

# ARIAKE JAPAN Co., Ltd.

Code number: 2815

November 11, 2011

## FY2012 Interim Financial Results

April 2011 - September 2011



*Japan*



*Taiwan*



*U.S.*



*China*



*France*



*Belgium*

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## Consolidated Financial Results for the First Half of FY2012

(Millions of yen)

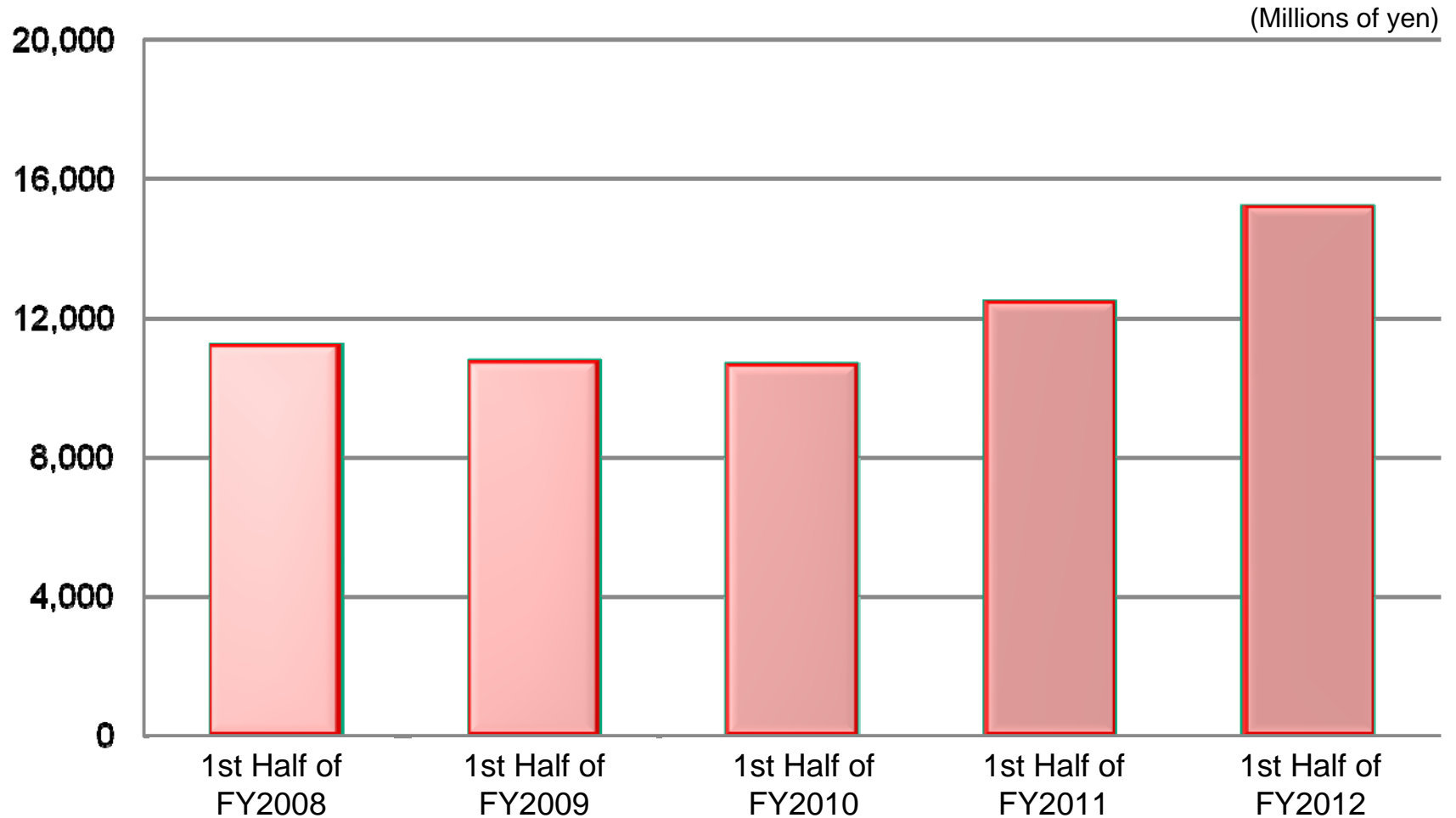
	1st Half of FY2008	1st Half of FY2009	1st Half of FY2010	1st Half of FY2011	1st Half of FY2012	Difference (%)	1st Half of FY2012 (Plan)	Difference (Plan) (%)
Net sales	11,175	10,715	10,622	12,442	<b>15,182</b>	22.0	14,464	5.0
Operating income	1,969	1,269	1,230	1,629	<b>2,080</b>	27.7	1,815	14.6
Operating income margin (%)	17.6	11.8	11.6	13.1	<b>13.7</b>	0.6	12.5	—
Ordinary income	1,816	591	1,104	1,204	<b>1,690</b>	40.3	1,879	(10.0)
Ordinary income margin (%)	16.3	5.5	10.4	9.7	<b>11.1</b>	1.4	13.0	—
Net income	1,003	125	396	482	<b>847</b>	75.4	977	(13.9)
EPS (Yen)	31.21	3.94	12.45	15.17	<b>26.61</b>	—	30.70	—

## Non-Consolidated Financial Results for the First Half of FY2012

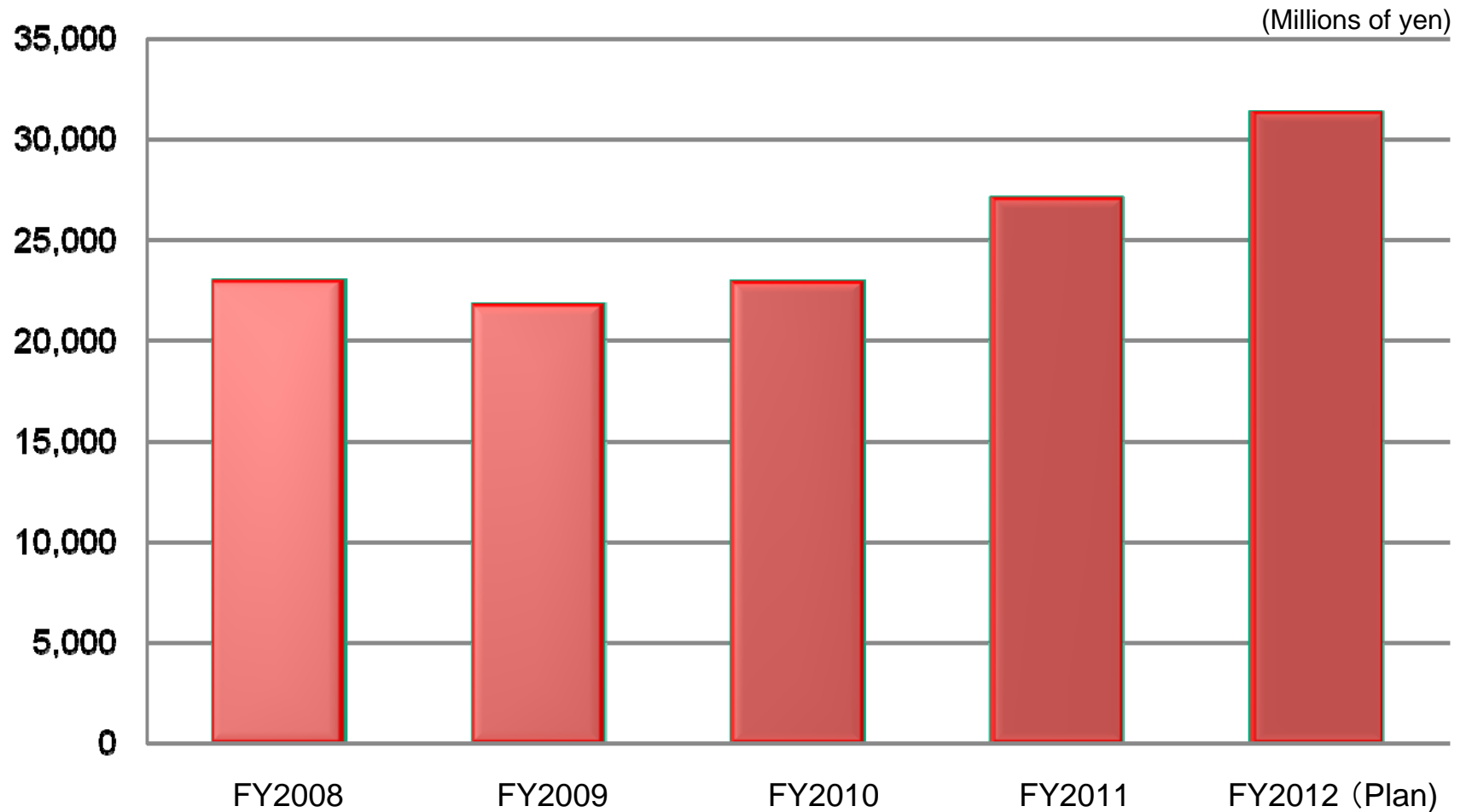
(Millions of yen)

	1st Half of FY2008	1st Half of FY2009	1st Half of FY2010	1st Half of FY2011	1st Half of FY2012	Difference (%)	1st Half of FY2012 (Plan)	Difference (Plan) (%)
Net sales	9,643	9,369	9,495	10,787	<b>12,553</b>	16.4	11,795	6.4
Operating income	1,788	1,455	1,750	2,021	<b>2,256</b>	11.6	2,030	11.1
Operating income margin (%)	18.6	15.5	18.4	18.7	<b>18.0</b>	(0.7)	17.2	0.8
Ordinary income	1,812	1,034	1,637	1,605	<b>1,883</b>	17.3	2,115	(11.0)
Ordinary income margin (%)	18.8	11.0	17.2	14.9	<b>15.0</b>	0.1	17.9	(2.9)
Net income	1,058	571	933	913	<b>1,086</b>	18.9	1,229	(11.6)
EPS (Yen)	32.90	17.94	29.33	28.71	<b>34.13</b>	—	38.61	—

## Net Sales for the First Half Periods

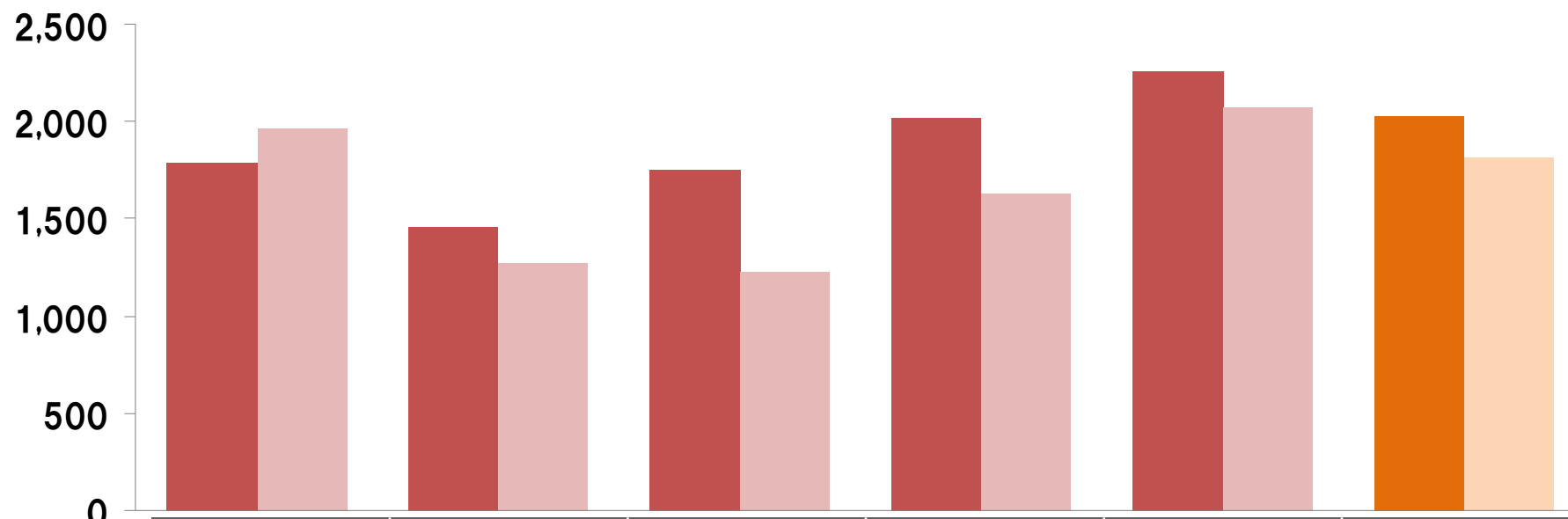




## (Reference) Net Sales for the Fiscal Years



## Consolidated and Non-Consolidated Operating Income for the First Half Periods

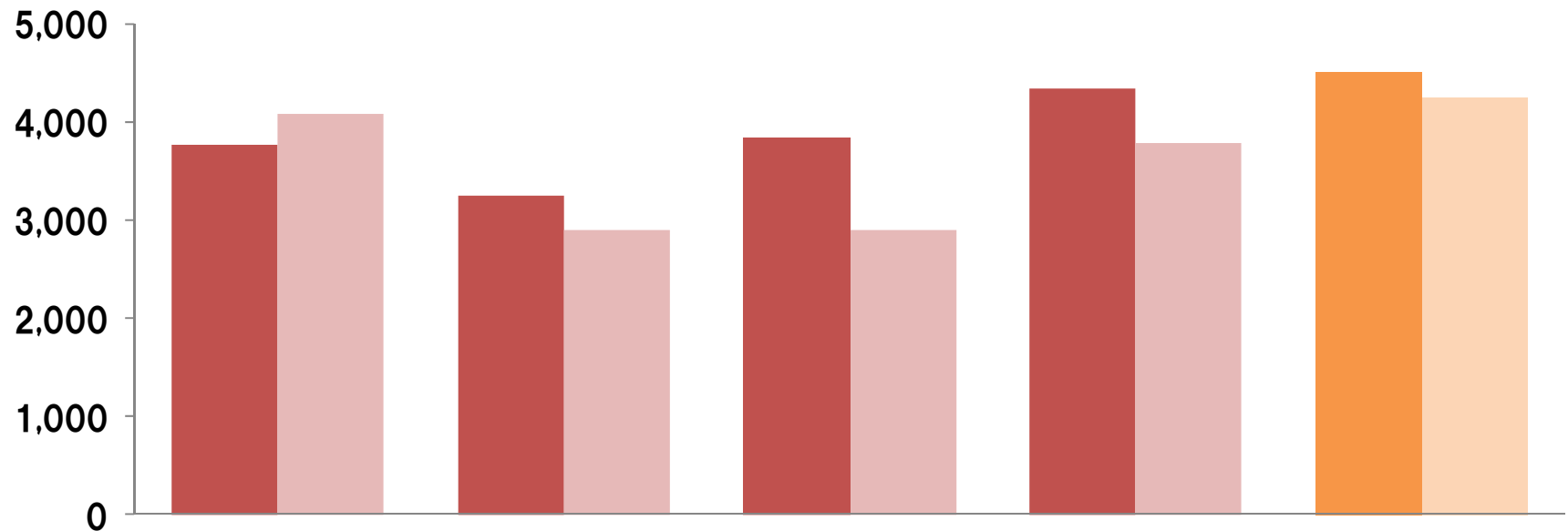
(Millions of yen)





	1st Half of FY2008	1st Half of FY2009	1st Half of FY2010	1st Half of FY2011	1st Half of FY2012	1st Half of FY2012 (Plan)
 Ariake Japan	1,788	1,455	1,750	2,021	2,256	2,030
 Ariake Group	1,969	1,269	1,230	1,629	2,080	1,815

## (Reference) Consolidated and Non-Consolidated Operating Income for the Fiscal Years

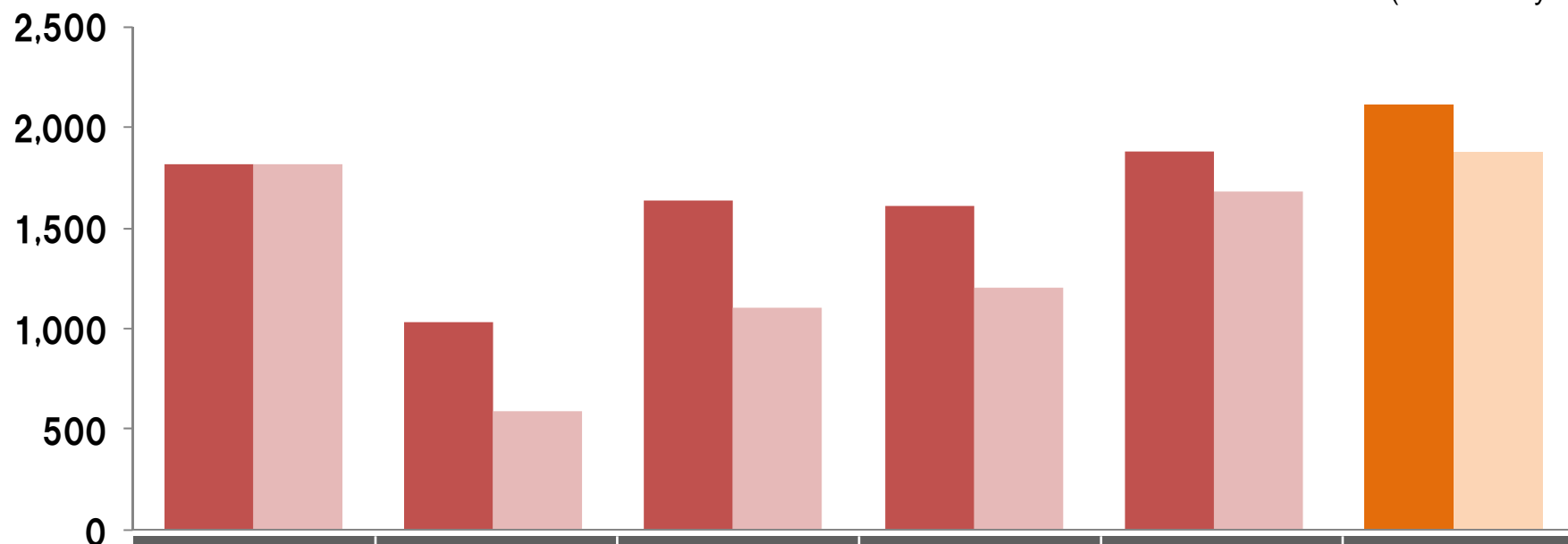
(Millions of yen)



	FY2008	FY2009	FY2010	FY2011	FY2012 (Plan)
 Ariake Japan	3,757	3,254	3,837	4,330	4,500
 Ariake Group	4,074	2,890	2,902	3,783	4,248

# Consolidated and Non-Consolidated Ordinary Income for the First Half Periods

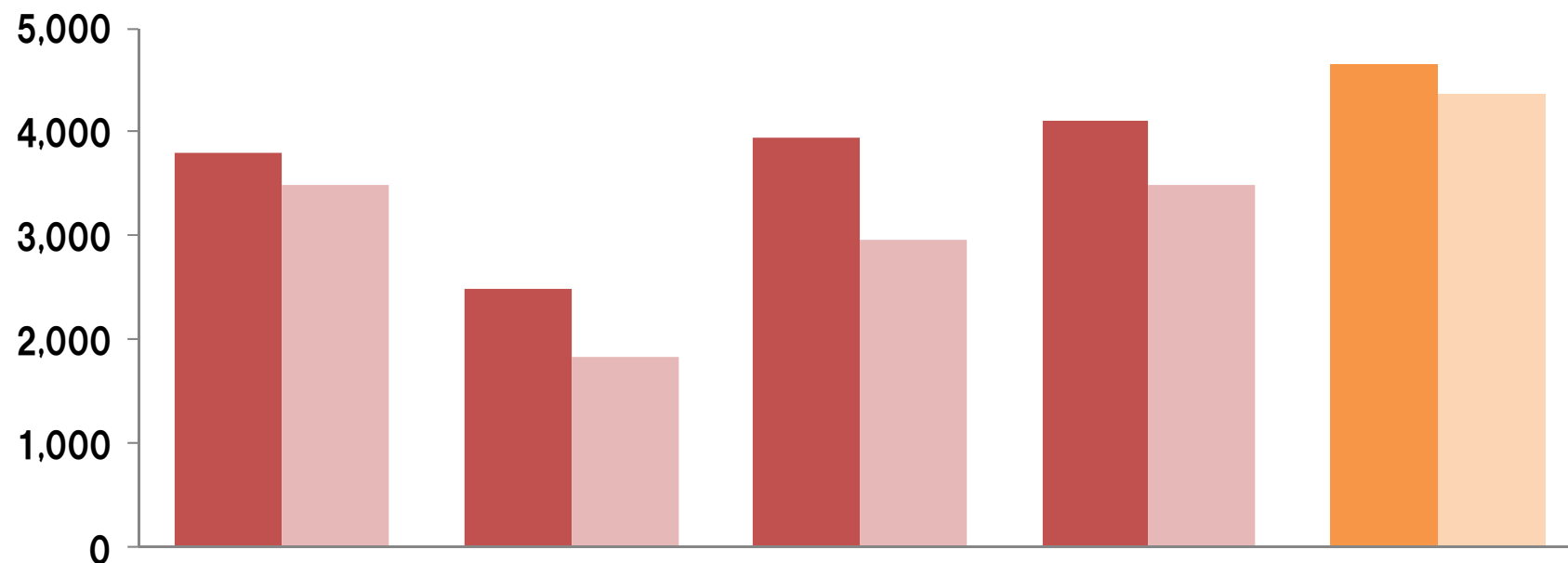
(Millions of yen)



	1st Half of FY2008	1st Half of FY2009	1st Half of FY2010	1st Half of FY2011	1st Half of FY2012	1st Half of FY2012 (Plan)
<b>Ariake Japan</b>	<b>1,812</b>	<b>1,034</b>	<b>1,637</b>	<b>1,605</b>	<b>1,883</b>	<b>2,115</b>
<b>Ariake Group</b>	<b>1,816</b>	<b>591</b>	<b>1,104</b>	<b>1,204</b>	<b>1,681</b>	<b>1,879</b>

## (Reference) Consolidated and Non-Consolidated Ordinary Income for the Fiscal Years

(Millions of yen)



	FY2008	FY2009	FY2010	FY2011	FY2012 (Plan)
 Ariake Japan	3,795	2,491	3,935	4,116	4,662
 Ariake Group	3,493	1,830	2,967	3,484	4,366

## Non-Consolidated Business Summary for the First Half of FY2012

### □ Net sales

Non-consolidated net sales increased by ¥1,766 million, or 16.4%, year on year to ¥12,553 million as a result of efforts to further expand sales based on our customer-first approach.

### □ Operating income

(Millions of yen)

Year-on-year increase of ¥235 million (11.6%) to ¥2,256 million, ¥226 million in excess of plan			
YoY Change	Increase factor	Increase in net sales	615
	Decrease factors	Increase in fixed cost of cost of products manufactured	(187)
		Increase in raw material cost	(80)
		Increase in variable cost of sales cost	(64)
		Increase in fuel cost	(44)
Against Plan	Increase factor	Increase in net sales	250

### □ Ordinary income

(Millions of yen)

Year-on-year increase of ¥278 million (17.3%) to ¥1,883 million, ¥232 million short of plan			
YoY Change	Increase factors	Increase in operating income	235
		Improving of gain (loss) on valuation of derivatives	293
	Decrease factor	Increase in loss on foreign exchange	(285)
	Increase factors	Increase in operating income	226
		Improving of gain (loss) on valuation of derivatives	12
Against Plan	Decrease factor	Increase in foreign exchange loss	(521)

(Reference) Consolidated Ordinary Income (Loss) Excluding Valuation Gain (Loss) of Derivatives and Foreign Exchange Gain (Loss)

(Millions of yen)

	FY2008	FY2009	FY2010	FY2011	FY2012 (Plan)
Net sales	22,961	21,736	22,893	27,051	31,360
Ordinary income (loss)	3,493	1,830	2,967	3,484	4,366
Ordinary income (loss) Excluding gain (loss) on valuation of derivatives and foreign exchange gain (loss)	3,493	2,642	3,037	3,953	4,366

## Consolidated Financial Results for the First Half of FY2012

(Billions of yen)

	Net sales					Ordinary income (loss)				
	1st Half of FY2012 Result (A)	1st Half of FY2011 Result (B)	Difference (A-B)	1st Half of FY2012 Plan (C)	Difference (A-C)	1st Half of FY2012 Result (A)	1st Half of FY2011 Result (B)	Difference (A-B)	1st Half of FY2012 Plan (C)	Difference (A-C)
<b>Ariake Japan</b>	<b>12.55</b>	<b>10.79</b>	<b>1.76</b>	<b>11.80</b>	<b>0.75</b>	<b>1.88</b>	<b>1.61</b>	<b>0.27</b>	<b>2.12</b>	<b>(0.24)</b>
U.S.	0.68	0.48	0.20	0.58	0.10	0.05	(0.08)	0.13	0.00	0.05
Asia	0.84	0.77	0.07	0.98	(0.14)	0.15	(0.08)	0.07	0.10	0.05
Europe	0.87	0.19	0.68	0.89	(0.02)	(0.40)	(0.41)	0.01	(0.35)	(0.05)
Japan	0.24	0.21	0.03	0.22	0.02	0.01	0.00	0.01	0.01	0.00
Subsidiaries total	<b>2.63</b>	<b>1.65</b>	<b>0.98</b>	<b>2.67</b>	<b>(0.04)</b>	<b>(0.19)</b>	<b>(0.41)</b>	<b>0.22</b>	<b>(0.24)</b>	<b>0.05</b>
<b>Total</b>	<b>15.18</b>	<b>12.44</b>	<b>2.74</b>	<b>14.46</b>	<b>0.72</b>	<b>1.69</b>	<b>1.20</b>	<b>0.49</b>	<b>1.88</b>	<b>(0.19)</b>

## Business Summary of Major Subsidiaries for the First Half of FY2012

### □ Major Subsidiaries

#### ◆ U.S.

The benefits of plant expansion have emerged in the form of higher income and profits. With higher sales, fixed costs as a percentage of sales declined. Variable costs as a percentage of sales also declined as cost-cutting efforts paid off.

#### ◆ Asia

Qingdao Ariake Foodstuff reported a 20% increase in net sales (stated in the local currency), before the consolidation elimination of sales to Ariake Japan. Helped also by expense cuts, it posted higher ordinary income.

Taiwan Ariake Foods chalked up steady growth and recorded performance improvements basically in line with plans.

#### ◆ Europe

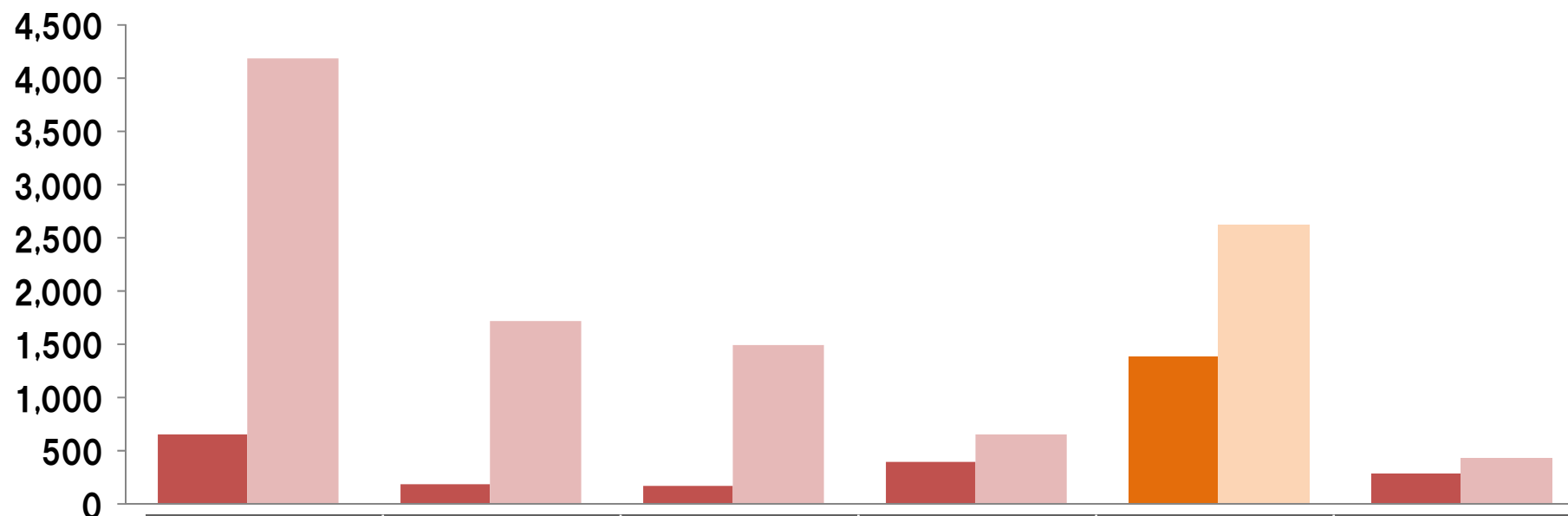
Net sales increased as planned; however, the still-high depreciation burden means a transition to profitability will have to wait until next year or later.

#### ◆ Japan

Achieved results basically in line with plans.

## Consolidated and Non-Consolidated Capital Expenditures

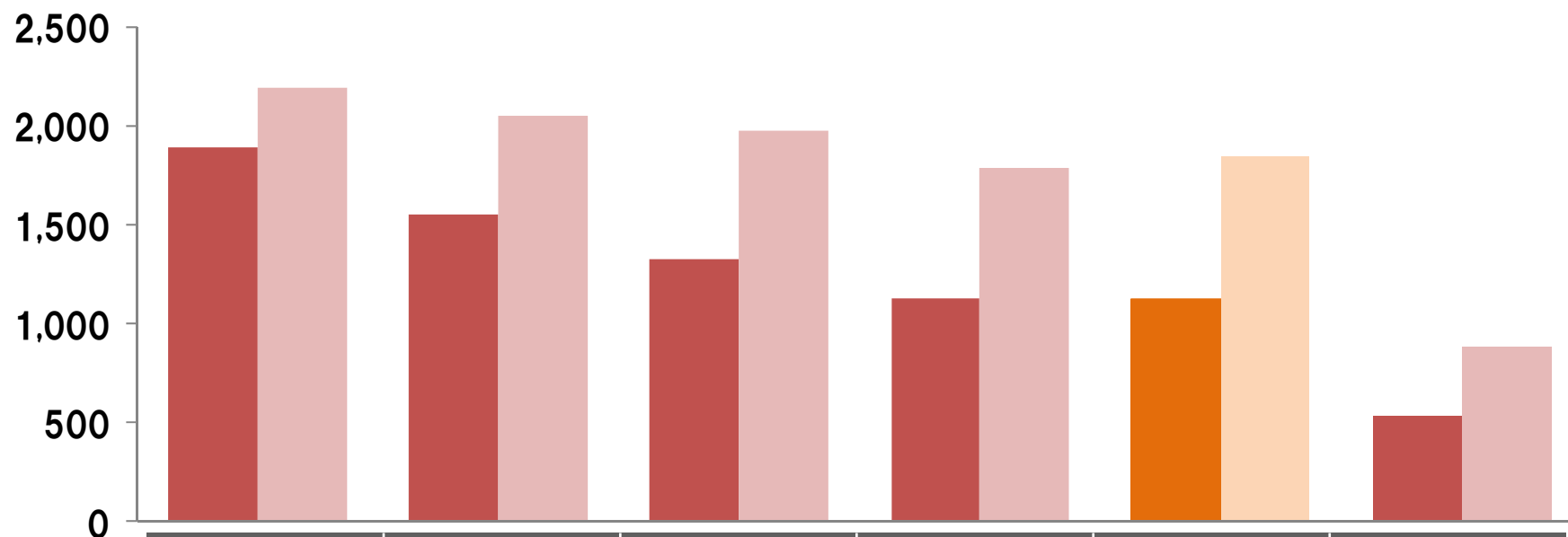
(Millions of yen)



	FY2008	FY2009	FY2010	FY2011	FY2012 (Plan)	1st Half of FY2012
 Ariake Japan	656	180	156	395	1,380	273
 Ariake Group	4,199	1,724	1,482	646	2,629	423

## Consolidated and Non-Consolidated Depreciation Expenses

(Millions of yen)



	FY2008	FY2009	FY2010	FY2011	FY2012 (Plan)	1st Half of FY2012
 Ariake Japan	1,891	1,555	1,325	1,128	1,121	535
 Ariake Group	2,191	2,049	1,979	1,787	1,843	882

# Business Plan

(Billions of yen)

		FY2010 Result	FY2011 Result	FY2012 Forecast	Plan			
					FY2013	FY2014	FY2015	FY2016
Ariake Japan	Net sales	20.2	22.9	25.1	26.0	27.0	28.5	30.0
	Ordinary income	3.9	4.1	4.6	5.1	5.4	5.7	6.0
Consolidated Subsidiaries	Net sales	2.6	4.1	6.2	8.5	12.0	15.5	16.5
	Ordinary income (loss)	(1.0)	(0.7)	(0.3)	0.4	0.8	1.2	1.5
Ariake Group	Net sales	22.8	27.0	31.3	34.5	39.0	44.0	46.5
	Ordinary income	2.9	3.4	4.3	5.5	6.2	6.9	7.5

# Business Plan

## 1. Ariake Japan Co., Ltd.

Ariake Japan, leveraging unique technical capabilities that keep it well ahead of competitors, has increased its market share. With its enhanced product line, it has succeeded in expanding net sales on a non-consolidated basis by double digits for 21 consecutive months since January 2010.

## 2. ARIAKE U.S.A., Inc.

Making effective use of R&D supported by a team of foodstuff experts, and an expanded plant completed last year, Ariake U.S.A. is developing and producing various new products and using its nationwide sales network to increase sales.

## 3. Asia (QINGDAO ARIAKE FOODSTUFF Co., Ltd. / Taiwan Ariake Foods Co., Ltd.)

Qingdao Ariake has increased its sales to the top manufacturer of instant noodles, and has seen steady progress in sales activities based in Beijing and Shanghai. Taiwan Ariake, meanwhile, is increasing its sales mainly by focusing on the local restaurant industry and products for takeout consumption.

## 4. Europe (F.P.N.I. BELGIUM N.V. / F. P. Natural Ingredients S.A.S.)

Amid tough business conditions, European operations are steadily moving forward with plans to expand sales of Infusion Bouillon, various types of extracts, and other products.

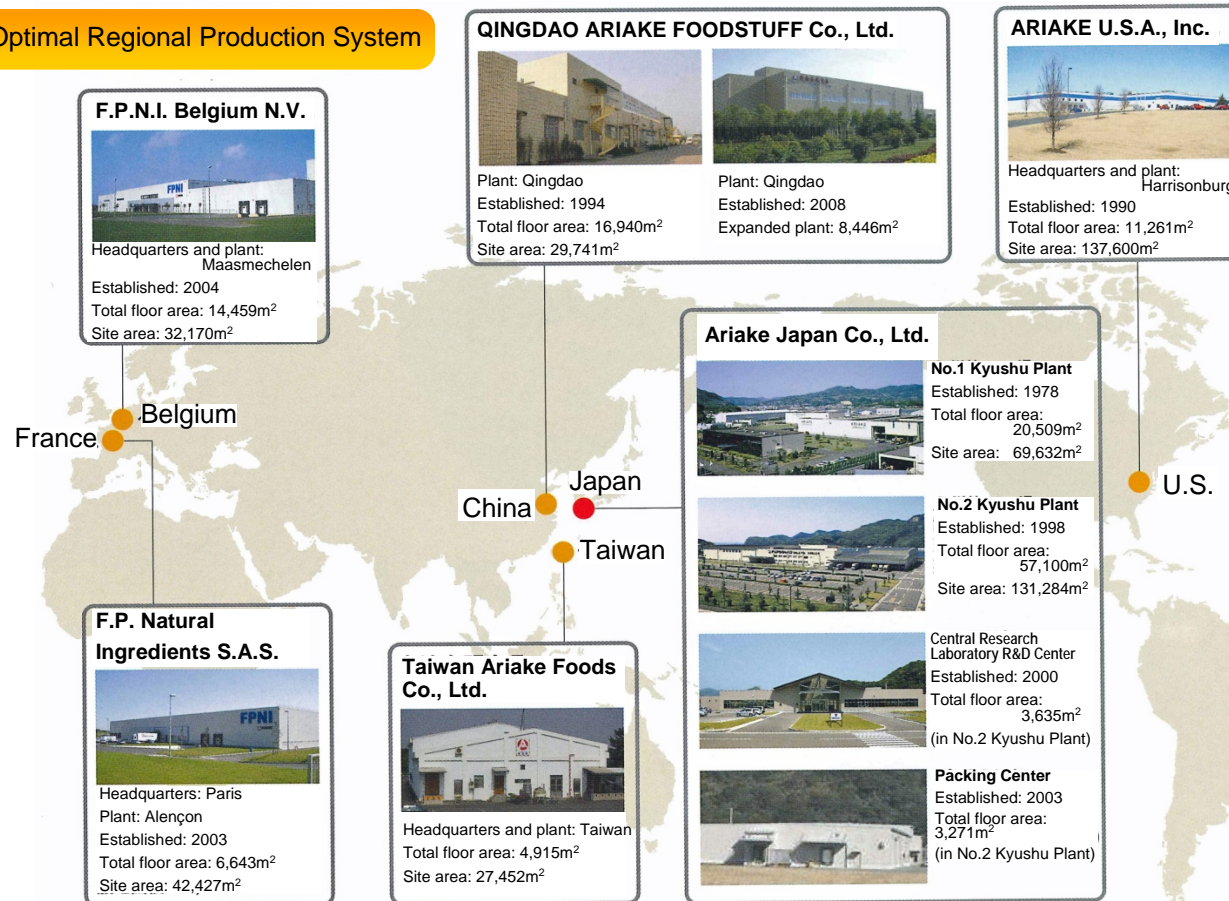
As a result, we project consolidated net sales of ¥46,500 million in the fiscal year ending March 2016. At that time, it is expected that the ordinary income margin will reach 20% on a non-consolidated basis. With gradual increases in their profit margins, the subsidiaries are expected to achieve an ordinary income margin of 10%, by the fiscal year ending March 2016.

However, net sales are rising ahead of plans in the current fiscal year and if this pace can be continued, consolidated net sales could reach ¥46,500 million by the fiscal year ending March 2014.

# Backed by Quality and Pricing (Sources of Competitive Advantage)

## 1. Ariake Group is a global enterprise with five overseas production bases, including ones in the U.S. and Europe.

### Optimal Regional Production System



## Backed by Quality and Pricing (Sources of Competitive Advantage)

### 2. Ariake Japan has established highly automated large-scale production facilities.

- ◆ With scale economies, the product cost of manufacture decreases in proportion to the scale of the facilities.  
Producing on a massive scale enables lower costs by reducing product cost of manufacture per unit of output. (Impact of scale economies)
- ◆ Automated controls enable precise control of production and eliminate waste.
- ◆ Unmanned mass production makes it possible to lower fixed costs, labor cost, and outlays in a broad range of other areas.



Automated guided vehicle



Computer control room

## Backed by Quality and Pricing (Sources of Competitive Advantage)

- 3. Having been in operation for 45 years, Ariake Group has benefited from the experience curve effect.**
- ◆ By taking advantage of its experience curves in western, Japanese, Chinese, and other natural seasoning genres, Ariake Group has established competitive advantages in both quality and price. (Accumulated know-how)
  - ◆ By expanding production scale and increasing cumulative production volumes, Ariake Group has steadily refined skills and processes, using experience to increase operational efficiency.
  - ◆ In the process of responding to the needs and enhancing product value, Ariake Group has built a collection of over 2,500 Chinese, 1,000 western, and 1,000 Japanese recipes.

## Production Plants in Japan

From production plants applying the latest technologies, Ariake Japan delivers high-quality, safe foodstuffs.

