

Consolidated Financial Results for the Second Quarter of FY2023 Ending March 31, 2023 (J-GAAP)

November 10, 2022

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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 FY2023 Ending March 31, 2023 (April 1, 2022–September 30, 2022)

(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 FY2023	26,413	5.4	4,057	(19.6)	4,636	(12.8)	2,991	(12.7)
Second Quarter of FY2022	25,068	10.6	5,046	17.7	5,318	15.3	3,425	7.6

(Note) Comprehensive income: Second Quarter of FY2023: ¥6,321 million (17.4%) Second Quarter of FY2022: ¥5,384 million (68.1%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second Quarter of FY2023	93.93	—
Second Quarter of FY2022	107.62	—

(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, 2022	124,633	110,212	87.6	3,429.40
As of March 31, 2022	119,964	106,338	87.9	3,312.02

(Reference) Equity capital: As of September 30, 2022: ¥109,224 million As of March 31, 2022: ¥105,486 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2022	—	20.00	—	76.00	96.00
FY2023	—	20.00			
FY2023 (forecast)			—	76.00	96.00

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

3. Forecast of the Consolidated Financial Results for FY2023 Ending March 31, 2023 (April 1, 2022–March 31, 2023)

(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	56,100	6.5	11,700	9.5	12,300	8.5	8,200	6.4	257.53

(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, 2022	32,808,683 shares	As of March 31, 2022	32,808,683 shares
2) Number of treasury shares as of the period-end	As of September 30, 2022	959,226 shares	As of March 31, 2022	959,160 shares
3) Average number of shares (quarterly consolidated cumulative period)	First six months of FY2023	31,849,479 shares	First six months of FY2022	31,832,720 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, 2023, the Japanese economy seemed to be picking up, although the negative effects of the COVID-19 pandemic continued, owing to the progress made in vaccination and the effects of various measures. However, against the backdrop of rising prices, raw material prices and energy costs are skyrocketing and the yen continues to weaken, resulting in a severe business environment.

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, 2022.

The Company's net sales increased by 2.8% (¥539 million) year on year to ¥19,838 million, owing to the usual effort to focus on a "customer-first approach" for expansion of sales, despite the impact of COVID-19.

Net sales of consolidated subsidiaries increased by 14.0% year on year.

As a result, consolidated net sales for the six months under review increased by 5.4% (¥1,344 million) year on year to ¥26,413 million.

The Company's operating income decreased by 26.8% (¥999 million) year on year to ¥2,725 million due to the steep rise in prices of raw materials and energy. Consolidated operating income was ¥4,057 million, representing a decrease of 19.6% (¥989 million) from the same period of the previous fiscal year.

The Company's ordinary income decreased by 17.9% (¥753 million) year on year to ¥3,463 million due to a decrease in operating income from the previous fiscal year.

Consolidated ordinary income decreased by 12.8% (¥681 million) year on year to ¥4,636 million.

The Company's quarterly net income decreased by 14.1% (¥396 million) year on year to ¥2,415 million.

Quarterly net income attributable to shareholders of the parent company decreased by 12.7% (¥434 million) year on year to ¥2,991 million.

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

- Net sales

(Billions of yen)

	First six months of FY2023	First six months of FY2022	Increase (Decrease)
Ariake Japan Co., Ltd.	19.84	19.30	0.54
Asia	4.16	3.67	0.49
Europe	2.27	1.96	0.31
Japan	0.14	0.14	0.00
Consolidated subsidiaries total	6.57	5.77	0.80
Total	26.41	25.07	1.34

- Operating income

(Billions of yen)

	First six months of FY2023	First six months of FY2022	Increase (Decrease)
Ariake Japan Co., Ltd.	2.73	3.72	(0.99)
Asia	0.99	0.90	0.09
Europe	0.33	0.42	(0.09)
Japan	0.01	0.01	0.00
Consolidated subsidiaries total	1.33	1.33	0.00
Total	4.06	5.05	(0.99)

(2) Explanation regarding Financial Position

As of September 30, 2022, consolidated total assets were ¥124,633 million. This represents an increase of ¥4,669 million compared to March 31, 2022.

Total liabilities increased by ¥795 million to ¥14,420 million compared to March 31, 2022, mainly due to an increase in notes and accounts payable - trade and deferred tax liabilities. Net assets were ¥110,212 million, which represents an increase of ¥3,873 million from March 31, 2022.

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

We have not revised our forecast of the consolidated financial results which were announced on May 12, 2022.

2. Quarterly Consolidated Financial Statements and Major Notes**(1) Quarterly Consolidated Balance Sheets**

(Thousands of yen)

	FY2022 (As of March 31, 2022)	Second Quarter of FY2023 (As of September 30, 2022)
Assets		
Current assets		
Cash and deposits	63,404,491	64,320,718
Notes and accounts receivable - trade	11,225,004	10,908,114
Securities	1,500,000	—
Merchandise and finished goods	4,186,198	4,719,167
Work in process	1,288,416	1,572,711
Raw materials and supplies	3,885,213	5,147,887
Accounts receivable - other	5,550	5,122
Others	515,174	825,300
Allowance for doubtful accounts	(1,168)	(1,177)
Total current assets	86,008,880	87,497,844
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,392,242	24,323,474
Accumulated depreciation	(14,289,491)	(14,998,613)
Buildings and structures, net	9,102,750	9,324,860
Machinery, equipment and vehicles	27,491,691	28,530,376
Accumulated depreciation	(22,021,837)	(22,943,339)
Machinery, equipment and vehicles, net	5,469,854	5,587,037
Land	4,641,294	4,707,148
Leased assets	101,644	110,627
Accumulated depreciation	(67,146)	(72,597)
Leased assets, net	34,498	38,030
Construction in progress	1,581,501	2,991,789
Others	1,373,226	1,486,999
Accumulated depreciation	(1,125,512)	(1,200,400)
Others, net	247,714	286,599
Total property, plant and equipment	21,077,613	22,935,465
Intangible assets		
Goodwill	170,842	133,400
Others	136,602	135,337
Total intangible assets	307,445	268,737
Investments and other assets		
Investment securities	11,951,566	13,307,253
Long-term loans receivable	145,874	145,433
Real estate for investment, net	148,088	148,030
Deferred tax assets	11,608	13,943
Others	376,077	379,590
Allowance for doubtful accounts	(63,129)	(63,129)
Total investments and other assets	12,570,086	13,931,122
Total non-current assets	33,955,145	37,135,325
Total assets	119,964,026	124,633,170

(Thousands of yen)

	FY2022 (As of March 31, 2022)	Second Quarter of FY2023 (As of September 30, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,179,945	5,567,059
Lease obligations	8,427	7,430
Income taxes payable	1,483,112	1,556,131
Provision for bonuses	308,928	317,508
Provision for directors' bonuses	60,100	—
Others	2,226,787	2,139,666
Total current liabilities	9,267,301	9,587,795
Non-current liabilities		
Lease obligations	34,447	30,990
Deferred tax liabilities	2,612,638	3,070,950
Provision for directors' retirement benefits	90,482	94,896
Net defined benefit liability	1,402,316	1,410,485
Others	217,868	225,152
Total non-current liabilities	4,357,753	4,832,475
Total liabilities	13,625,054	14,420,271
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,964,413	7,964,413
Retained earnings	85,606,123	86,177,096
Treasury shares	(2,040,815)	(2,041,167)
Total shareholders' equity	98,624,817	99,195,438
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,712,799	5,309,289
Foreign currency translation adjustment	2,167,456	4,734,791
Remeasurements of defined benefit plans	(18,695)	(15,088)
Total accumulated other comprehensive income	6,861,560	10,028,993
Non-controlling interests	852,593	988,467
Total net assets	106,338,971	110,212,898
Total liabilities and net assets	119,964,026	124,633,170

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

(Thousands of yen)

	First Half of FY2022 (April 1, 2021 to September 30, 2021)	First Half of FY2023 (April 1, 2022 to September 30, 2022)
Net sales	25,068,965	26,413,739
Cost of sales	16,426,745	18,565,159
Gross profit	8,642,220	7,848,579
Selling, general and administrative expenses	3,595,615	3,791,331
Operating income	5,046,604	4,057,248
Non-operating income		
Interest income	22,769	61,612
Dividend income	67,882	92,759
House rent income	9,890	11,073
Foreign exchange gains	79,364	366,186
Others	106,203	57,574
Total non-operating income	286,110	589,206
Non-operating expenses		
Interest expenses	2,983	3,852
Cost of lease revenue	2,253	—
Others	8,561	5,611
Total non-operating expenses	13,799	9,464
Ordinary income	5,318,916	4,636,990
Extraordinary income		
Gain on sales of non-current assets	17,252	—
Total extraordinary income	17,252	—
Extraordinary losses		
Provision for directors' retirement benefits	186,396	—
Loss on retirement of non-current assets	—	5,350
Total extraordinary losses	186,396	5,350
Income before income taxes and minority interests	5,149,772	4,631,640
Income taxes	1,673,022	1,588,329
Quarterly net income	3,476,750	3,043,311
Quarterly net income attributable to non-controlling interests	50,878	51,774
Quarterly net income attributable to shareholders of the parent company	3,425,872	2,991,536

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Half of FY2022 (April 1, 2021 to September 30, 2021)	First Half of FY2023 (April 1, 2022 to September 30, 2022)
Quarterly net income	3,476,750	3,043,311
Other comprehensive income		
Valuation difference on available-for-sale securities	764,041	596,489
Foreign currency translation adjustment	1,176,711	2,678,297
Remeasurements of defined benefit plans	(33,317)	3,607
Total other comprehensive income	1,907,435	3,278,394
Quarterly comprehensive income	5,384,185	6,321,705
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	5,281,363	6,158,969
Quarterly comprehensive income attributable to non- controlling interests	102,822	162,736

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First Half of FY2022 (April 1, 2021 to September 30, 2021)	First Half of FY2023 (April 1, 2022 to September 30, 2022)
Cash flows from operating activities		
Income before income taxes and minority interests	5,149,772	4,631,640
Depreciation	837,731	894,498
Amortization of goodwill	49,212	53,360
Increase (decrease) in provision for directors' retirement benefits	(71,437)	4,414
Increase (decrease) in net defined benefit liability	70,882	11,487
Increase (decrease) in provision for bonuses	10,845	4,365
Increase (decrease) in provision for directors' bonuses	(69,700)	(60,100)
Interest and dividend income	(90,651)	(154,372)
Interest expenses	2,983	3,852
Foreign exchange losses (gains)	(1,392)	(321,003)
Loss on retirement of non-current assets	–	5,350
Decrease (increase) in notes and accounts receivable - trade	435,104	685,492
Decrease (increase) in inventories	(945,541)	(1,770,186)
Increase (decrease) in notes and accounts payable - trade	225,880	292,714
Others	(224,788)	(638,474)
Subtotal	5,378,901	3,643,040
Interest and dividend income received	89,691	150,822
Interest expenses paid	(2,983)	(3,852)
Income taxes paid	(1,673,285)	(1,203,567)
Net cash provided by operating activities	3,792,323	2,586,442
Cash flows from investing activities		
Proceeds from sale of securities	3,500,000	1,500,000
Proceeds from sales of non-current assets	319,166	–
Purchase of property, plant and equipment	(993,360)	(1,673,753)
Purchase of intangible assets	(1,625)	(1,070)
Purchase of investment securities	(3,004,086)	(504,531)
Collection of loans receivable	1,114	453
Net cash used in investing activities	(178,791)	(678,900)
Cash flows from financing activities		
Purchase of treasury shares	(1,279)	(352)
Cash dividends paid	(1,813,169)	(2,419,922)
Cash dividends paid to non-controlling interests	(19,775)	(26,862)
Others	(489)	(5,205)
Net cash used in financing activities	(1,834,713)	(2,452,342)
Effect of exchange rate change on cash and cash equivalents	704,633	1,461,027
Net increase (decrease) in cash and cash equivalents	2,483,452	916,226
Cash and cash equivalents at beginning of period	40,877,790	54,904,491
Cash and cash equivalents at end of period	43,361,243	55,820,718

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

There is nothing to report.

(Changes in Accounting Policies)

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.