April 1, 2020 >>> March 31, 2021

# Business Report

THE FINE FLAVORS OF NATURE

https://www.ariakejapan.com/

ARIAKE JAPAN Co., Ltd.

Securities code number : 2815

## TO OUR SHAREHOLDERS

### Profitability remained high due to the strengths of our distinctive business model. Our goal is a stronger foundation, including renewable energy for all electricity at factories in Japan, to aim for sustained growth.

#### New president

In April 2021, Naoki Shirakawa was named president and chief executive officer. This step gives Ariake Japan a strong management team in order to aim for more progress with business operations and an even faster pace of growth.

#### Sales and earnings down because of COVID-19

For the fiscal year that ended in March 2021, sales and earnings were lower than in the previous fiscal year because of the severe impact of the COVID-19 pandemic.

Even during this challenging time, business activities reflected the Ariake Group's position as a global enterprise and a leader in the field of natural seasonings. Group companies retained their focus on food safety, health and outstanding flavors while anticipating customers' needs, expanding existing businesses worldwide and launching new businesses.

#### Strength in Europe, Taiwan and Indonesia

These activities resulted in a strong performance in several regions during the fiscal year. Although sales and earnings decreased in Japan, sales and earnings were higher in Europe. Furthermore, even though sales and earnings were down for Asia overall, there was growth in Taiwan and Indonesia. The new factory in Indonesia is operating as planned and contributing to sales and earnings.

#### Consistently high operating income to net sales

Despite the decline in earnings, the operating income to net sales, which is a key indicator of profitability, remained above 20%.

#### Ariake's distinctive strengths underpin our performance

Distinctive strengths that define our group are the primary reason for our consistently high profitability. We had the foresight to start a natural seasonings business and established a unique business model as the pioneer in the business of natural seasonings using ingredients derived from livestock. Our group has highly advanced manufacturing capabilities and technologies, quality assurance and hygiene management. A global production infrastructure with seven locations is another valuable strength. Synergies created by these strengths have allowed us to build a broad and powerful customer base in Japan and other countries that encompasses the restaurant, prepared food, processed food and other market sectors. These capabilities made it possible to maintain a high level of efficiency even as our sales and earnings decreased.

#### Outstanding quality and hygiene management

One of the greatest strengths of our business model is quality and hygiene management skills that are among the best in the world. These skills are a critical element of our powerful infrastructure for business operations. We plan to make this infrastructure even stronger to support our growth strategies.

#### Renewable energy for all electricity at plants in Japan

Speeding up the use of renewable energy is one way we are accomplishing this goal. Our two major plants in Japan completed the switch to renewable energy in April 2021.

In addition, we have been generating one of the largest amounts of factory rooftop solar power in Japan since 2014 by using panels on factory roofs. We plan to continue strengthening our infrastructure.

#### More growth in Europe

Work is under way in France and Belgium to increase production capacity as part of our strategies for growth. We are also developing products with companies in Europe.

Our medium to long-term goal is to raise consolidated sales to ¥100 billion as we continue to make the foundation for our businesses stronger and aim for steady growth.

To express our appreciation to shareholders, we plan to pay a year-end dividend of ¥57 per share. With the interim dividend of ¥20 per share, this results in an annual dividend of ¥77 per share.

We thank our shareholders for their support and we ask for your continued support and guidance in the future.

June 2021

Senior Advisor
Kineo Okada

President (CEO)
Naoki Shirakawa

## FINANCIAL SUMMARY

### Consolidated Balance Sheets

(Millions of yen)

| | FY2020 As of March 31, 2020 | FY2021 As of March 31, 2021 |
|---|---|---|
| Assets | | |
| Current assets | 70,539 | 79,407 |
| Non-current assets | 33,950 | 32,273 |
| Property, plant and equipment | 19,579 | 20,055 |
| Intangible assets | 483 | 392 |
| Investments and other assets | 13,886 | 11,825 |
| Total assets | 104,489 | 111,681 |
| Liabilities | | |
| Current liabilities | 7,343 | 8,947 |
| Non-current liabilities | 3,713 | 3,866 |
| Total liabilities | 11,057 | 12,813 |
| Net assets | | |
| Shareholders' equity | 88,358 | 93,183 |
| Accumulated other comprehensive income | 4,489 | 5,020 |
| Non-controlling interests | 584 | 663 |
| Total net assets | 93,432 | 98,867 |
| Total liabilities and net assets | 104,489 | 111,681 |

Note: Amounts presented are rounded down to the nearest million yen.

### Consolidated Statements of Income

(Millions of yen)

| | FY2020 From April 1, 2019 to March 31, 2020 | FY2021 From April 1, 2020 to March 31, 2021 |
|---|---|---|
| Net sales | 52,329 | 49,684 |
| Cost of sales | 32,985 | 32,429 |
| Gross profit | 19,344 | 17,255 |
| Selling, general and administrative expenses | 7,554 | 7,208 |
| Operating income | 11,789 | 10,046 |
| Non-operating income | 368 | 670 |
| Non-operating expenses | 250 | 41 |
| Ordinary income | 11,908 | 10,675 |
| Extraordinary income | 222 | — |
| Extraordinary losses | — | 107 |
| Income before income taxes and minority interests | 12,130 | 10,567 |
| Income taxes - current | 3,082 | 3,203 |
| Income taxes - deferred | 573 | (3) |
| Net income | 8,475 | 7,368 |
| Net income attributable to non-controlling interests | 99 | 90 |
| Net income attributable to shareholders of the parent company | 8,375 | 7,277 |

Note: Amounts presented are rounded down to the nearest million yen.

### Consolidated Statements of Cash Flows

(Millions of yen)

| | FY2020 From April 1, 2019 to March 31, 2020 | FY2021 From April 1, 2020 to March 31, 2021 |
|---|---|---|
| Cash flows from operating activities | 1,977 | 11,015 |
| Cash flows from investing activities | 8,971 | 4,276 |
| Cash flows from financing activities | (2,476) | (2,483) |
| Effect of exchange rate change on cash and cash equivalents | (110) | 163 |
| Net increase in cash and cash equivalents | 8,361 | 12,972 |
| Cash and cash equivalents at beginning of period | 19,543 | 27,904 |
| Cash and cash equivalents at end of period | 27,904 | 40,877 |

Note: Amounts presented are rounded down to the nearest million yen.

### Consolidated Statements of Changes in Equity (From April 1, 2020 to March 31, 2021)

(Millions of yen)

| | Shareholders' equity | | | | | Accumulated other comprehensive income | | | | Non-controlling interests | Total net assets |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income | | |
| Balance at beginning of the consolidated fiscal year | 7,095 | 7,840 | 75,521 | (2,098) | 88,358 | 3,925 | 632 | (68) | 4,489 | 584 | 93,432 |
| Changes of items during the consolidated fiscal year | | | | | | | | | | | |
| Dividends of surplus | | | (2,450) | | (2,450) | | | | | | (2,450) |
| Net income attributable to shareholders of the parent company | | | 7,277 | | 7,277 | | | | | | 7,277 |
| Purchase of treasury shares | | | | (2) | (2) | | | | | | (2) |
| Net changes of items other than shareholders' equity during the consolidated fiscal year | | | | | | 372 | 93 | 64 | 530 | 79 | 609 |
| Total changes of items during the consolidated fiscal year | — | — | 4,827 | (2) | 4,824 | 372 | 93 | 64 | 530 | 79 | 5,434 |
| Balance at end of the consolidated fiscal year | 7,095 | 7,840 | 80,348 | (2,100) | 93,183 | 4,298 | 725 | (4) | 5,020 | 663 | 98,867 |

Note: Amounts presented are rounded down to the nearest million yen.

## CORPORATE / INVESTOR INFORMATION

### Company Profile

(As of June 18, 2021)

- **Trade Name**: ARIAKE JAPAN Co., Ltd.
- **Representatives**: Naoki Shirakawa, President (CEO); Katsutoshi Iwaki, Executive Vice President (COO)
- **Established**: June 2, 1966
- **Capital**: 7,095,096 thousand yen
- **Employees**: 600 (As of March 31, 2021)
- **Business Activities**:
  1. Manufacture, processing and sale of natural seasonings
  2. Production, processing, import / export and sale of livestock products
  3. Processing, import / export and sale of marine products
  4. Production, import / export and sale of non-pharmaceutical products
  5. Restaurant management
  6. Technical guidance concerning the above activities
  7. Operations incidental to above activities
- **Banks**: Sumitomo Mitsui Banking Corporation; MUFG Bank, Ltd.; The Juhachi-Shinwa Bank, Ltd.
- **Affiliated Companies**:
  - QINGDAO ARIAKE FOODSTUFF Co., Ltd.
  - Taiwan Ariake Foods Co., Ltd.
  - F.P. Natural Ingredients S.A.S.
  - Ariake Europe N.V.
  - Henningsen Nederland B.V.
  - PT. Ariake Europe Indonesia
  - A.C.C. Co., Ltd.
  - Ariake Farm. Co., Ltd.

**Office Location**

Headquarters
3-2-17, Ebisu-Minami, Shibuya-ku, Tokyo 150-0022
TEL: 03-3791-3301

Headquarters building

- Kyushu Plant
  - ·No.1 Kyushu Plant
  - ·No.2 Kyushu Plant
  - ·Central Research Laboratory R&D Center
  - ·Packing Center
- Nagoya Branch
- Osaka Branch
- Fukuoka Branch
- Sendai Branch
- Sapporo Sales Office

### Stock Data

(As of March 31, 2021)

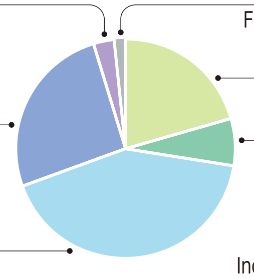
- Total number of shares authorized to be issued......... 130,000,000 shares
- Total issues and outstanding shares ......................... 32,808,683 shares
- Number of shareholders ......................................................7,959
- Stock exchange listing..................... Tokyo Stock Exchange, First Section
- Securities code number ........................................................ 2815

### Major Shareholders (Top 10)

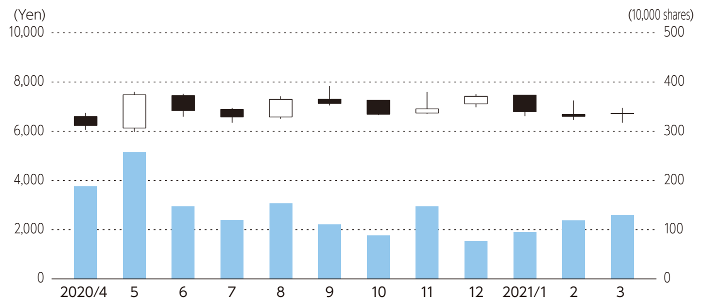
| Name of Shareholders | Thousand Shares | Percentage |
|---|---|---|
| Japan Food Business Co., Ltd. | 10,608 | 33.34 |
| Kineo Okada Scholarship Foundation | 2,196 | 6.90 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 2,105 | 6.62 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 1,816 | 5.71 |
| Custody Bank of Japan, Ltd. (Trust Account) | 1,254 | 3.94 |
| Ohsho Food Service Corp. | 784 | 2.46 |
| STATE STREET BANK AND TRUST COMPANY 505001 | 421 | 1.33 |
| NAOKI OKADA | 412 | 1.29 |
| The Juhachi-Shinwa Bank, Ltd. | 388 | 1.22 |
| HSBC-FUND SERVICES, HBAP CLTS UCITS A/C - IRELAND | 355 | 1.12 |

Note1: Treasury shares (988 thousand shares) are excluded from the list above.
Note2: The percentage of total shares excludes treasury shares.
Note3: Number of shares less than one thousand is rounded down to the nearest thousand.

### Percentage Composition of Shareholders




### Stock Price (Monthly) and Trading Volume




### Stock Information

| | |
|---|---|
| Fiscal year | April 1 to March 31 next year |
| Record date for receipt of year-end dividends | March 31 |
| Record date for receipt of 2nd quarter dividends | September 30 |
| General shareholders' meeting | Held in June each year |
| Stock transfer agent<br>Account manager for special accounts | Mitsubishi UFJ Trust and Banking Corporation |
| Inquiries | Mitsubishi UFJ Trust and Banking Corporation<br>Securities Agency Division<br>1-1 Nikko-cho, Fuchu-shi, Tokyo<br>TEL: 0120-232-711 (Toll free only in Japan)<br>Mailing address:<br>Shin-TOKYO Post Office post office box No.29, 137-8081, Japan<br>Mitsubishi UFJ Trust and Banking Corporation<br>Securities Agency Division |
| Stock exchange listing | Tokyo Stock Exchange, First Section |
| Announcement | The Company posts information about settlement announcement on its website.<br>https://www.ariakejapan.com/ |

**Precautions**

1. In principle, changes of address, requests for purchases of shares and other shareholder procedures will be performed by the account manager (securities company, etc.) for each shareholder's account. These procedures are not performed by the Company's stock transfer agent (Mitsubishi UFJ Trust and Banking).
2. For all procedures concerning stock registered in the special account, please contact Mitsubishi UFJ Trust and Banking, which is the manager of this account. These procedures are handled at the head office and all branches of Mitsubishi UFJ Trust and Banking.
3. Accrued dividends can be received at the head office or any branch of Mitsubishi UFJ Trust and Banking.

ARIAKE JAPAN Co., Ltd.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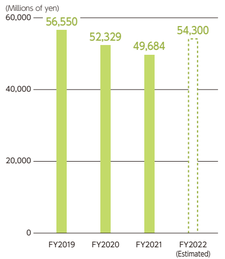
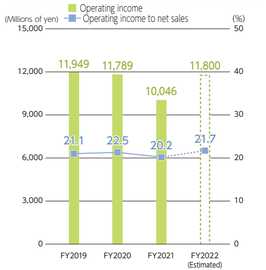
# CONSOLIDATED FINANCIAL HIGHLIGHTS

Consolidated sales and earnings decreased, but results of operations outside Japan were strong with sales and earnings growth in Europe (three countries), Taiwan and Indonesia.

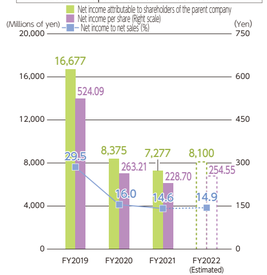
### Net sales



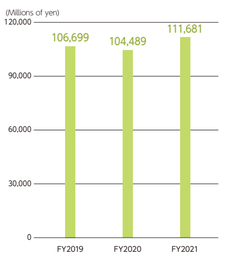

### Operating income / Operating income to net sales



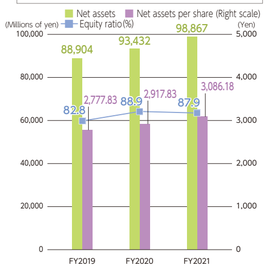

### Net income attributable to shareholders of the parent company / Net income per share / Net income to net sales



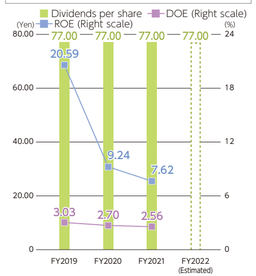

### Total assets



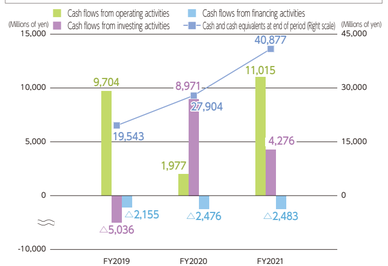

### Net assets / Net assets per share / Equity ratio




### Dividends per share / DOE / ROE




### Cash flows




Although consolidated sales and earnings decreased, there was growth in both sales and earnings in Europe (total for operations in Belgium, France and the Netherlands), Taiwan and Indonesia, which posted strong growth because of increases in exports to Japan and sales within Indonesia. Sales and earnings decreased in China but have been higher than one year earlier since September 2020.

**Consolidated net sales** decreased 5.1% to ¥49,684 million and **consolidated operating income** decreased 14.8% to ¥10,046 million.

**Net income attributable to shareholders of the parent company** decreased 13.1% to ¥7,277 million.

Our website contains a variety of information about the Company.
https://www.ariakejapan.com/en/ or ARIAKE Search

# SPECIAL ISSUE Global Network and Business Strategies of the Ariake Group

## The optimal regional production system serves a broad array of customer needs worldwide.

Contributing to the advancement of the culture of food worldwide has always been a goal of the Ariake Group. Since our inception, we have been dedicated to operating on a global scale as both a Japanese company and a global enterprise. Since our founding, we have made enormous capital expenditures that total more than 20 billion yen throughout the world. Having completed this round of overseas investments, we are now in the stage where we generate returns from these expenditures.

Under the optimal regional production system with production bases in seven locations as Japan, China, Taiwan, France, Belgium, the Netherlands and Indonesia, we serve the diverse range of needs among our customers worldwide.

**1 Japan**

| | |
|---|---|
| Company Name | ARIAKE JAPAN Co., Ltd. |
| Headquarters Location | Shibuya-ku, Tokyo |
| Plant Location | Kita-Matsuura-gun, Nagasaki |
| Established | June 1966 |
| Capital | ¥7,095 million |

**2 China**

| | |
|---|---|
| Company Name | QINGDAO ARIAKE FOODSTUFF Co., Ltd. |
| Office Location | Qingdao Huangdao Shandong Province, China |
| Established | December 1994 |
| Capital | $8.12 million |

**3 Taiwan**

| | |
|---|---|
| Company Name | Taiwan Ariake Foods Co., Ltd. |
| Office Location | Pingtung City, Taiwan |
| Established | May 1985 |
| Capital | NT$250 million |

**4 France**

| | |
|---|---|
| Company Name | F.P. Natural Ingredients S.A.S. |
| Office Location | Alençon, France |
| Established | March 2003 |
| Capital | €22 million |

**5 Belgium**

| | |
|---|---|
| Company Name | Ariake Europe N.V. |
| Office Location | Maasmechelen, Belgium |
| Established | January 2004 |
| Capital | €54.5 million |

**6 Netherlands**

| | |
|---|---|
| Company Name | Henningsen Nederland B.V. |
| Office Location | Waalwijk, Netherlands |
| Established | December 1984 |
| Capital | €359 thousand |

**7 Indonesia**

| | |
|---|---|
| Company Name | PT. Ariake Europe Indonesia |
| Office Location | West Java, Indonesia |
| Established | March 2016 |
| Capital | $3,725 thousand |

ARIAKE JAPAN Co., Ltd. Kyushu Plant

QINGDAO ARIAKE FOODSTUFF Co., Ltd. No.1 Plant

QINGDAO ARIAKE FOODSTUFF Co., Ltd. No.2 Plant

Taiwan Ariake Foods Co., Ltd.

F. P. Natural Ingredients S.A.S.

Ariake Europe N.V.

Henningsen Nederland B.V.

PT. Ariake Europe Indonesia

## Business Strategies of the Ariake Group

The Ariake Group has established a specific business strategy for individual regions and countries of the world in line with the Ariake Group's business plan.

| | | Details |
|---|---|---|
| Japan | ARIAKE JAPAN Co., Ltd. | More market share gains by developing new products and targeting new markets |
| Asia | QINGDAO ARIAKE FOODSTUFF Co., Ltd. (China) | Increase sales in China and Taiwan, use Indonesia to supply raw materials used in Japan and increase sales in Indonesia |
| | Taiwan Ariake Foods Co., Ltd. (Taiwan) | |
| | PT. Ariake Europe Indonesia (Indonesia) | |
| Europe | F. P. Natural Ingredients S.A.S. (France) | Increase sales by adding new products developed in Europe and increase exports of raw materials to Japan |
| | Ariake Europe N.V. (Belgium) | |
| | Henningsen Nederland B.V. (Netherlands) | |

# TOPIC

## A stronger business infrastructure for sustained growth

### Highly advanced quality and hygiene management

As a manufacturer of food products, Ariake places the highest priority on quality and hygiene management. These capabilities are also vital components of a business infrastructure that can support sustained growth.

The 1990 construction of a U.S. factory was the start of a major improvement in quality and hygiene management skills at the Ariake Group. Highly advanced quality and hygiene expertise was acquired during the process required to comply with the strict hygiene standards for production equipment of the U.S. Department of Agriculture. This expertise was used during the construction of the No. 2 Kyushu Plant, which was completed in 1998, and at many other group operations.

Many certifications have been received: ISO9001 for quality management, ISO14001 for environmental management, HACCP (food safety certification from Japan's Ministry of Health, Labour and Welfare), Global GAP (Good Agricultural Practices) and, in 2019, the even more rigorous FSSC 22000 food safety management system certification.

In addition to these certifications, Ariake ranks very high among food companies worldwide in terms of the ESG assessments. Quality and hygiene management skills are important elements of Ariake's corporate value.

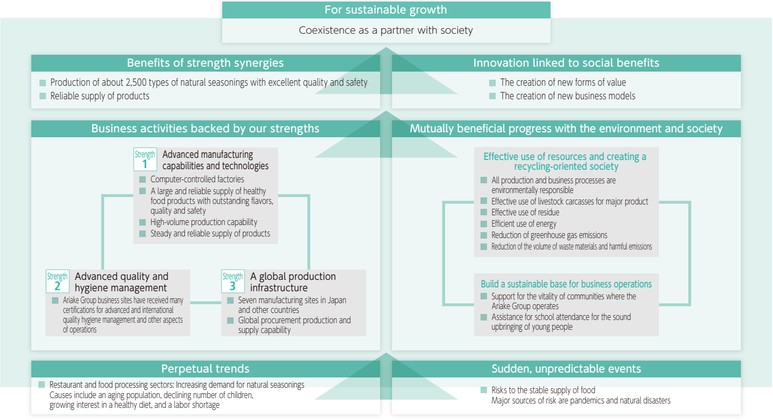
FSSC22000 certification

### Electricity from renewable energy at factories in Japan

Operations based on recycling are vital to achieving sustainable growth. Since Ariake's inception, carcasses remaining after meat processing have been used as raw materials for extracts and products. Furthermore, many types of waste materials are reused. Due to these activities, all manufacturing processes incorporate the reuse of materials as much as possible.

In another step for recycling-based business operations, the first and second Kyushu plants, which are in Nagasaki prefecture, started using entirely renewable energy for electricity in April 2021. The two plants had $CO_2$ emissions of about 37,000 tons in the fiscal year that ended in March 2020 with electricity responsible for about 40%. In partnership with Kyushu Electric Power, both factories have switched to electricity solely from renewable energy. As a result, there have been no $CO_2$ emissions at these plants since April, which eliminates annual emissions of about 15,000 tons. These activities comply with RE100, a global initiative for businesses committed to 100% renewable electricity. In 2014, Ariake began using solar panels with an output of 2,600kW at its plants in Japan, one of the largest factory rooftop solar power facilities in Japan.

Ariake plans to continue building an even stronger foundation for the sustainable growth of business operations by using solar power for manufacturing activities, reusing and reducing waste materials, and implementing other recycling and environmental initiatives.

Ariake operates one of the largest factory rooftop solar power facilities in Japan.

■ A Business Model Structured for Business and Social Sustainability