

Consolidated Financial Results for the Second Quarter of FY2022 Ending March 31, 2022 (J-GAAP)

November 9, 2021

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Filing of quarterly financial report: November 9, 2021
 Date to start of dividends distribution: December 2, 2021
 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 FY2022 Ending March 31, 2022 (April 1, 2021–September 30, 2021)

(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 FY2022	25,068	10.6	5,046	17.7	5,318	15.3	3,425	7.6
Second Quarter of FY2021	22,666	(10.9)	4,287	(21.6)	4,614	(18.0)	3,183	(16.7)

(Note) Comprehensive income: Second Quarter of FY2022: ¥5,384 million (68.1%) Second Quarter of FY2021: ¥3,203 million (-3.8%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second Quarter of FY2022	107.62	–
Second Quarter of FY2021	100.05	–

(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, 2021	115,441	102,602	88.2	3,198.01
As of March 31, 2021	111,681	98,867	87.9	3,086.18

(Reference) Equity capital: As of September 30, 2021: ¥101,855 million

As of March 31, 2021: ¥98,203 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2021	–	20.00	–	57.00	77.00
FY2022	–	20.00	–	–	–
FY2022 (forecast)	–	–	–	57.00	77.00

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

3. Forecast of the Consolidated Financial Results for FY2022 Ending March 31, 2022 (April 1, 2021–March 31, 2022)

(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	54,300	9.3	11,800	17.5	11,800	10.5	8,100	11.3	254.55

(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.: Yes
- 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, 2021	32,808,683 shares	As of March 31, 2021	32,808,683 shares
2) Number of treasury shares as of the period-end	As of September 30, 2021	958,933 shares	As of March 31, 2021	988,181 shares
3) Average number of shares (quarterly consolidated cumulative period)	First six months of FY2022	31,832,720 shares	First six months of FY2021	31,820,757 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.

Contents

1. Qualitative Information on Quarterly Consolidated Financial Results	2
(1) Explanation regarding Financial Results.....	2
(2) Explanation regarding Financial Position	3
(3) Explanation regarding Information on Future Forecasts including Consolidated Financial Forecasts, etc.	3
2. Quarterly Consolidated Financial Statements and Major Notes.....	4
(1) Quarterly Consolidated Balance Sheets	4
(2) Quarterly Consolidated Statements of Income and Quarterly Consolidated Statements of Comprehensive Income	6
(Quarterly Consolidated Statements of Income).....	6
(Quarterly Consolidated Statements of Comprehensive Income).....	7
(3) Quarterly Consolidated Statements of Cash Flows.....	8
(4) Notes on Quarterly Consolidated Financial Statements.....	9
(Notes on the Going Concern Assumption).....	9
(Changes in Accounting Policies).....	9
(Notes on Significant Changes in the Amount of Shareholders' Equity)	9
(Application of Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements).....	9
(Segment Information, etc.).....	10

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, 2022, 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, the timing of when the pandemic will end remained uncertain and the unpredictable situation continued.

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, 2021.

The Company's net sales increased by 7.5% (¥1,353 million) year on year to ¥19,299 million, resulting from the effects of the COVID-19 pandemic despite the usual effort to focus on a "customer-first approach" for expansion of sales.

Net sales of consolidated subsidiaries increased by 22.2% year on year.

As a result, consolidated net sales for the six months under review increased by 10.6% (¥2,402 million) year on year to ¥25,068 million.

The Company's operating income increased by 16.5% (¥528 million) year on year to ¥3,724 million due to a considerable increase in net sales. Consolidated operating income was ¥5,046 million, representing an increase of 17.7% (¥759 million) from the same period of the previous fiscal year.

The Company's ordinary income increased by 13.6% (¥505 million) year on year to ¥4,216 million due to an increase in operating income from the previous fiscal year.

Consolidated ordinary income increased by 15.3% (¥704 million) year on year to ¥5,318 million.

The Company's quarterly net income increased by 8.5% (¥220 million) year on year to ¥2,812 million.

Quarterly net income attributable to shareholders of the parent company increased by 7.6% (¥242 million) year on year to ¥3,425 million.

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

- Net sales

(Billions of yen)

	First six months of FY2022	First six months of FY2021	Increase (Decrease)
Ariake Japan Co., Ltd.	19.30	17.95	1.35
Asia	3.67	2.77	0.90
Europe	1.96	1.81	0.15
Japan	0.14	0.14	0.00
Consolidated subsidiaries total	5.77	4.72	1.05
Total	25.07	22.67	2.40

- Operating income

(Billions of yen)

	First six months of FY2022	First six months of FY2021	Increase (Decrease)
Ariake Japan Co., Ltd.	3.72	3.20	0.52
Asia	0.90	0.62	0.28
Europe	0.42	0.46	(0.04)
Japan	0.01	0.01	0.00
Consolidated subsidiaries total	1.33	1.09	0.24
Total	5.05	4.29	0.76

(2) Explanation regarding Financial Position

As of September 30, 2021, consolidated total assets were ¥115,441 million. This represents an increase of ¥3,760 million compared to March 31, 2021.

Total liabilities increased by ¥25 million to ¥12,838 million compared to March 31, 2021, mainly due to a decrease in income taxes payable and an increase in deferred tax liabilities. Net assets were ¥102,602 million, which represents an increase of ¥3,735 million from March 31, 2021.

(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 13, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY2021 (As of March 31, 2021)	Second Quarter of FY2022 (As of September 30, 2021)
Assets		
Current assets		
Cash and deposits	54,877,790	57,361,243
Notes and accounts receivable - trade	10,363,876	10,076,082
Securities	5,500,000	6,500,000
Merchandise and finished goods	3,576,288	4,009,350
Work in process	1,104,050	1,260,424
Raw materials and supplies	3,211,544	3,690,167
Accounts receivable - other	9,188	4,508
Others	766,339	700,587
Allowance for doubtful accounts	(1,158)	(1,164)
Total current assets	79,407,920	83,601,199
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,701,250	23,209,099
Accumulated depreciation	(13,526,976)	(13,968,424)
Buildings and structures, net	9,174,273	9,240,675
Machinery, equipment and vehicles	25,883,368	26,931,879
Accumulated depreciation	(20,807,568)	(21,434,441)
Machinery, equipment and vehicles, net	5,075,799	5,497,437
Land	4,607,350	4,632,031
Leased assets	61,924	101,462
Accumulated depreciation	(57,441)	(62,359)
Leased assets, net	4,483	39,102
Construction in progress	961,089	730,285
Others	1,257,431	1,336,802
Accumulated depreciation	(1,024,882)	(1,080,894)
Others, net	232,549	255,907
Total property, plant and equipment	20,055,546	20,395,439
Intangible assets		
Goodwill	261,143	221,455
Others	131,454	126,424
Total intangible assets	392,598	347,880
Investments and other assets		
Investment securities	10,852,886	10,447,214
Long-term loans receivable	6,793	6,339
Real estate for investment, net	566,932	264,382
Deferred tax assets	18,102	16,291
Others	380,587	362,983
Allowance for doubtful accounts	(129)	(129)
Total investments and other assets	11,825,173	11,097,082
Total non-current assets	32,273,317	31,840,402
Total assets	111,681,238	115,441,601

(Thousands of yen)

	FY2021 (As of March 31, 2021)	Second Quarter of FY2022 (As of September 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,451,434	4,580,072
Lease obligations	3,851	6,713
Income taxes payable	1,904,615	1,681,394
Provision for bonuses	274,908	288,465
Provision for directors' bonuses	69,700	—
Others	2,243,125	1,910,320
Total current liabilities	8,947,635	8,466,967
Non-current liabilities		
Lease obligations	280	41,496
Deferred tax liabilities	2,148,022	2,574,995
Provision for directors' retirement benefits	155,446	84,008
Net defined benefit liability	1,331,966	1,436,241
Others	230,291	235,051
Total non-current liabilities	3,866,006	4,371,792
Total liabilities	12,813,642	12,838,760
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,840,343	7,964,413
Retained earnings	80,348,904	81,960,230
Treasury shares	(2,100,667)	(2,039,356)
Total shareholders' equity	93,183,676	94,980,383
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,298,161	5,062,202
Foreign currency translation adjustment	725,881	1,850,648
Remeasurements of defined benefit plans	(4,036)	(37,353)
Total accumulated other comprehensive income	5,020,006	6,875,497
Non-controlling interests	663,912	746,959
Total net assets	98,867,595	102,602,841
Total liabilities and net assets	111,681,238	115,441,601

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

(Thousands of yen)

	First Half of FY2021 (April 1, 2020 to September 30, 2020)	First Half of FY2022 (April 1, 2021 to September 30, 2021)
Net sales	22,666,571	25,068,965
Cost of sales	14,958,038	16,426,745
Gross profit	7,708,532	8,642,220
Selling, general and administrative expenses	3,420,975	3,595,615
Operating income	4,287,557	5,046,604
Non-operating income		
Interest income	65,413	22,769
Dividend income	78,609	67,882
House rent income	17,231	9,890
Foreign exchange gains	122,499	79,364
Others	57,731	106,203
Total non-operating income	341,486	286,110
Non-operating expenses		
Interest expenses	23	2,983
Cost of lease revenue	6,508	2,253
Others	8,207	8,561
Total non-operating expenses	14,739	13,799
Ordinary income	4,614,304	5,318,916
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
Total extraordinary losses	–	186,396
Income before income taxes and minority interests	4,614,304	5,149,772
Income taxes	1,397,222	1,673,022
Quarterly net income	3,217,082	3,476,750
Quarterly net income attributable to non-controlling interests	33,556	50,878
Quarterly net income attributable to shareholders of the parent company	3,183,525	3,425,872

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Half of FY2021 (April 1, 2020 to September 30, 2020)	First Half of FY2022 (April 1, 2021 to September 30, 2021)
Quarterly net income	3,217,082	3,476,750
Other comprehensive income		
Valuation difference on available-for-sale securities	407,134	764,041
Foreign currency translation adjustment	(436,807)	1,176,711
Remeasurements of defined benefit plans	15,655	(33,317)
Total other comprehensive income	(14,018)	1,907,435
Quarterly comprehensive income	3,203,064	5,384,185
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	3,185,708	5,281,363
Quarterly comprehensive income attributable to non-controlling interests	17,355	102,822

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First Half of FY2021 (April 1, 2020 to September 30, 2020)	First Half of FY2022 (April 1, 2021 to September 30, 2021)
Cash flows from operating activities		
Income before income taxes and minority interests	4,614,304	5,149,772
Depreciation	740,411	837,731
Amortization of goodwill	45,285	49,212
Increase (decrease) in provision for directors' retirement benefits	4,812	(71,437)
Increase (decrease) in net defined benefit liability	24,288	70,882
Increase (decrease) in provision for bonuses	3,149	10,845
Increase (decrease) in provision for directors' bonuses	(78,400)	(69,700)
Interest and dividend income	(144,023)	(90,651)
Interest expenses	23	2,983
Foreign exchange losses (gains)	(127,382)	(1,392)
Decrease (increase) in notes and accounts receivable - trade	289,200	435,104
Decrease (increase) in inventories	(873,471)	(945,541)
Increase (decrease) in notes and accounts payable - trade	(529,484)	225,880
Others	(358,270)	(224,788)
Subtotal	3,610,443	5,378,901
Interest and dividend income received	138,871	89,691
Interest expenses paid	(23)	(2,983)
Income taxes refunded	1,673,328	-
Income taxes paid	(244,292)	(1,673,285)
Net cash provided by operating activities	5,178,328	3,792,323
Cash flows from investing activities		
Proceeds from sale of securities	500,000	3,500,000
Proceeds from sales of non-current assets	-	319,166
Purchase of property, plant and equipment	(614,490)	(993,360)
Purchase of intangible assets	(699)	(1,625)
Purchase of investment securities	(3,957)	(3,004,086)
Payments of loans receivable	(500)	-
Collection of loans receivable	1,095	1,114
Net cash used in investing activities	(118,552)	(178,791)
Cash flows from financing activities		
Purchase of treasury shares	(802)	(1,279)
Cash dividends paid	(1,813,611)	(1,813,169)
Cash dividends paid to non-controlling interests	(19,266)	(19,775)
Others	(6,043)	(489)
Net cash used in financing activities	(1,839,723)	(1,834,713)
Effect of exchange rate change on cash and cash equivalents	(126,391)	704,633
Net increase (decrease) in cash and cash equivalents	3,093,660	2,483,452
Cash and cash equivalents at beginning of period	27,904,934	40,877,790
Cash and cash equivalents at end of period	30,998,595	43,361,243

(4) Notes on Quarterly Consolidated Financial Statements

(Notes on the Going Concern Assumption)

There is nothing to report.

(Changes in Accounting Policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

With the application of the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Revenue Recognition Standard"), etc. effective from the beginning of the first quarter of the current fiscal year, revenues from goods and services promised are recognized at the time when control over the goods or services is transferred to the customer, at the amount expected to be received in exchange for the goods or services. In association with this, the Company has applied the alternative treatment provided in paragraph 98 of the Implementation Guidance on Accounting Standard for Revenue Recognition (ASBJ Guidance No. 30, March 26, 2021), under which revenues from sale of merchandise or products in Japan are recognized at the time of shipment if the period between shipment and the transfer of control over the merchandise or products to the customer is of a normal length. Regarding transactions in which the Company's role in providing merchandise to customers falls under the category of agent, the method of revenue recognition has been changed from the previous method of recognizing the total amount of consideration received from the customer to the method of recognizing the amount received from the customer net of the amount paid to the supplier of the merchandise, with the sales commissions and other consideration paid to the customer, which were previously recorded in selling, general and administrative expenses, deducted from the transaction price.

The application of the Revenue Recognition Standard, etc. is in accordance with the transitional treatment provided in the proviso to paragraph 84 of the Revenue Recognition Standard, and the cumulative effect of the retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year is added to or subtracted from retaining earnings at the beginning of the period, with the new accounting policy applied from the beginning balance. The new accounting policy, however, has not been retrospectively applied to contracts for which almost all the revenue amount was recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year, with the application of the method provided in paragraph 86 of the Revenue Recognition Standard. In addition, contracts that were modified prior to the beginning of the first quarter of the current fiscal year are accounted for under contract terms that reflect all of the contract modifications with the application of the method provided in proviso (1) of paragraph 86 of the Revenue Recognition Standard, and the cumulative effect is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year.

As a result, net sales for the first six months ended September 30, 2021 decreased by ¥433,668 thousand, cost of sales by ¥333,850 thousand, selling, general and administrative expenses by ¥99,292 thousand, and each of operating income, ordinary income, and income before income taxes and minority interests by ¥524 thousand. Furthermore, the beginning balance of retained earnings for the six months decreased by ¥777 thousand.

Moreover, in accordance with the transitional treatment provided in paragraph 28-15 of the Accounting Standard for Quarterly Financial Statements (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue generated from contracts with customers for the first six months of the previous fiscal year is not shown.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company applied the Accounting Standard for Fair Value Measurement (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Fair Value Measurement Accounting Standard"), etc. effective from the beginning of the first quarter of the current fiscal year, applying new accounting policies under the Fair Value Measurement Accounting Standard, etc. prospectively in accordance with the transitional treatment provided in paragraph 19 of the Fair Value Measurement Accounting Standard and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). This application does not have any impact on the quarterly consolidated financial statements.

(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.