

Consolidated Financial Results for the Second Quarter of FY2024 Ending March 31, 2024 (J-GAAP)

November 10, 2023

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 Supplementary quarterly materials prepared: Yes
 Quarterly results information meeting held: Yes (for financial analysts)

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Second Quarter of FY2024 Ending March 31, 2024 (April 1, 2023–September 30, 2023)

(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	%
Second Quarter of FY2024	27,873	5.5	3,713	(8.5)	4,921	6.1	3,315	10.8
Second Quarter of FY2023	26,413	5.4	4,057	(19.6)	4,636	(12.8)	2,991	(12.7)

(Note) Comprehensive income: Second Quarter of FY2024: ¥7,144 million (13.0%) Second Quarter of FY2023: ¥6,321 million (17.4%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second Quarter of FY2024	104.10	–
Second Quarter of FY2023	93.93	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of September 30, 2023	131,647	116,251	87.5	3,617.28
As of March 31, 2023	126,262	111,743	87.7	3,477.73

(Reference) Equity capital: As of September 30, 2023: ¥115,206 million As of March 31, 2023: ¥110,763 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2023	–	20.00	–	82.00	102.00
FY2024	–	20.00	–	–	–
FY2024 (forecast)	–	–	–	82.00	102.00

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

3. Forecast of the Consolidated Financial Results for FY2024 Ending March 31, 2024 (April 1, 2023–March 31, 2024)

(Full year percentage figures represent changes from the previous fiscal 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	59,400	6.6	9,300	10.0	10,000	7.9	6,900	8.1	216.64

(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 "(4) Notes on Quarterly Consolidated 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 September 30, 2023	32,808,683 shares	As of March 31, 2023	32,808,683 shares
2) Number of treasury shares as of the period-end	As of September 30, 2023	959,726 shares	As of March 31, 2023	959,375 shares
3) Average number of shares (quarterly consolidated cumulative period)	First six months of FY2024	31,849,109 shares	First six months of FY2023	31,849,479 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

During the first six months of the fiscal year ending March 31, 2024, the Japanese economy has been in a moderate recovery trend due to further easing of restrictions related to COVID-19. On the other hand, the economic outlook remains extremely uncertain as resource and raw material prices continue to soar, mainly due to the prolonged geopolitical risks associated with the situation in Russia and Ukraine and the impact of the strengthening trend of yen depreciation.

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 Seven-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 six months ended September 30, 2023.

The Company's net sales increased by 6.0% (¥1,192 million) year on year, to ¥21,031 million, resulting from our steady sales and marketing efforts focusing on a "customer-first" approach, along with further easing of COVID-19-related restrictions.

Net sales of consolidated subsidiaries increased by 4.1% year on year.

As a result, consolidated net sales for the six months under review increased by 5.5% (¥1,459 million) year on year to ¥27,873 million.

The Company's operating income decreased by 10.2% (¥276 million) year on year to ¥2,448 million due to the steep rise in prices of raw materials and energy. Consolidated operating income was ¥3,713 million, representing a decrease of 8.5% (¥343 million) from the same period of the previous fiscal year.

The Company's ordinary income increased by 8.8% (¥303 million) year on year to ¥3,766 million, mainly due to foreign exchange gains.

Consolidated ordinary income increased by 6.1% (¥284 million) year on year to ¥4,921 million.

The Company's quarterly net income increased by 12.0% (¥289 million) year on year to ¥2,704 million.

Quarterly consolidated net income attributable to shareholders of the parent company increased by 10.8% (¥323 million) to ¥3,315 million.

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

- Net sales

(Billions of yen)

	First six months of FY2024	First six months of FY2023	Increase (Decrease)
Ariake Japan Co., Ltd.	21.03	19.84	1.19
Asia	4.37	4.16	0.21
Europe	2.32	2.27	0.05
Japan	0.15	0.14	0.01
Consolidated subsidiaries total	6.84	6.57	0.27
Total	27.87	26.41	1.46

- Operating income

(Billions of yen)

	First six months of FY2024	First six months of FY2023	Increase (Decrease)
Ariake Japan Co., Ltd.	2.45	2.73	(0.28)
Asia	1.03	0.99	0.04
Europe	0.22	0.33	(0.11)
Japan	0.01	0.01	0.00
Consolidated subsidiaries total	1.26	1.33	(0.07)
Total	3.71	4.06	(0.35)

(2) Explanation regarding Financial Position

As of September 30, 2023, consolidated total assets were ¥131,647 million. This represents an increase of ¥5,385 million compared to March 31, 2023.

Total liabilities increased by ¥877 million to ¥15,396 million compared to March 31, 2023, mainly due to an increase in deferred tax liabilities. Net assets were ¥116,251 million, which represents an increase of ¥4,507 million from March 31, 2023.

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

At this point, there has been no change to the forecasts of the consolidated financial results disclosed on May 12, 2023.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY2023 (As of March 31, 2023)	Second Quarter of FY2024 (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	56,796,833	55,260,270
Notes and accounts receivable - trade	12,122,013	12,542,573
Merchandise and finished goods	4,825,744	5,509,133
Work in process	1,608,712	1,614,623
Raw materials and supplies	5,191,069	6,636,584
Accounts receivable - other	5,099	2,393
Others	865,008	688,170
Allowance for doubtful accounts	(1,172)	(1,179)
Total current assets	81,413,309	82,252,570
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,250,771	25,247,714
Accumulated depreciation	(15,188,696)	(15,932,374)
Buildings and structures, net	9,062,074	9,315,339
Machinery, equipment and vehicles	28,546,266	29,723,748
Accumulated depreciation	(23,207,492)	(24,081,225)
Machinery, equipment and vehicles, net	5,338,773	5,642,522
Land	4,682,722	4,762,223
Leased assets	109,603	111,788
Accumulated depreciation	(75,597)	(80,256)
Leased assets, net	34,006	31,532
Construction in progress	3,692,498	5,325,094
Others	1,486,460	1,554,666
Accumulated depreciation	(1,215,363)	(1,287,097)
Others, net	271,097	267,568
Total property, plant and equipment	23,081,173	25,344,281
Intangible assets		
Goodwill	79,366	29,471
Others	125,691	132,372
Total intangible assets	205,057	161,843
Investments and other assets		
Investment securities	20,940,788	23,254,760
Long-term loans receivable	147,126	191,991
Real estate for investment, net	148,030	147,885
Deferred tax assets	15,364	19,406
Others	347,531	310,764
Allowance for doubtful accounts	(36,129)	(36,129)
Total investments and other assets	21,562,712	23,888,679
Total non-current assets	44,848,943	49,394,803
Total assets	126,262,252	131,647,373

(Thousands of yen)

	FY2023 (As of March 31, 2023)	Second Quarter of FY2024 (As of September 30, 2023)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,010,152	4,755,429
Electronically recorded obligations - operating	858,986	859,871
Lease obligations	8,181	7,562
Income taxes payable	1,295,132	1,467,495
Provision for bonuses	336,713	325,834
Provision for directors' bonuses	81,700	–
Others	2,214,848	2,482,276
Total current liabilities	9,805,712	9,898,470
Non-current liabilities		
Lease obligations	26,248	22,848
Deferred tax liabilities	3,006,667	3,744,313
Provision for directors' retirement benefits	100,372	105,541
Net defined benefit liability	1,377,088	1,413,320
Others	202,846	211,685
Total non-current liabilities	4,713,223	5,497,709
Total liabilities	14,518,936	15,396,180
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,964,413	7,964,413
Retained earnings	88,933,594	89,637,335
Treasury shares	(2,041,864)	(2,043,691)
Total shareholders' equity	101,951,238	102,653,153
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,107,096	6,525,252
Foreign currency translation adjustment	3,689,619	6,011,294
Remeasurements of defined benefit plans	15,307	16,952
Total accumulated other comprehensive income	8,812,024	12,553,499
Non-controlling interests	980,053	1,044,540
Total net assets	111,743,316	116,251,193
Total liabilities and net assets	126,262,252	131,647,373

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

(Thousands of yen)

	First Half of FY2023 (April 1, 2022 to September 30, 2022)	First Half of FY2024 (April 1, 2023 to September 30, 2023)
Net sales	26,413,739	27,873,683
Cost of sales	18,565,159	20,173,984
Gross profit	7,848,579	7,699,698
Selling, general and administrative expenses	3,791,331	3,986,443
Operating income	4,057,248	3,713,255
Non-operating income		
Interest income	61,612	145,221
Dividend income	92,759	106,003
House rent income	11,073	10,923
Foreign exchange gains	366,186	905,777
Others	57,574	51,683
Total non-operating income	589,206	1,219,609
Non-operating expenses		
Interest expenses	3,852	1
Loss on cancellation of insurance policies	–	3,308
Others	5,611	8,512
Total non-operating expenses	9,464	11,822
Ordinary income	4,636,990	4,921,042
Extraordinary income		
Gain on sale of investment securities	–	102,950
Total extraordinary income	–	102,950
Extraordinary losses		
Loss on retirement of non-current assets	5,350	–
Total extraordinary losses	5,350	–
Income before income taxes and minority interests	4,631,640	5,023,992
Income taxes	1,588,329	1,663,042
Quarterly net income	3,043,311	3,360,949
Quarterly net income attributable to non-controlling interests	51,774	45,565
Quarterly net income attributable to shareholders of the parent company	2,991,536	3,315,384

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Half of FY2023 (April 1, 2022 to September 30, 2022)	First Half of FY2024 (April 1, 2023 to September 30, 2023)
Quarterly net income	3,043,311	3,360,949
Other comprehensive income		
Valuation difference on available-for-sale securities	596,489	1,418,155
Foreign currency translation adjustment	2,678,297	2,363,634
Remeasurements of defined benefit plans	3,607	1,645
Total other comprehensive income	3,278,394	3,783,434
Quarterly comprehensive income	6,321,705	7,144,384
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	6,158,969	7,056,860
Quarterly comprehensive income attributable to non-controlling interests	162,736	87,524

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First Half of FY2023 (April 1, 2022 to September 30, 2022)	First Half of FY2024 (April 1, 2023 to September 30, 2023)
Cash flows from operating activities		
Income before income taxes and minority interests	4,631,640	5,023,992
Depreciation	894,498	928,834
Amortization of goodwill	53,360	58,944
Increase (decrease) in provision for directors' retirement benefits	4,414	5,169
Increase (decrease) in net defined benefit liability	11,487	37,769
Increase (decrease) in provision for bonuses	4,365	(15,061)
Increase (decrease) in provision for directors' bonuses	(60,100)	(81,700)
Interest and dividend income	(154,372)	(251,225)
Interest expenses	3,852	1
Foreign exchange losses (gains)	(321,003)	(484,651)
Loss (gain) on cancellation of insurance policies	–	3,308
Loss (gain) on sale of investment securities	–	(102,950)
Loss on retirement of non-current assets	5,350	–
Decrease (increase) in notes and accounts receivable - trade	685,492	(138,114)
Decrease (increase) in inventories	(1,770,186)	(1,825,137)
Increase (decrease) in notes and accounts payable - trade	292,714	(53,458)
Others	(638,474)	(119,833)
Subtotal	3,643,040	2,985,887
Interest and dividend income received	150,822	227,023
Interest expenses paid	(3,852)	(1)
Income taxes paid	(1,203,567)	(1,289,157)
Net cash provided by operating activities	2,586,442	1,923,751
Cash flows from investing activities		
Proceeds from sale of securities	1,500,000	–
Proceeds from withdrawal of time deposits	–	500,000
Purchase of property, plant and equipment	(1,673,753)	(1,751,873)
Purchase of intangible assets	(1,070)	(15,246)
Purchase of investment securities	(504,531)	(305,106)
Proceeds from sale of investment securities	–	117,708
Collection of loans receivable	453	440
Net cash used in investing activities	(678,900)	(1,454,077)
Cash flows from financing activities		
Purchase of treasury shares	(352)	(1,826)
Cash dividends paid	(2,419,922)	(2,610,881)
Cash dividends paid to non-controlling interests	(26,862)	(23,037)
Others	(5,205)	(4,622)
Net cash used in financing activities	(2,452,342)	(2,640,368)
Effect of exchange rate change on cash and cash equivalents	1,461,027	1,134,131
Net increase (decrease) in cash and cash equivalents	916,226	(1,036,562)
Cash and cash equivalents at beginning of period	54,904,491	56,296,833
Cash and cash equivalents at end of period	55,820,718	55,260,270

(4) Notes on Quarterly Consolidated 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 second 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.