

Consolidated Financial Results for the First Quarter of FY2021 Ending March 31, 2021 (J-GAAP)

August 5, 2020

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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 FY2021 Ending March 31, 2021 (April 1, 2020–June 30, 2020)

(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 FY2021	10,981	(12.1)	2,070	(23.1)	2,346	(17.4)	1,577	(19.6)
First quarter of FY2020	12,500	(2.9)	2,692	(2.1)	2,841	(4.8)	1,961	(3.8)

(Note) Comprehensive income: First Quarter of FY2021: ¥1,090 million (-16.2%) First Quarter of FY2020: ¥1,300 million (-13.7%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
First Quarter of FY2021	49.57	–
First Quarter of FY2020	61.63	–

(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, 2020	104,018	92,740	88.6	2,896.50
As of March 31, 2020	104,489	93,432	88.9	2,917.83

(Reference) Equity capital: As of June 30, 2020: ¥92,168 million

As of March 31, 2020: ¥92,847 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2020	–	20.00	–	57.00	77.00
FY2021	–	–	–	–	–
FY2021 (forecast)	–	20.00	–	57.00	77.00

(Note) Revisions since the most recently announced dividend forecast: Yes

3. Forecast of the Consolidated Financial Results for FY2021 Ending March 31, 2021 (April 1, 2020–March 31, 2021)

(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
Full year	52,650	0.6	11,180	(5.2)	11,310	(5.0)	7,930	(5.3)	249.21

(Note) Revisions since the most recently announced forecast of the consolidated financial results: Yes

* 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, Changes in 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 Issued Shares (Common Stock)

1) Number of issued shares as of the period-end (including treasury shares)	As of June 30, 2020	32,808,683 shares	As of March 31, 2020	32,808,683 shares
2) Number of treasury shares as of the period-end	As of June 30, 2020	987,914 shares	As of March 31, 2020	987,855 shares
3) Average number of shares (quarterly consolidated cumulative period)	First three months of FY2021	31,820,782 shares	First three months of FY2020	31,821,124 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.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation regarding Financial Results

The Japanese economy in the first three months ended June 30, 2020 (April 1, 2020–June 30, 2020) continued to deteriorate rapidly and is in extremely harsh circumstances due to the impact of the novel coronavirus (COVID-19) pandemic. The employment situation has also been worsening. In regard to the future of the economy, although it is expected that the level of socioeconomic activities will be raised in a phased manner while taking measures to contain the spread of the novel coronavirus pandemic, it seems that the harsh and uncertain conditions will continue for a while, taking into consideration the risk that domestic and overseas economies will further worsen, as will the impact on changes in financial and capital markets, etc.

In these 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, 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, 2020 (April 1, 2020–June 30, 2020).

The Company's net sales decreased by 12.4% (¥1,180 million) year on year to ¥8,375 million, despite our steady sales and marketing efforts.

In regard to net sales of consolidated subsidiaries, sales of overseas subsidiaries decreased by 11.2% year on year.

Therefore, consolidated net sales for the three months under review decreased by 12.1% (¥1,518 million) year on year to ¥10,981 million.

Owing to the decrease in net sales, the Company's operating income decreased, marking a decrease of 23.5% (¥448 million) year on year to ¥1,462 million.

Consolidated operating income was ¥2,070 million, representing a decrease of 23.1% (¥622 million) from the same period in the previous fiscal year.

The Company's ordinary income decreased by 9.3% (¥203 million) year on year to ¥1,979 million.

Consolidated ordinary income decreased by 17.4% (¥495 million) year on year to ¥2,346 million.

The Company's quarterly net income decreased by 9.3% (¥142 million) year on year to ¥1,382 million.

Quarterly consolidated net income attributable to shareholders of the parent company decreased by 19.6% (¥383 million) to ¥1,577 million.

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

- Net sales

(Billions of yen)

	First three months of FY2021	First three months of FY2020	Difference
Ariake Japan Co., Ltd.	8.38	9.56	(1.18)
Consolidated subsidiaries total	2.60	2.94	(0.34)
Region			
U.S.	—	—	—
Asia	1.51	1.82	(0.31)
Europe	1.03	1.04	(0.01)
Japan	0.06	0.08	(0.02)
Total	10.98	12.50	(1.52)

- Operating income

(Billions of yen)

	First three months of FY2021	First three months of FY2020	Difference
Ariake Japan Co., Ltd.	1.46	1.91	(0.45)
Consolidated subsidiaries total	0.61	0.78	(0.17)
Region			
U.S.	—	0.10	(0.10)
Asia	0.36	0.47	(0.11)
Europe	0.25	0.21	0.04
Japan	0.00	0.00	0.00
Total	2.07	2.69	(0.62)

(2) Explanation regarding Financial Position

As of June 30, 2020, consolidated total assets were ¥104,018 million. This represents a decrease of ¥471 million compared to March 31, 2020.

Total liabilities increased by ¥221 million to ¥11,278 million compared to March 31, 2020, mainly due to an increase in income taxes payable. Net assets were ¥92,740 million, which represents a decrease of ¥692 million from March 31, 2020.

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

The forecasts of the consolidated financial results have not been prepared as it was difficult to reasonably assess the impact of the novel coronavirus pandemic; however, given the current economic conditions, the Company has announced consolidated financial forecasts made based on available information, forecasts, etc.

When the need arises to make changes to the financial forecasts due to the spread of the novel coronavirus pandemic, the Company will immediately announce revised forecasts.

For details, please refer to the Notification Regarding the Consolidated Financial Forecast and Dividend Forecast for FY2021 Ending March 31, 2021, which was announced today (August 5, 2020).

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

	(Thousands of yen)	
	FY2020 (As of March 31, 2020)	First Quarter of FY2021 (As of June 30, 2020)
Assets		
Current assets		
Cash and deposits	41,904,934	42,378,127
Notes and accounts receivable - trade	9,507,527	8,378,036
Securities	6,000,000	6,000,000
Merchandise and finished goods	4,044,351	3,753,857
Work in process	898,535	1,075,697
Raw materials and supplies	2,925,684	3,420,884
Accounts receivable - other	3,007,905	3,007,215
Others	2,251,832	2,420,955
Allowance for doubtful accounts	(1,157)	(1,157)
Total current assets	70,539,614	70,433,616
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,921,894	21,737,676
Accumulated depreciation	(12,871,468)	(12,934,161)
Buildings and structures, net	9,050,425	8,803,514
Machinery, equipment and vehicles	25,007,431	24,879,280
Accumulated depreciation	(20,160,912)	(20,237,748)
Machinery, equipment and vehicles, net	4,846,518	4,641,532
Land	4,610,825	4,566,534
Leased assets	118,253	61,321
Accumulated depreciation	(102,881)	(49,478)
Leased assets, net	15,372	11,843
Construction in progress	837,523	1,109,287
Others	1,180,259	1,180,802
Accumulated depreciation	(961,261)	(970,359)
Others, net	218,998	210,442
Total property, plant and equipment	19,579,664	19,343,154
Intangible assets		
Goodwill	343,735	312,991
Other	139,899	132,969
Total intangible assets	483,634	445,960
Investments and other assets		
Investment securities	12,895,994	12,808,134
Long-term loans receivable	12,748	12,643
Real estate for investment, net	571,863	570,630
Deferred tax assets	10,064	14,159
Others	396,422	390,673
Allowance for doubtful accounts	(129)	(129)
Total investments and other assets	13,886,963	13,796,112
Total non-current assets	33,950,262	33,585,227
Total assets	104,489,877	104,018,844

(Thousands of yen)

	FY2020 (As of March 31, 2020)	First Quarter of FY2021 (As of June 30, 2020)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,725,466	4,066,020
Lease obligations	11,625	9,443
Income taxes payable	285,180	810,120
Provision for bonuses	287,526	290,395
Provision for directors' bonuses	78,400	—
Others	1,955,602	2,258,414
Total current liabilities	7,343,801	7,434,394
Non-current liabilities		
Lease obligations	4,071	2,790
Deferred tax liabilities	1,963,069	2,105,578
Provision for directors' retirement benefits	145,821	148,227
Net defined benefit liability	1,353,395	1,353,741
Others	246,865	234,050
Total non-current liabilities	3,713,222	3,844,388
Total liabilities	11,057,024	11,278,782
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,840,343	7,840,343
Retained earnings	75,521,791	75,335,459
Treasury shares	(2,098,406)	(2,098,779)
Total shareholders' equity	88,358,824	88,172,119
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,925,202	4,212,289
Foreign currency translation adjustment	632,343	(154,934)
Remeasurements of defined benefit plans	(68,375)	(60,547)
Total accumulated other comprehensive income	4,489,170	3,996,807
Non-controlling interests	584,857	571,135
Total net assets	93,432,852	92,740,061
Total liabilities and net assets	104,489,877	104,018,844

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

	(Thousands of yen)	
	First Quarter of FY2020 (April 1, 2019 to June 30, 2019)	First Quarter of FY2021 (April 1, 2020 to June 30, 2020)
Net sales	12,500,098	10,981,533
Cost of sales	7,999,454	7,276,194
Gross profit	4,500,644	3,705,338
Selling, general and administrative expenses	1,808,203	1,635,163
Operating income	2,692,440	2,070,175
Non-operating income		
Interest income	17,202	21,972
Dividend income	80,545	78,498
House rent income	7,985	8,619
Foreign exchange gains	19,521	156,175
Others	30,122	21,123
Total non-operating income	155,376	286,390
Non-operating expenses		
Interest expenses	3	21
Cost of lease revenue	3,516	3,227
Others	2,349	6,522
Total non-operating expenses	5,869	9,771
Ordinary income	2,841,947	2,346,794
Income before income taxes and minority interests	2,841,947	2,346,794
Income taxes	855,108	750,650
Quarterly net income	1,986,839	1,596,143
Quarterly net income attributable to non-controlling interests	25,565	18,687
Quarterly net income attributable to shareholders of the parent company	1,961,274	1,577,455

(Quarterly Consolidated Statements of Comprehensive Income)

	(Thousands of yen)	
	First Quarter of FY2020 (April 1, 2019 to June 30, 2019)	First Quarter of FY2021 (April 1, 2020 to June 30, 2020)
Quarterly net income	1,986,839	1,596,143
Other comprehensive income		
Valuation difference on available-for-sale securities	(632,690)	287,086
Foreign currency translation adjustment	(62,179)	(800,421)
Remeasurements of defined benefit plans	9,015	7,827
Total other comprehensive income	(685,855)	(505,507)
Quarterly comprehensive income	1,300,984	1,090,636
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	1,265,605	1,085,091
Quarterly comprehensive income attributable to non-controlling interests	35,378	5,544

(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.