Europe	0.21	0.14	0.07
	Japan	0.00	0.00	0.00
Total		2.69	2.75	(0.06)

(2) Explanation regarding Financial Position

As of June 30, 2019, consolidated total assets were ¥99,840 million. This represents a decrease of ¥6,858 million compared to March 31, 2019.

Total liabilities decreased by ¥6,336 million to ¥11,459 million compared to March 31, 2019, mainly due to a decrease in income taxes payable. Net assets were ¥88,381 million, which represents a decrease of ¥522 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)	First Quarter of FY2020 (As of June 30, 2019)
Assets		
Current assets		
Cash and deposits	32,043,385	41,402,535
Notes and accounts receivable - trade	10,414,698	9,982,768
Securities	2,000,000	2,000,000
Merchandise and finished goods	3,481,308	3,491,939
Work in process	840,647	856,354
Raw materials and supplies	2,425,690	2,928,999
Accounts receivable - other	17,059,384	17,123
Others	586,341	667,278
Allowance for doubtful accounts	(1,157)	(1,157)
Total current assets	68,850,299	61,345,841
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,004,303	21,970,014
Accumulated depreciation	(12,497,864)	(12,510,086)
Buildings and structures, net	9,506,438	9,459,927
Machinery, equipment and vehicles	24,477,897	24,667,655
Accumulated depreciation	(19,503,488)	(19,666,587)
Machinery, equipment and vehicles, net	4,974,409	5,001,068
Land	4,587,383	4,583,951
Leased assets	118,282	118,261
Accumulated depreciation	(90,140)	(93,697)
Leased assets, net	28,141	24,563
Construction in progress	365,917	349,271
Others	1,126,376	1,148,963
Accumulated depreciation	(931,647)	(939,853)
Others, net	194,728	209,109
Total property, plant and equipment	19,657,018	19,627,892
Intangible assets		
Goodwill	451,244	419,281
Other	140,918	139,525
Total intangible assets	592,163	558,807
Investments and other assets		
Investment securities	13,714,667	14,429,714
Long-term loans receivable	14,700	14,347
Real estate for investment, net	558,543	557,241
Long-term accounts receivable - other	3,000,000	3,000,000
Deferred tax assets	10,630	11,236
Others	301,872	295,842
Allowance for doubtful accounts	(129)	(129)
Total investments and other assets	17,600,284	18,308,253
Total non-current assets	37,849,466	38,494,953
Total assets	106,699,766	99,840,794

(Thousands of yen)

	FY2019 (As of March 31, 2019)	First Quarter of FY2020 (As of June 30, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,285,535	4,471,203
Lease obligations	14,110	13,065
Income taxes payable	7,425,753	922,558
Provision for bonuses	269,916	268,484
Provision for directors' bonuses	78,400	–
Others	2,086,572	2,360,685
Total current liabilities	14,160,288	8,035,996
Non-current liabilities		
Lease obligations	15,751	12,912
Deferred tax liabilities	1,974,145	1,748,603
Provision for directors' retirement benefits	136,796	139,052
Net defined benefit liability	1,234,749	1,252,371
Others	274,005	270,680
Total non-current liabilities	3,635,447	3,423,621
Total liabilities	17,795,735	11,459,618
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	69,743,823
Treasury shares	(2,095,860)	(2,096,187)
Total shareholders' equity	82,435,933	82,583,075
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,285,414	4,652,723
Foreign currency translation adjustment	738,760	666,767
Remeasurements of defined benefit plans	(66,454)	(57,439)
Total accumulated other comprehensive income	5,957,720	5,262,051
Non-controlling interests	510,376	536,049
Total net assets	88,904,030	88,381,176
Total liabilities and net assets	106,699,766	99,840,794

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

(Thousands of yen)

	First Quarter of FY2019 (April 1, 2018 to June 30, 2018)	First Quarter of FY2020 (April 1, 2019 to June 30, 2019)
Net sales	12,875,662	12,500,098
Cost of sales	8,302,471	7,999,454
Gross profit	4,573,191	4,500,644
Selling, general and administrative expenses	1,822,462	1,808,203
Operating income	2,750,728	2,692,440
Non-operating income		
Interest income	13,234	17,202
Dividend income	85,458	80,545
House rent income	9,555	7,985
Foreign exchange gains	13,952	19,521
Gain on valuation of derivatives	89,275	–
Others	34,028	30,122
Total non-operating income	245,505	155,376
Non-operating expenses		
Interest expenses	74	3
Cost of lease revenue	2,128	3,516
Others	7,327	2,349
Total non-operating expenses	9,529	5,869
Ordinary income	2,986,704	2,841,947
Income before income taxes and minority interests	2,986,704	2,841,947
Income taxes	921,243	855,108
Quarterly net income	2,065,460	1,986,839
Quarterly net income attributable to non-controlling interests	26,106	25,565
Quarterly net income attributable to shareholders of the parent company	2,039,354	1,961,274

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Quarter of FY2019 (April 1, 2018 to June 30, 2018)	First Quarter of FY2020 (April 1, 2019 to June 30, 2019)
Quarterly net income	2,065,460	1,986,839
Other comprehensive income		
Valuation difference on available-for-sale securities	302,974	(632,690)
Foreign currency translation adjustment	(867,780)	(62,179)
Remeasurements of defined benefit plans	7,000	9,015
Total other comprehensive income	(557,805)	(685,855)
Quarterly comprehensive income	1,507,655	1,300,984
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	1,491,216	1,265,605
Quarterly comprehensive income attributable to non-controlling interests	16,439	35,378

(3) 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 first 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.

3. Others

Significant Events regarding Going Concern Assumption

There is nothing to report.