



アリアケジャパン株式会社

FY2023 Interim Financial Results

April 1, 2022–September 30, 2022

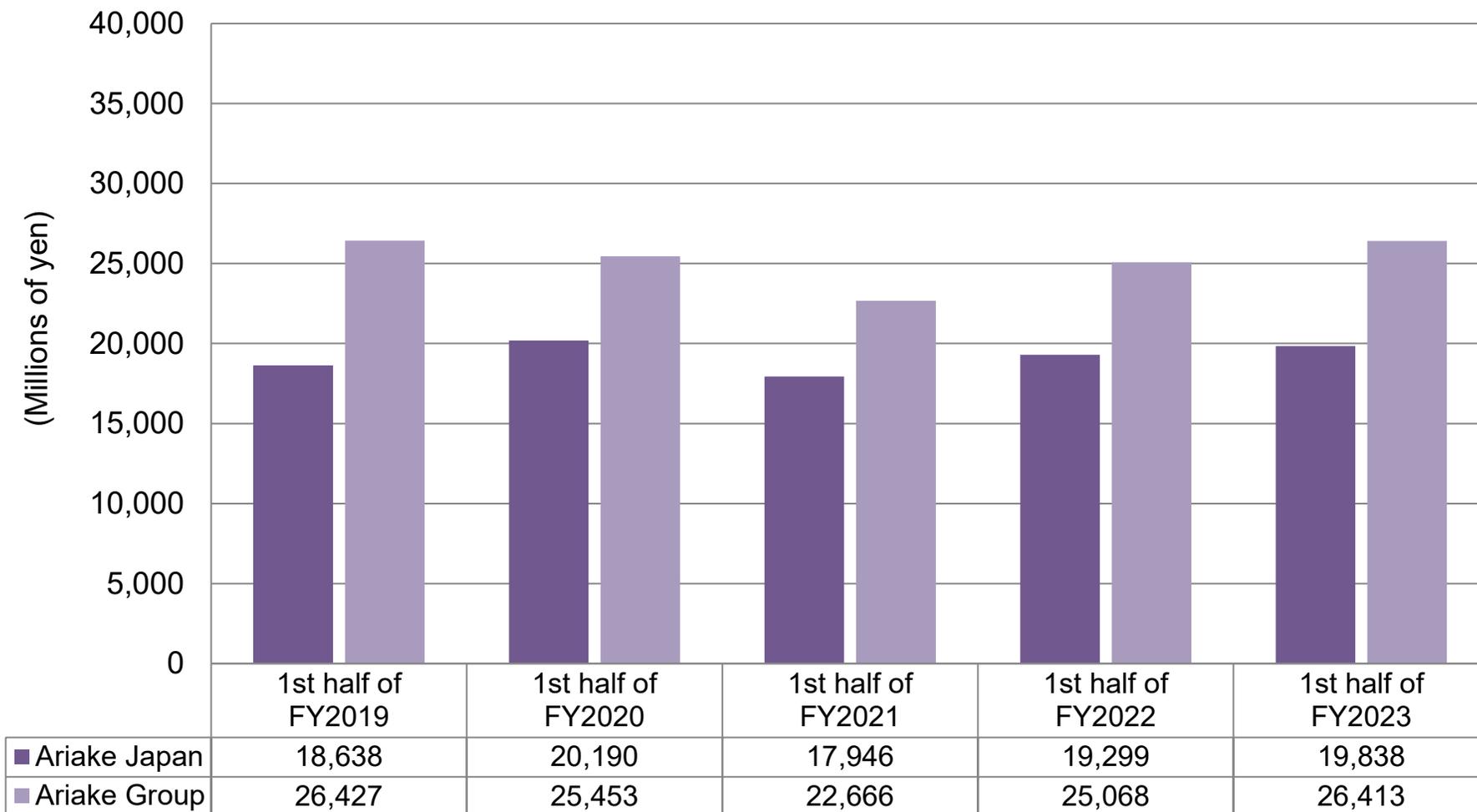
In Telephone Conference on November 10, 2022

ARIAKE JAPAN Co., Ltd. (Code number: 2815)

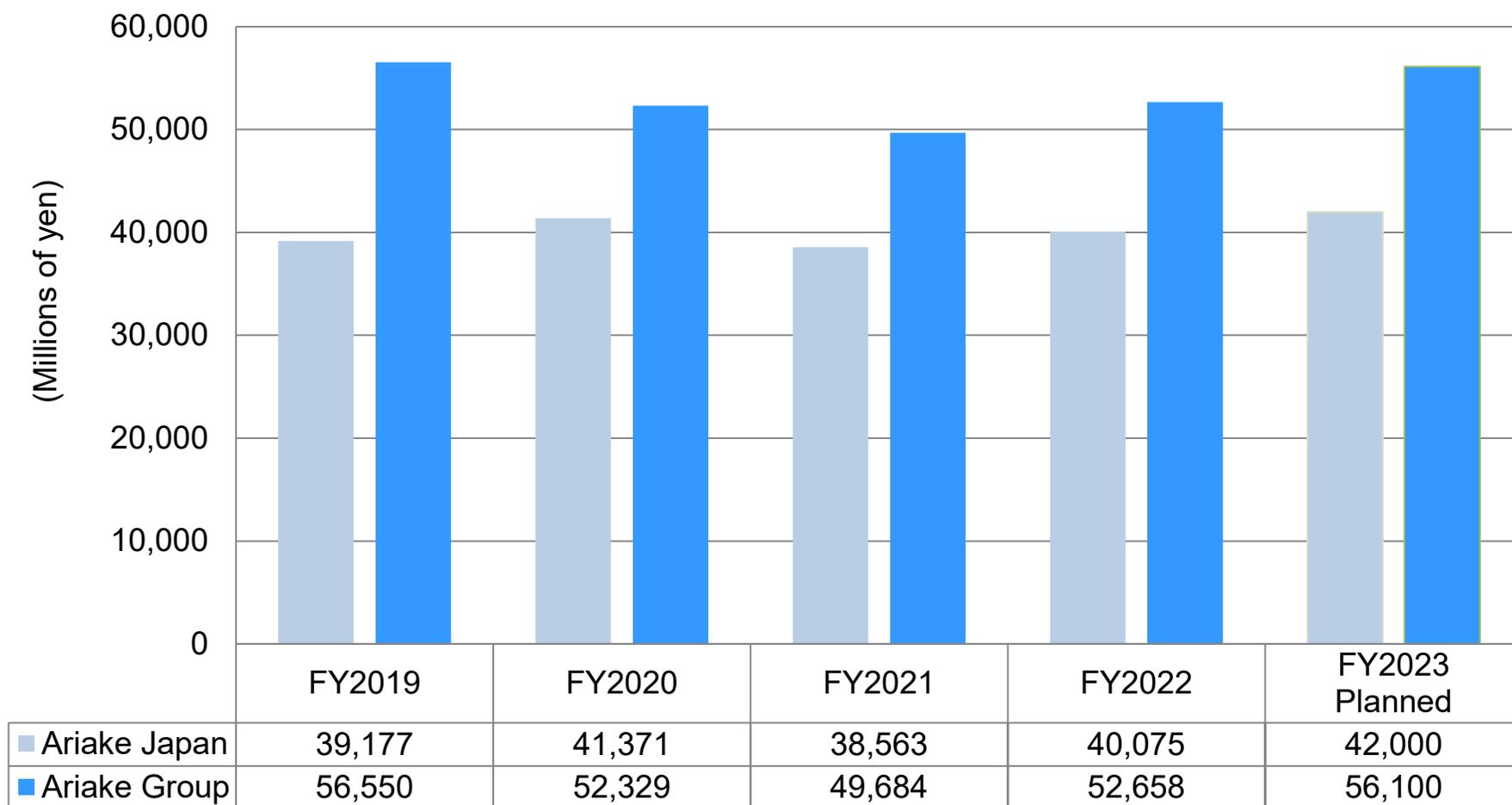
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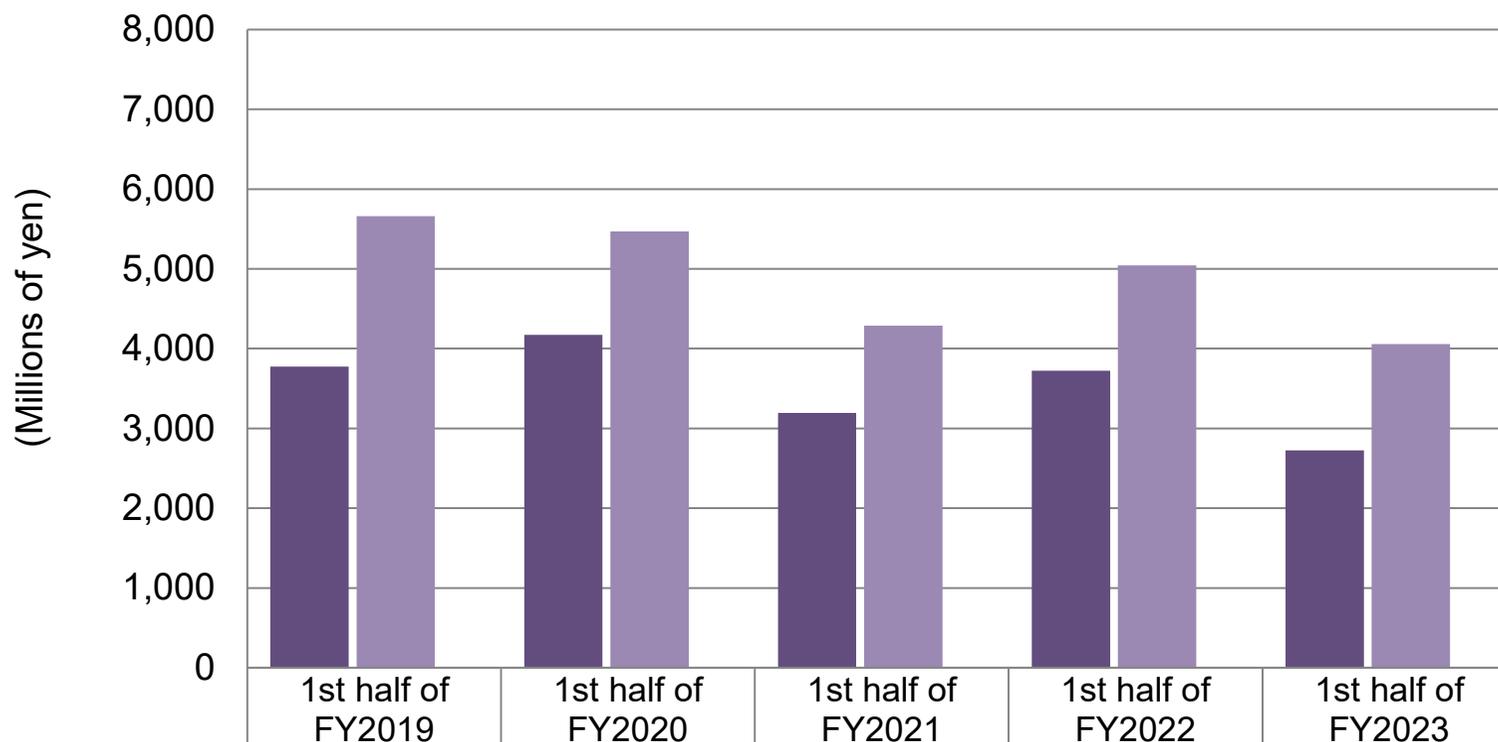
Consolidated and Non-consolidated Net Sales for the First Half Periods



Consolidated and Non-consolidated Net Sales for the Fiscal Years

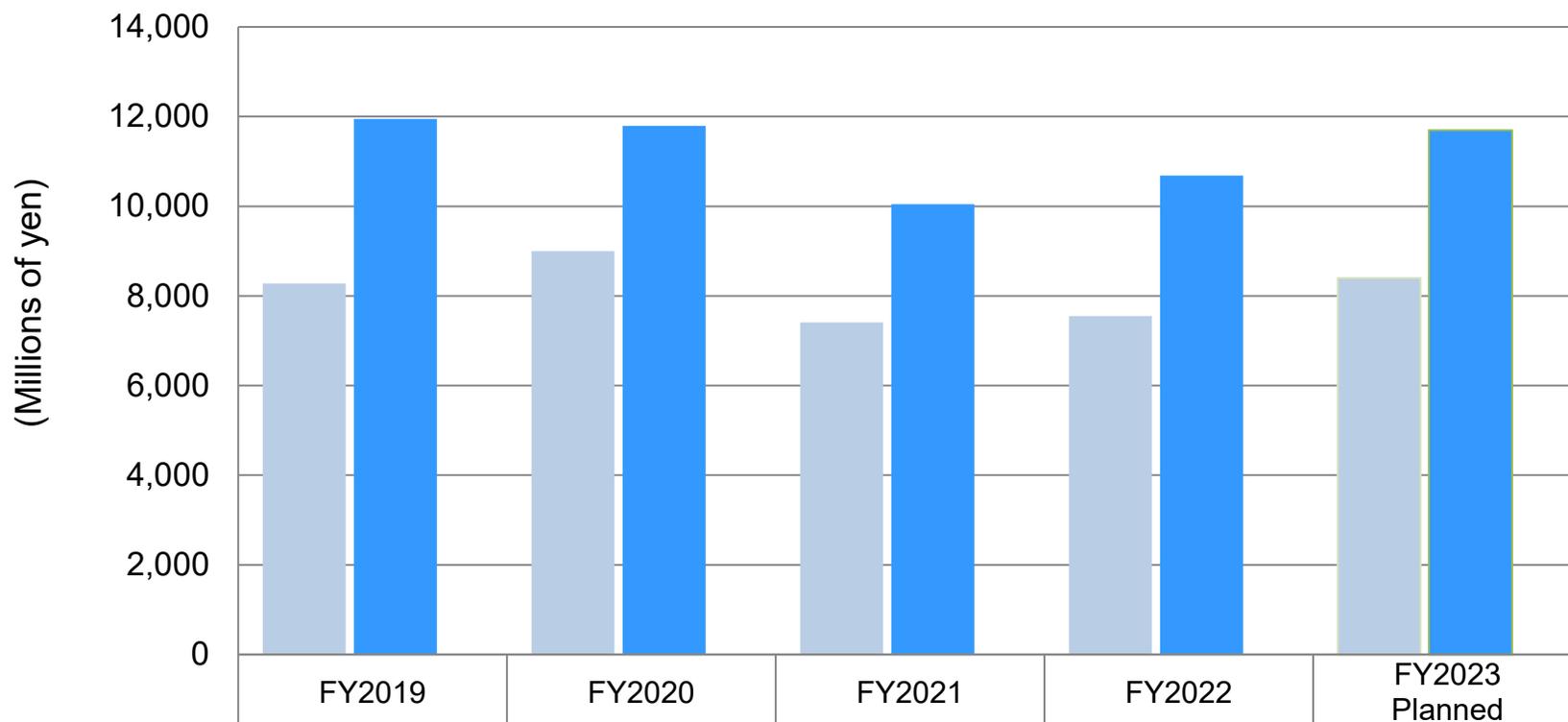


Consolidated and Non-consolidated Operating Income for the First Half Periods



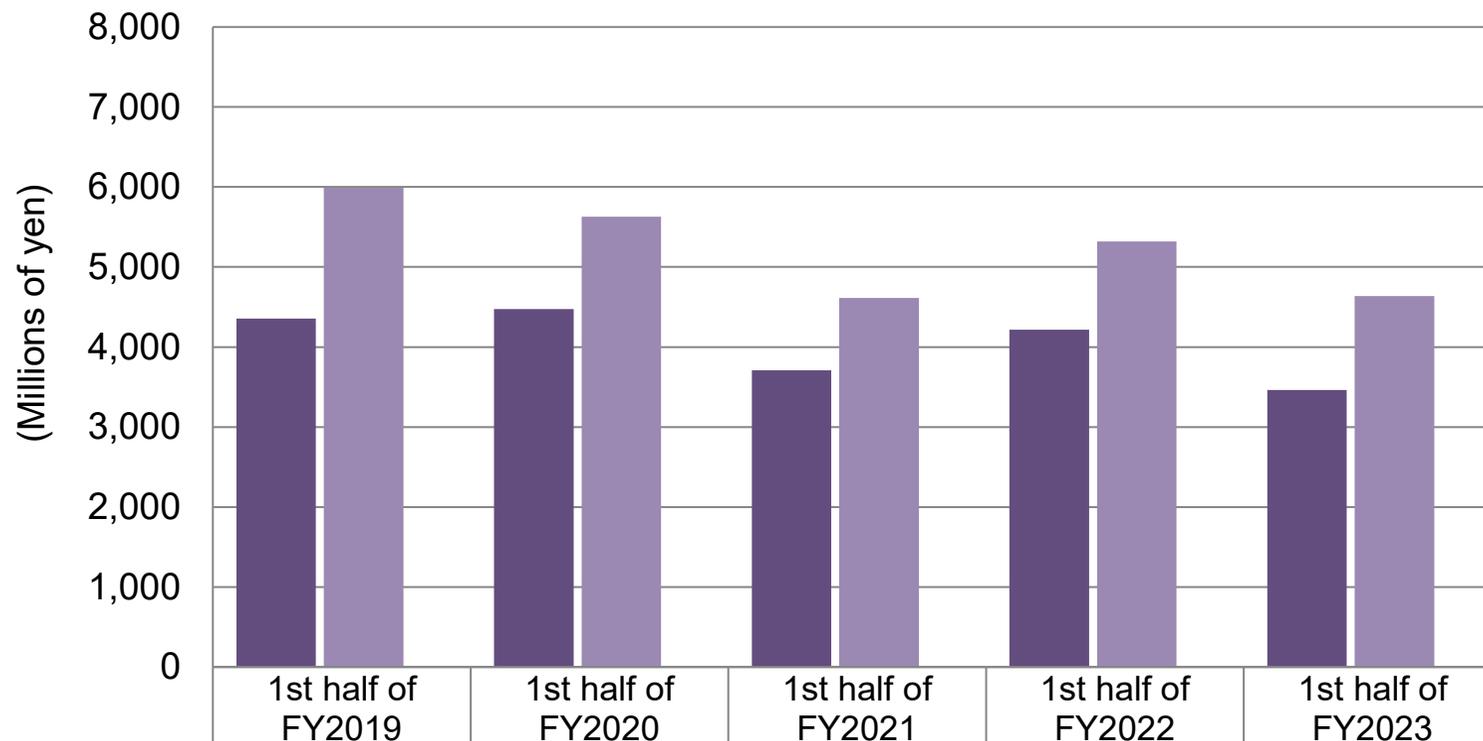
■ Ariake Japan	3,776	4,172	3,196	3,724	2,725
■ Operating income margin	20.3%	20.7%	17.8%	19.3%	13.7%
■ Ariake Group	5,661	5,471	4,287	5,046	4,057
■ Operating income margin	21.4%	21.5%	18.9%	20.1%	15.4%

Consolidated and Non-consolidated Operating Income for the Fiscal Years



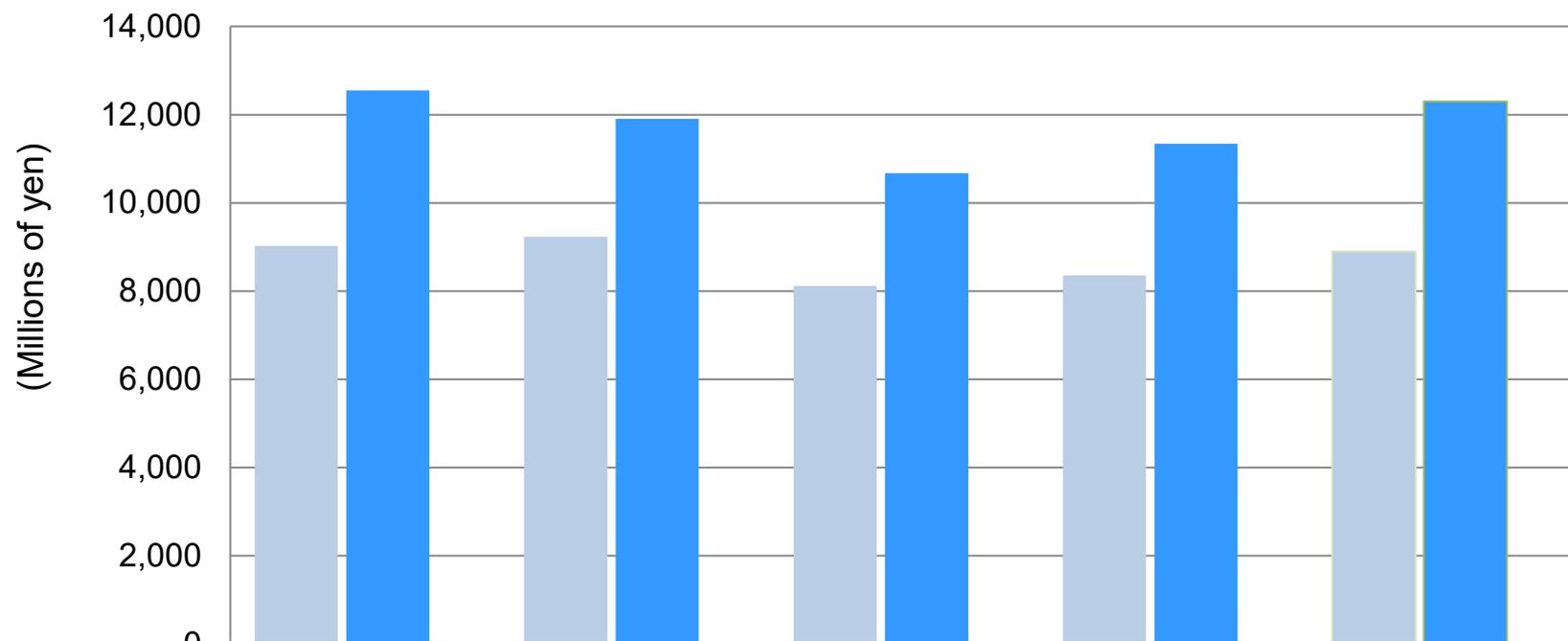
■ Ariake Japan	8,275	8,998	7,407	7,551	8,400
Operating income margin	21.1%	21.7%	19.2%	18.8%	20.0%
■ Ariake Group	11,949	11,789	10,046	10,682	11,700
Operating income margin	21.1%	22.5%	20.2%	20.3%	20.9%

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



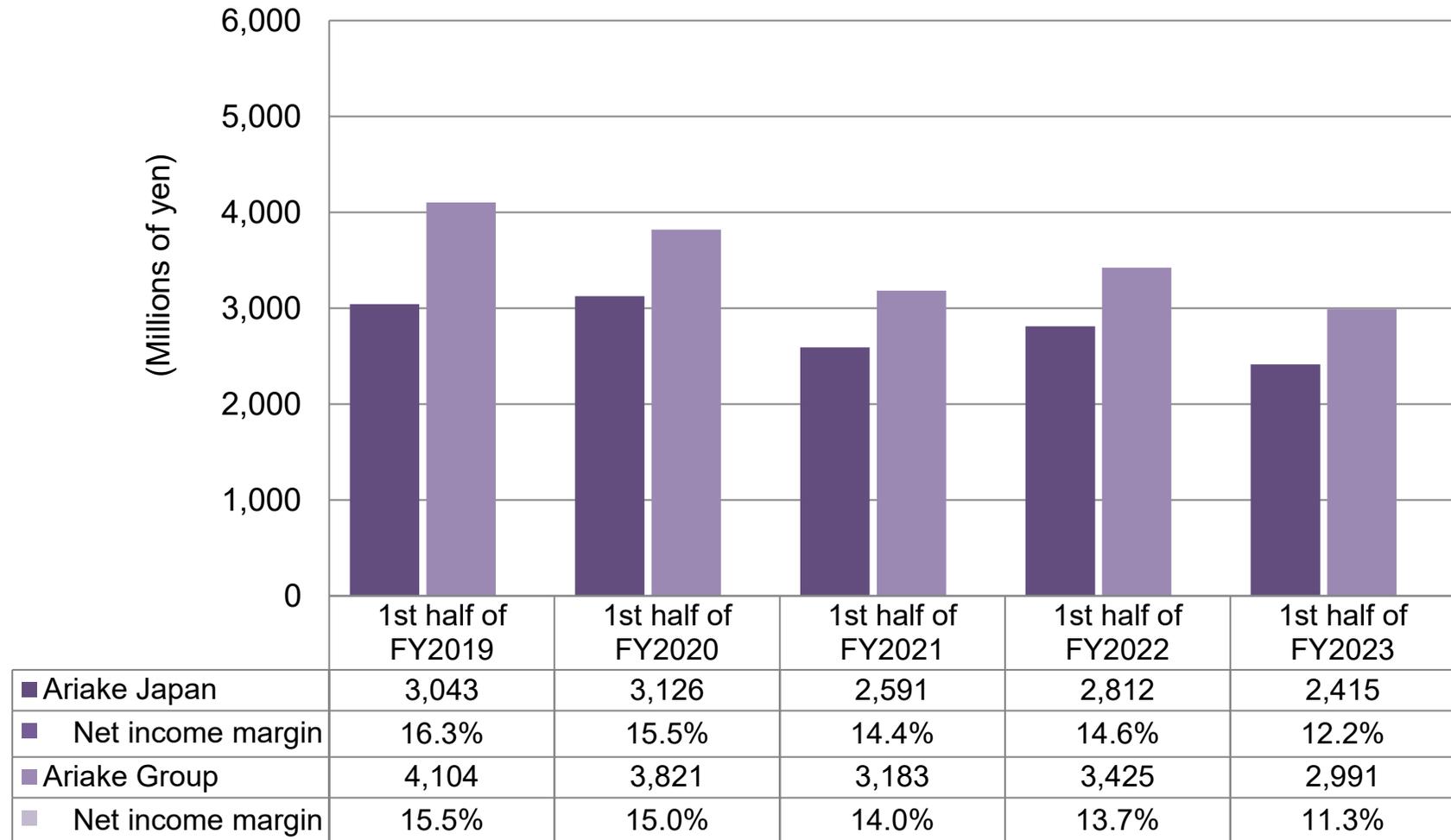
■ Ariake Japan	4,357	4,476	3,710	4,216	3,463
■ Ordinary income margin	23.4%	22.2%	20.7%	21.8%	17.5%
■ Ariake Group	5,991	5,629	4,614	5,318	4,636
■ Ordinary income margin	22.7%	22.1%	20.4%	21.2%	17.6%

Consolidated and Non-consolidated Ordinary Income for the Fiscal Years

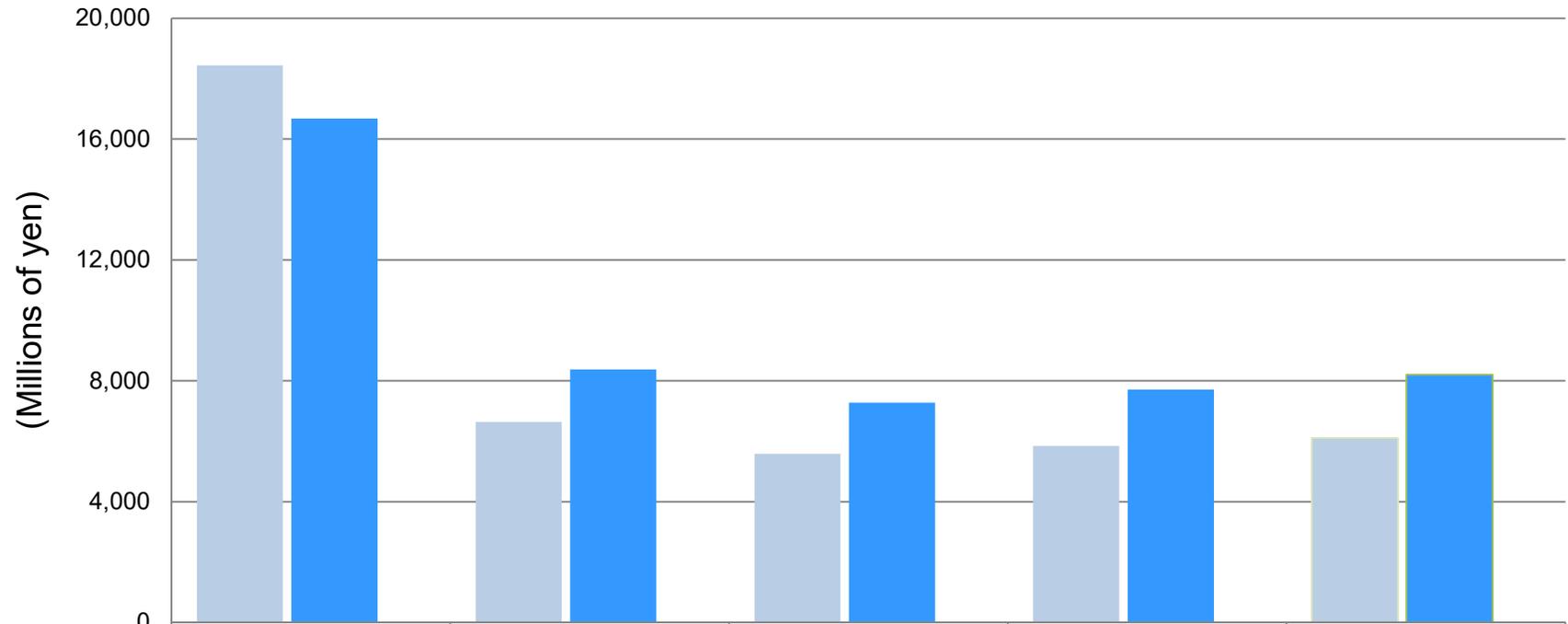


	FY2019	FY2020	FY2021	FY2022	FY2023 Planned
■ Ariake Japan	9,027	9,233	8,116	8,357	8,900
Ordinary income margin	23.0%	22.3%	21.0%	20.9%	21.2%
■ Ariake Group	12,546	11,908	10,675	11,340	12,300
Ordinary income margin	22.2%	22.8%	21.5%	21.5%	21.9%

Consolidated and Non-consolidated Net Income Attributable to Shareholders of Parent Company for the First Half Periods



Consolidated and Non-consolidated Net Income Attributable to Shareholders of Parent Company for the Fiscal Years



	FY2019	FY2020	FY2021	FY2022	FY2023 Planned
■ Ariake Japan	18,438	6,633	5,578	5,841	6,100
Net income margin	47.1%	16.0%	14.5%	14.6%	14.5%
■ Ariake Group	16,677	8,375	7,277	7,708	8,200
Net income margin	29.5%	16.0%	14.6%	14.6%	14.6%

Net Sales for the First Half Periods [Comparison with FY2022 Results]

* Subsidiaries' figures are after consolidation adjustments

(Billions of yen)

	1st Half of FY2023 Results	1st Half of FY2022 Results	Change		Currency neutral
Ariake Japan	19.84	19.30	0.54	2.8%	2.8%
Subsidiaries total*	6.57	5.77	0.80	14.0%	-0.2%
Asia	4.16	3.67	0.49	13.4%	-4.1%
Europe	2.27	1.96	0.31	16.3%	6.9%
Japan	0.14	0.14	0.00	0.0%	0.0%
Ariake Group	26.41	25.07	1.34	5.4%	2.1%

(Figures in parentheses are planned exchange rates)

EUR (130.00)	142.67	131.58	11.09
RMB (18.00)	20.38	17.11	3.27
TWD (4.00)	4.60	3.96	0.64
IDR (0.008)	0.0092	0.0077	0.0015

Operating Income for the First Half Periods [Comparison with FY2022 Results]

* Subsidiaries' figures are after consolidation adjustments

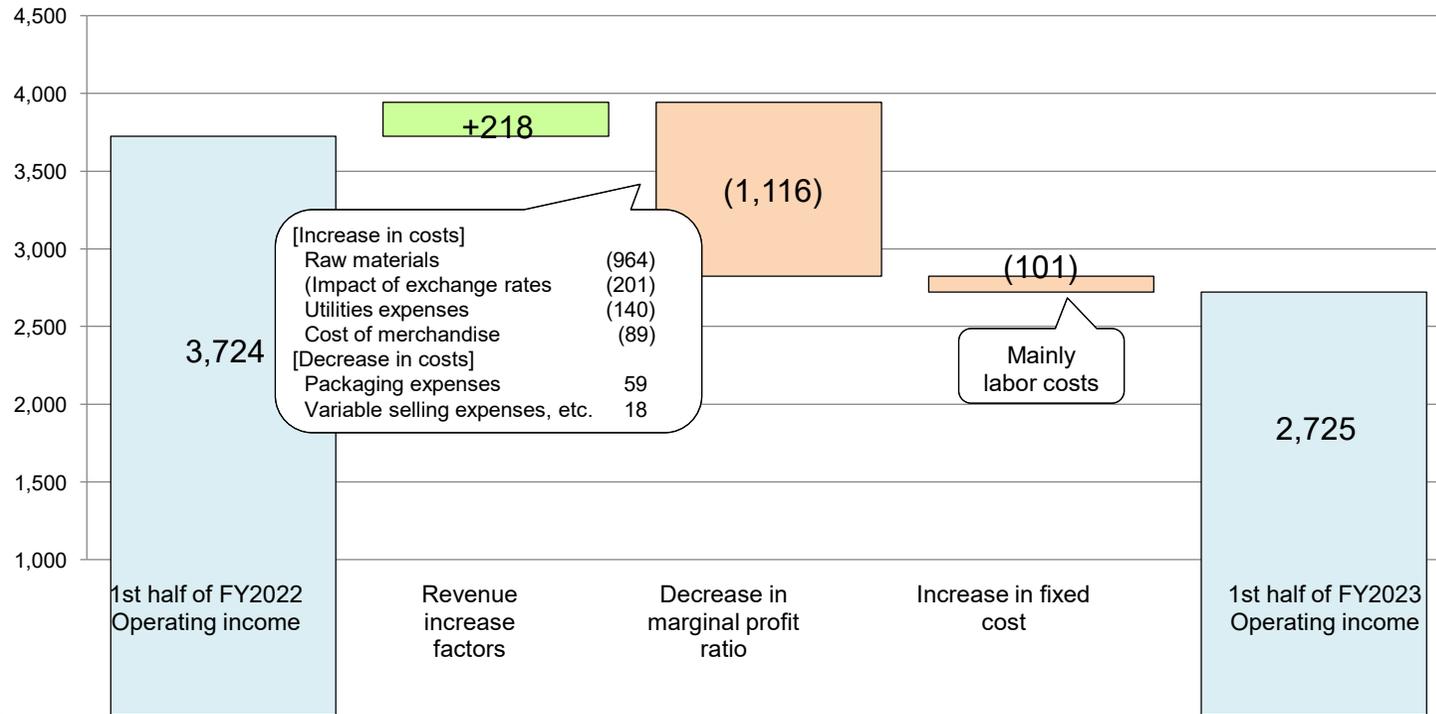
(Billions of yen)

	1st Half of FY2023 Results	1st Half of FY2022 Results	Change		
					Currency neutral
Ariake Japan	2.73	3.72	(0.99)	-26.8%	-26.8%
Subsidiaries total*	1.33	1.33	0.00	0.0%	-12.6%
Asia	0.99	0.90	0.09	10.0%	-6.3%
Europe	0.33	0.42	(0.09)	-21.4%	-26.6%
Japan	0.01	0.01	0.00	0.0%	0.0%
Ariake Group	4.06	5.05	(0.99)	-19.6%	-23.1%

Non-consolidated Business Summary for the First Half Periods (Income Change Factors)

(Millions of yen)

■ **Operating income: ¥2.725 million** Year-on-year decrease of ¥999 million (-26.8%)



■ Ordinal

(Millions of yen)

Increase factors	Foreign exchange gains	206
	Dividend income, etc.	40
Decrease factors	Decrease in operating income	(999)
	Total	(753)

Business Summary of Major Subsidiaries for the First Half Periods

(January to June, on a foreign exchange neutral basis)

Asia

[China] Affected by the lockdown in Shanghai during April to June, both net sales and profits decreased in the first six months.

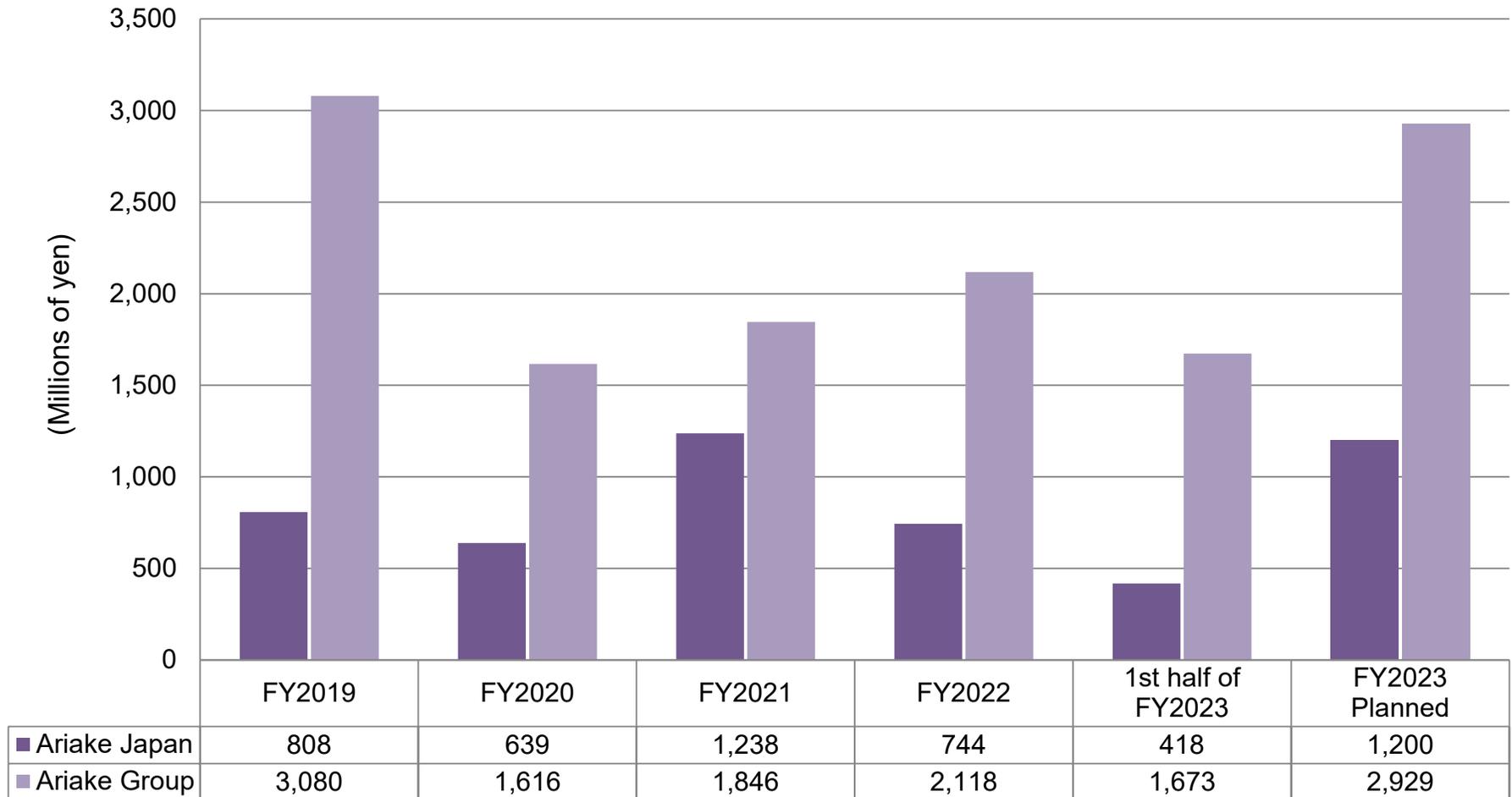
[Taiwan] Both net sales and profits increased in the first six months due to the recovery trend during April to June.

[Indonesia] Both net sales and profits increased in the first six months due to increased exports to Japan and sales in Indonesia.

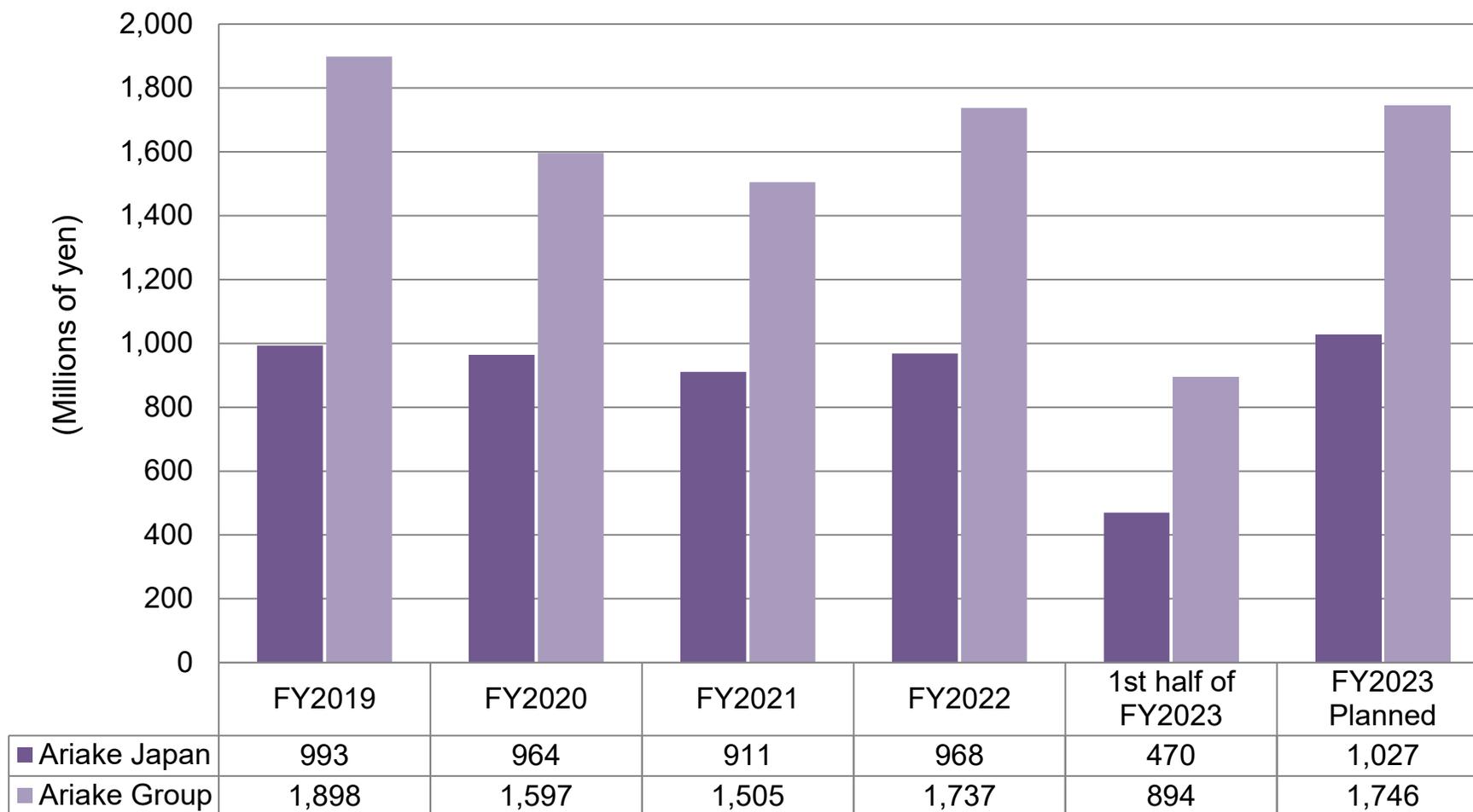
Europe

- Net sales continued to remain steady during April to June due to further recovery from COVID-19. Net sales increased in the first six months due to cooperation between three locations in Belgium, France and the Netherlands.
- Profits decreased in the first six months due mainly to sharp rises in raw materials, packaging materials and energy prices.

Consolidated and Non-consolidated Capital Expenditures



Consolidated and Non-consolidated Depreciation Expenses



Future Business Plan 1

[Consolidated and Non-consolidated, Overview]

□ Ariake Group

For FY2025, we are targeting consolidated net sales of ¥63.2 billion or more (with an overseas sales ratio of 30% or more), and an operating income to net sales ratio of 20% or more.

We will further deploy operational resources to markets with potential for sustainable growth.

In the long term, we will implement the sales strategy to be described later, aiming to achieve sales of ¥50 billion in Japan, ¥50 billion overseas, and ¥100 billion in total in 2030.

□ Ariake Japan

We plan to develop new products (soybean- and vegetable-based products, etc.) and markets (B2C products assuming distribution, e-commerce, etc.) while identifying changes in consumer tastes and business formats in the domestic market, aiming at gaining greater market share.

Future Business Plan 2 [Ariake Japan (1)]

□ Medium- to long-term plan

- Starting at ¥42 billion in FY2023, we aim to increase sales by ¥1 billion every fiscal year to reach ¥50 billion in 2030.
- With regard to the existing category, we aim to increase sales by refining manufacturing processes and products, as well as promoting the proposal-based sales approach and business-for-business (B4B). We target sales of ¥45 billion in 2030.
- In the new category, we will develop and expand sales of plant-based products using soybeans and vegetables as ingredients, as well as business-to-consumer (B2C) products that break away from the conventional business use and processing framework.
- When achieving sales of ¥50 billion in 2030, we aim for sales of plant-based products of ¥2.5 billion and B2C products of ¥2.5 billion.

Future Business Plan 2 [Ariake Japan (2)]

□ Plant-based products

- Plant-based food is attracting attention from the viewpoint of health and environmental consciousness. The market for it, estimated to reach ¥38 trillion globally by 2035, is promising.
- For sustainable development of the business, we need to develop business activities through products using ingredients other than animal-derived ingredients that are finite and have high environmental load (including partial replacement).
- Without using animal-derived ingredients, it will be possible to export to countries to which export has been difficult previously.
- We developed and introduced new soybean-based products in the current fiscal year, and base ingredients, seasonings, soup and sauce products, etc. have been adopted.

Future Business Plan 2 [Ariake Japan (3)]

□ B2C strategy

- Developing B2C products will enable us to create our own market that does not depend on customers' sales trends or product policies.
- We have already manufactured and sold B2C products of about ¥4 billion in 2021 on a sales basis. Such B2C products include a variety of forms such as pouches, cans, cups, tubes, cartons and individual packages.
- We have sufficient know-how of developing and manufacturing B2C products. However, almost all products are currently OEM products with customers' brands. Going forward, we aim to establish a brand by selling our own brand products and promote planning, development and sales of B2C products by which we can leverage our strength.

Future Business Plan 3 [Overseas (1) – Belgium]

▣ B2C strategy based on UHT straight bouillon

- We are currently building an ultra-high-temperature (UHT) treatment facility and expanding the extraction facility at our plant in Belgium, in which we invested ¥2.5 billion. They are expected to start operating from the beginning of 2023.
- Utilizing the facilities, we will manufacture high-quality UHT straight bouillon using fully natural raw ingredients, and sell the products mainly for home use in France.
- The market for UHT straight bouillon is already valued at nearly a ¥200 billion in the U.S., ¥20 billion in Spain, and ¥4 billion in Italy.
Based on the population ratio (65 million in France, 60 million in Italy, 47 million in Spain), the market in France is expected to be worth ¥25 billion.
- As a way to grow sales, we are negotiating with France's leading supermarket chain to sell our products under the trademark of a famous French chef. Chicken bouillon is widely used in the country as a cooking base, and we forecast it to be a certain sales booster. Along with sales for home use, we will expand this market into the food service industry.
- With the strategy centered around UHT bouillon, we aim for sales of approximately ¥10 billion in 2030.

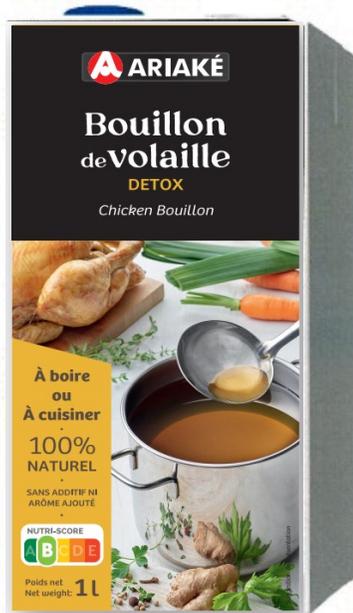
Future Business Plan 3 [Overseas (1) – Belgium]

❑ Manufacture of UHT straight bouillon

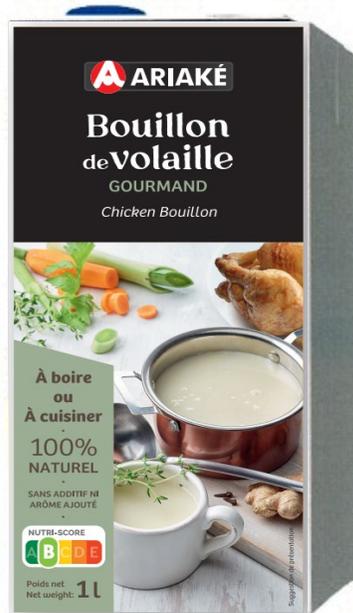
We have established a new extraction method for UHT straight bouillon.

Two product types will be on offer: a general-purpose clear bouillon, and a cloudy bouillon for stews.

In addition, the by-products, stock and meat, will be dried using a spray dryer at our plant in France and turned into products we can sell. As such, reducing residue disposal and raw material costs will help to significantly improve profits.



clear



cloudy



Future Business Plan 3 [Overseas (1) – Belgium]

Progress of the construction (extraction facilities for UHT)

Extraction tank



Extraction liquid receiving tank



Concentration equipment



Future Business Plan 3 [Overseas (1) – Belgium]

Progress of the construction (UHT)

UHT (All)



Sterilizing equipment



Filling machine



Automatic carton former



Palatalizer



Future Business Plan 3 [Overseas (2) – France]

- Sales of powder products for industrial applications using a spray-drying technique
 - In Europe, bouillon and stock seasonings are mainly sold in powder form. As such, we will manufacture and sell powder seasonings in addition to the traditional liquid form. They can be produced efficiently by our superior integrated production process, from extraction to drying.
 - The construction of spray-driers and buildings, in which we have invested ¥800 million, is being carried out and it is expected to be completed by the end of 2022. Their production capacity will be approximately 100 tons/month, and we expect net sales of ¥1 billion a year.
 - Stock powder, meat powder, etc. dried with spray-driers will be sold mainly for industrial use in Europe. Since bouillon and stock from our plants in France and by-products of UHT extractions from our plants in Belgium will also be used as ingredients, we will be able to manufacture products according to the market's (customers') purpose of use, as well as to help lower the cost of those products for customers.
 - We will also produce blended powder products based on the spray-drying products. Together, we are aiming for sales of ¥4 billion in 2030, which is nearly 2.5 times the current figure.

Future Business Plan 3 [Overseas (2) – France]

□ Progress of the construction Undiluted solution mixing equipment



Body chamber (top and bottom)



ARIAKE JAPAN CO.,LTD.

Spray-drier building



Filtration and filling equipment



Future Business Plan 3 [Overseas (3) – China]

▣ Construction of a new plant

We have acquired a 53,000-m² plot of land in an industrial complex in Rizhao City, China. Constructing of a new plant and facilities will start in 2023, and we aim to begin operating in 2024. The total investment is expected to be ¥5 to 6 billion, with a final production capacity of approximately ¥25 billion.

Keeping in mind an increase in labor costs and declining birth rates in China, we will build an advanced automated plant there based on our accumulated experience and the latest technologies to dramatically improve productivity.

▣ Sales strategy

For the time being, we will work to increase sales mainly to current major customers, namely restaurants, food processors, and convenience stores. At the new plant, we plan to install lines that can produce finished products for consumers, and will make cooked and processed products based on natural seasonings. We aim to establish the Ariake brand by expanding the market for household products, since in the past we mainly produced ingredients for conventional seasonings.

▣ Growth strategy

Our forecast suggests that the Chinese market holds plenty of promise, and we are targeting sales of ¥10 billion in FY2027 and ¥25 billion in 2030.

Future Business Plan 3

[Overseas (4) – Taiwan and Indonesia]

□ Taiwan

- Since most of our existing customers in Taiwan are restaurants, we are now boosting sales activities aimed at food processors (instant noodles, convenience stores, vendors, finished-product manufacturers for consumers, etc.) and health food manufacturers.
- By adopting a Japanese-style proposal-based sales approach, we will meet customer requirements and suggest related products that customers may be unaware of. In addition to expanding the product line-up through such endeavors, we may also adopt a spray-drier and an ingredient filling and packaging machine. As for technology, we have assigned special staff for Taiwan at our R&D in Japan and formed an organization to discuss technology-related issues.

□ Indonesia

- We are strengthening channels for exporting ingredients from Indonesia to Japan while raising sales within Indonesia itself. Going forward, we will expand our business deeper into the ASEAN region.
- Domestically, chicken meat powder (for halal), a new addition to our product range, was adopted, and as a result, domestic sales increased by more than double compared to the previous year.
- Sales to food processors and restaurants in the ASEAN region such as Singapore and the Philippines in addition to Indonesia have increased, and growing to account for 30% of our total sales excluding exports to Japan.
- We received BRC Certification which is recognized by the Global Food Safety Initiative (GFSI) in June 2022.

Future Business Plan 3 [Overseas (5) – The U.S.]

▣ Advancing into the U.S. market again

New investment will become possible in the U.S. market in 2024 and beyond.

We are in the process of choosing candidate locations with a focus on Virginia on the east coast.

We are considering selling mainly B2C products in the U.S.

▣ Plant-based products

Demand for non-animal and plant-based products is growing in the U.S., and it is said that the market is valued at ¥1 trillion.

We are currently working on plant-based products as a new category in Japan, with a view to expanding it to the U.S. as well.

▣ Cooked and processed products

Another pillar in the U.S. would be manufacturing of finished products for consumers (cooked and processed products).

We plan to manufacture and sell high-quality products with improved convenience by further advancing our production technologies, which we have cultivated through producing beef stew, curry, etc. targeted at convenience stores in Japan.

Development of such products is currently underway in Japan.

Commitment to Sustainability

□ Promoting sustainability management

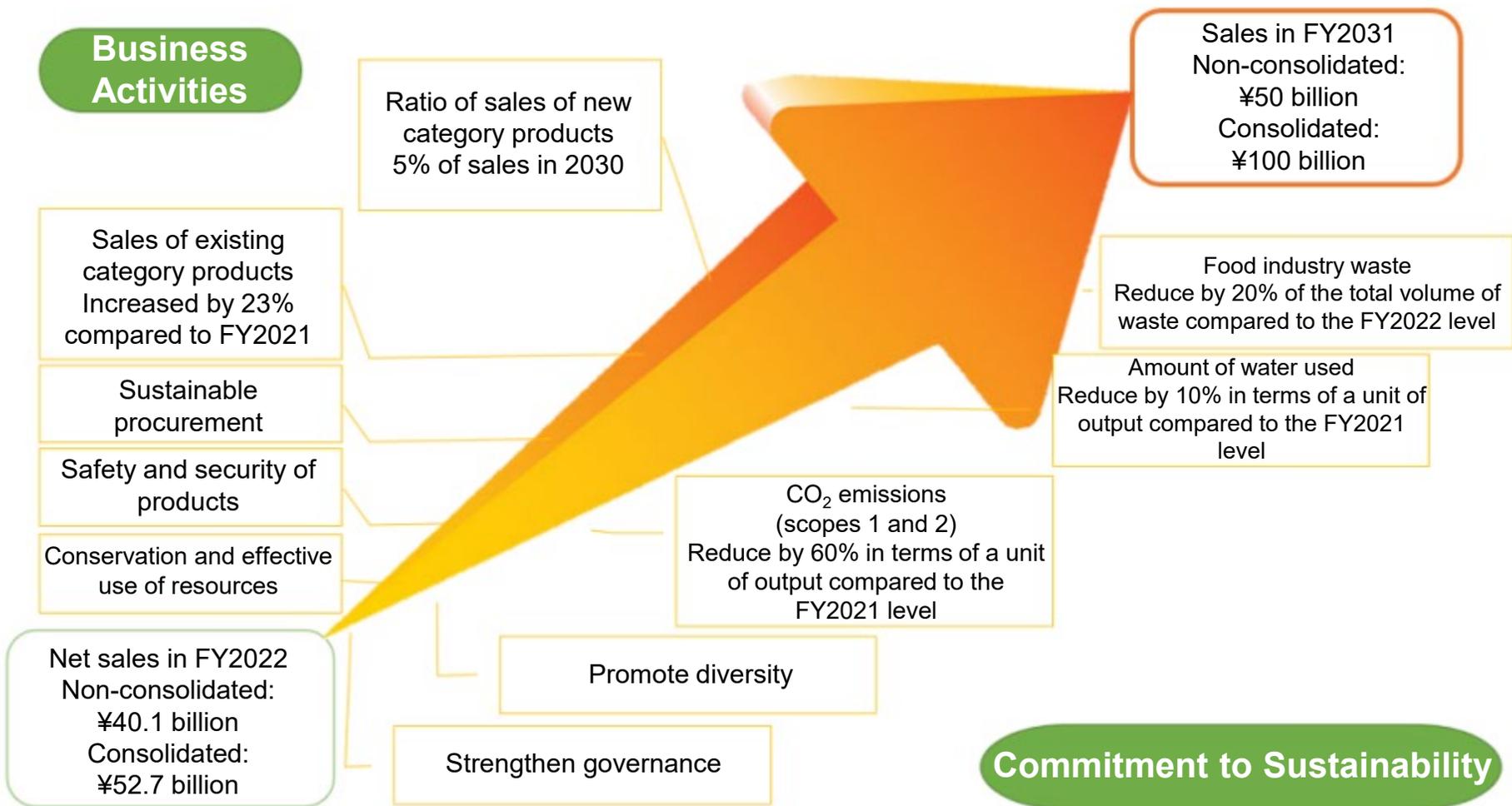
We have developed a sustainability management strategy (basic policy, vision, management policy), established a sustainability committee, developed a process to identify materiality (material issues), identified materiality, set main KPIs for initiatives, and so on. We posted these together with examples of specific initiatives on our website.

□ Commitment to Boosting Environmental Value

We are actively engaged in decarbonization to address global warming. In addition to switching to renewable energy for the electricity used at our domestic production plants in April 2021, we have been proactively working to change LNG vaporizers from the steam system to the air-heating system, improve energy saving with air conditioning equipment, use boiler exhaust gases effectively, and so on. As a result, our Nos. 1 and 2 Kyushu Plants reduced their total CO₂ emissions by approximately 50% in FY2022 compared to the 2020 level.

Going forward, we will continue to commit to the SDGs and sustainability management by considering further energy saving measures, recovery and reuse of thermal energy, use and reduction of waste, and reduction in water use.

Harmony of Business Activities and Sustainability



Promotion of Decarbonization by Introducing a Solar Photovoltaic System

We are actively engaged in decarbonization and, as part of decarbonization efforts, we started to use electricity generated from our own on-site renewable energy source using a solar photovoltaic system (onsite power purchase agreements (PPA)) on May 1, 2022. Because the space available for installation was limited, we introduced a carport-type solar photovoltaic system as well as placing a solar photovoltaic system on the rooftop at our plants. This project has been selected for "Best Practices for Projects to Introduce New Self-Consumption Solar Photovoltaic Systems, such as Solar Carports" by the Ministry of the Environment. We made a presentation about the case at the webinar regarding PPA hosted by the Ministry of the Environment.

(<https://www.env.go.jp/content/000077203.pdf>)



No. 2 Kyushu Plant



No. 1 Kyushu Plant

Example of Commitment to Sustainability

Change of LNG vaporizers to the air-heating system and effective use of cold air as indoor refrigerated air conditioning



Recover and reuse vegetable residues produced when manufacturing flavor oil and sell products as powdered seasonings



Recover and reuse thermal energy generated from steam drain, boiler exhaust gas, etc.



Ariake Group's Global Seven-Pillar System



Henningesen Nederland B.V.



QINGDAO ARIAKE FOODSTUFF CO., LTD.



Ariake Europe NV

F. P. Natural Ingredients SAS

ARIAKE JAPAN CO., LTD.
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PT. Ariake Europe Indonesia



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