

Consolidated Financial Results for the First Quarter of FY2019 Ending March 31, 2019 (J-GAAP)

August 3, 2018

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 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 FY2019 Ending March 31, 2019 (April 1, 2018–June 30, 2018)

(1) Consolidated Business 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 FY2019	12,875	4.5	2,750	10.6	2,986	13.0	2,039	9.5
First quarter of FY2018	12,315	12.5	2,486	10.9	2,643	27.9	1,862	34.6

(Note) Comprehensive income: First Quarter of FY2019: ¥1,507 million (-3.4%) First Quarter of FY2018: ¥1,561 million (89.0%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
First Quarter of FY2019	64.09	–
First Quarter of FY2018	58.54	–

(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, 2018	86,163	74,060	85.4	2,313.02
As of March 31, 2018	87,026	74,027	84.5	2,312.19

(Reference) Equity capital: As of June 30, 2018: ¥73,604 million

As of March 31, 2018: ¥73,578 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2018	–	20.00	–	46.00	66.00
FY2019	–	–	–	–	–
FY2019 (forecast)	–	20.00	–	46.00	66.00

(Note) Revisions since the most recently announced dividend forecast: None

3. Forecast of the Consolidated Financial Results for FY2019 Ending March 31, 2019 (April 1, 2018–March 31, 2019)

(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	26,718	3.6	5,576	5.8	5,728	4.7	4,102	9.5	128.90
Full year	56,802	4.5	11,922	5.2	12,315	6.4	8,828	9.0	277.42

(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, 2018	32,808,683 shares	As of March 31, 2018	32,808,683 shares
2) Number of treasury shares as of the period-end	As of June 30, 2018	986,834 shares	As of March 31, 2018	986,696 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First three months of FY2019	31,821,931 shares	First three months of FY2018	31,822,812 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 business results may significantly vary due to various factors.

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1. Qualitative Information on Quarterly Consolidated Financial Results

(1) Explanation regarding Business Results

During the three months under review (April 1, 2018–June 30, 2018), the Japanese economy continued to be on a moderate recovery trend with improvements in corporate earnings and the employment situation. However, the situation continues to remain uncertain with concerns over uncertainties regarding overseas economies and other factors.

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, and also as a global enterprise setting up a "Global Eight-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 three months ended June 30, 2018 (April 1, 2018–June 30, 2018).

The Company's net sales increased by 1.2% (¥107 million) year on year to ¥8,832 million, as a result of our steady sales and marketing efforts.

Net sales of consolidated subsidiaries increased by 12.6% year on year due to an increase in net sales of consolidated subsidiaries abroad.

Therefore, consolidated net sales for the three months under review increased by 4.5% (¥559 million) year on year to ¥12,875 million.

Owing to the increase in net sales, the Company's operating income increased, marking an increase of 4.8% (¥79 million) year on year to ¥1,742 million.

Consolidated operating income was ¥2,750 million, representing an increase of 10.6% (¥264 million) from the same period in the previous fiscal year.

The Company's ordinary income increased by 4.8% (¥99 million) year on year to ¥2,170 million, mainly due to a decrease in dividend income and an increase in gains on the valuation of derivatives.

Consolidated ordinary income increased by 13.0% (¥343 million) year on year to ¥2,986 million.

The Company's quarterly net income decreased by 3.5% (¥55 million) year on year to ¥1,516 million.

Quarterly consolidated net income attributable to shareholders of the parent company increased by 9.5% (¥176 million) to ¥2,039 million.

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

- Net sales

(Billions of yen)

		First three months of FY2019	First three months of FY2018	Difference
Ariake Japan Co., Ltd.		8.83	8.72	0.11
Consolidated subsidiaries total		4.04	3.59	0.45
Region	U.S.	1.39	1.37	0.02
	Asia	1.68	1.30	0.38
	Europe	0.89	0.84	0.05
	Japan	0.08	0.08	0.00
Total		12.87	12.31	0.56

- Operating income

(Billions of yen)

		First three months of FY2019	First three months of FY2018	Difference
Ariake Japan Co., Ltd.		1.74	1.66	0.08
Consolidated subsidiaries total		1.01	0.82	0.19
Region	U.S.	0.42	0.38	0.04
	Asia	0.45	0.35	0.10
	Europe	0.14	0.09	0.05
	Japan	0.00	0.00	0.00
Total		2.75	2.48	0.27

(2) Explanation regarding Financial Position

As of June 30, 2018, consolidated total assets were ¥86,163 million. This represents a decrease of ¥863 million compared to March 31, 2018.

Total liabilities decreased by ¥896 million to ¥12,102 million compared to March 31, 2018, mainly due to a decrease in income taxes payable. Net assets were ¥74,060 million, which represents an increase of ¥33 million from March 31, 2018.

(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 11, 2018.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY2018 (As of March 31, 2018)	First Quarter of FY2019 (As of June 30, 2018)
Assets		
Current assets		
Cash and deposits	29,816,304	28,752,316
Notes and accounts receivable - trade	10,665,763	9,808,545
Securities	500,000	1,500,000
Merchandise and finished goods	3,836,679	3,993,595
Work in process	895,113	984,256
Raw materials and supplies	2,378,687	2,518,788
Others	514,754	599,034
Allowance for doubtful accounts	(1,845)	(1,467)
Total current assets	48,605,456	48,155,069
Non-current assets		
Property, plant and equipment		
Buildings and structures	25,094,171	24,685,245
Accumulated depreciation	(13,155,347)	(13,173,067)
Buildings and structures, net	11,938,823	11,512,177
Machinery, equipment and vehicles	27,289,207	26,967,722
Accumulated depreciation	(21,383,024)	(21,376,049)
Machinery, equipment and vehicles, net	5,906,183	5,591,673
Land	4,561,727	4,530,605
Leased assets	115,002	114,823
Accumulated depreciation	(76,390)	(79,691)
Leased assets, net	38,612	35,131
Construction in progress	1,241,053	1,734,132
Others	1,121,727	1,116,967
Accumulated depreciation	(943,293)	(946,389)
Others, net	178,434	170,578
Total property, plant and equipment	23,864,833	23,574,299
Intangible assets		
Goodwill	580,394	536,975
Other	138,653	130,222
Total intangible assets	719,048	667,198
Investments and other assets		
Investment securities	12,802,571	12,737,139
Long-term loans receivable	18,315	17,954
Real estate for investment, net	660,040	658,396
Deferred tax assets	11,472	11,192
Others	345,323	342,099
Allowance for doubtful accounts	(129)	(129)
Total investments and other assets	13,837,593	13,766,653
Total non-current assets	38,421,475	38,008,151
Total assets	87,026,932	86,163,220

(Thousands of yen)

	FY2018 (As of March 31, 2018)	First Quarter of FY2019 (As of June 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,792,824	4,375,039
Short-term loans payable	24,532	23,728
Lease obligations	14,389	14,379
Income taxes payable	1,806,634	1,050,279
Provision for bonuses	255,987	258,314
Provision for directors' bonuses	70,000	–
Others	2,170,088	2,389,303
Total current liabilities	9,134,456	8,111,044
Non-current liabilities		
Lease obligations	27,008	23,292
Deferred tax liabilities	2,238,640	2,365,568
Provision for directors' retirement benefits	126,110	128,240
Net defined benefit liability	1,168,585	1,182,794
Others	304,447	291,461
Total non-current liabilities	3,864,791	3,991,357
Total liabilities	12,999,247	12,102,401
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,840,343	7,840,343
Retained earnings	55,255,026	55,830,570
Treasury shares	(2,088,405)	(2,089,720)
Total shareholders' equity	68,102,060	68,676,289
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,650,893	4,953,867
Foreign currency translation adjustment	895,680	37,566
Remeasurements of defined benefit plans	(70,253)	(63,253)
Total accumulated other comprehensive income	5,476,319	4,928,180
Non-controlling interests	449,304	456,348
Total net assets	74,027,684	74,060,818
Total liabilities and net assets	87,026,932	86,163,220

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

(Thousands of yen)

	First Quarter of FY2018 (April 1, 2017 to June 30, 2017)	First Quarter of FY2019 (April 1, 2018 to June 30, 2018)
Net sales	12,315,704	12,875,662
Cost of sales	8,040,013	8,302,471
Gross profit	4,275,691	4,573,191
Selling, general and administrative expenses	1,789,164	1,822,462
Operating income	2,486,526	2,750,728
Non-operating income		
Interest income	12,468	13,234
Dividend income	85,024	85,458
House rent income	9,079	9,555
Foreign exchange gains	8,438	13,952
Gain on valuation of derivatives	–	89,275
Others	57,352	34,028
Total non-operating income	172,363	245,505
Non-operating expenses		
Interest expenses	237	74
Loss on valuation of derivatives	8,844	–
Cost of lease revenue	1,817	2,128
Others	4,519	7,327
Total non-operating expenses	15,418	9,529
Ordinary income	2,643,471	2,986,704
Extraordinary income		
Subsidy income	179,391	–
Total extraordinary income	179,391	–
Income before income taxes and minority interests	2,822,862	2,986,704
Income taxes	939,933	921,243
Quarterly net income	1,882,929	2,065,460
Quarterly net income attributable to non-controlling interests	19,956	26,106
Quarterly net income attributable to shareholders of the parent company	1,862,972	2,039,354

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Quarter of FY2018 (April 1, 2017 to June 30, 2017)	First Quarter of FY2019 (April 1, 2018 to June 30, 2018)
Quarterly net income	1,882,929	2,065,460
Other comprehensive income		
Valuation difference on available-for-sale securities	229,248	302,974
Foreign currency translation adjustment	(559,338)	(867,780)
Remeasurements of defined benefit plans	8,193	7,000
Total other comprehensive income	(321,895)	(557,805)
Quarterly comprehensive income	1,561,033	1,507,655
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	1,550,898	1,491,216
Quarterly comprehensive income attributable to non-controlling interests	10,135	16,439

(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.

(Additional Information)

(Application of "Partial Amendments to 'Accounting Standard for Tax Effect Accounting,'" etc.)

As the Company has applied "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (ASBJ Statement No. 28, February 16, 2018) and other related standards from the beginning of the consolidated first quarter under review, "deferred tax assets" is presented in the category of investments and other assets, and "deferred tax liabilities" is presented in the category of non-current liabilities.

(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.