

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

August 6, 2021

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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 FY2022 Ending March 31, 2022 (April 1, 2021–June 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	%
First quarter of FY2022	12,630	15.0	2,652	28.1	2,768	18.0	1,671	5.9
First quarter of FY2021	10,981	(12.1)	2,070	(23.1)	2,346	(17.4)	1,577	(19.6)

(Note) Comprehensive income: First Quarter of FY2022: ¥2,453 million (125.0%) First Quarter of FY2021: ¥1,090 million (-16.2%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
First Quarter of FY2022	52.52	–
First Quarter of FY2021	49.57	–

(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, 2022	112,045	99,486	88.2	3,104.13
As of March 31, 2021	111,681	98,867	87.9	3,086.18

(Reference) Equity capital: As of June 30, 2022: ¥98,775 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	–	–	–	–	–
FY2022 (forecast)	–	20.00	–	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, 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	25,521	12.6	5,360	25.0	5,360	16.2	3,564	12.0	112.00
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 "(3) Notes on Quarterly 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 June 30, 2022	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 June 30, 2022	988,205 shares	As of March 31, 2021	988,181 shares
3) Average number of shares (quarterly consolidated cumulative period)	First three months of FY2022	31,820,524 shares	First three months of FY2021	31,820,782 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

The Japanese economy in the first three months ended June 30, 2021 (April 1, 2021–June 30, 2021) experienced a range of voluntary restraints and restrictions on economic activities due to the spread of COVID-19. The containment of COVID-19 is still not in sight with the fourth state of emergency declaration issued in July 2021.

In these circumstances, Ariake Japan Co., Ltd. (the "Company") and its Group companies (collectively, the "Ariake Group") have been striving to understand 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, 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, 2021 (April 1, 2021–June 30, 2021).

The Company's net sales increased by 14.6% (¥1,219 million) year on year to ¥9,594 million.

In regard to net sales of consolidated subsidiaries, sales of subsidiaries increased by 16.5% year on year.

Therefore, consolidated net sales for the three months under review increased by 15.0% (¥1,648 million) year on year to ¥12,630 million.

Owing to the increase in net sales, the Company's operating income increased, marking an increase of 31.4% (¥458 million) year on year to ¥1,921 million.

Consolidated operating income was ¥2,652 million, representing an increase of 28.1% (¥581 million) from the same period in the previous fiscal year.

The Company's ordinary income increased by 15.5% (¥307 million) year on year to ¥2,287 million.

Consolidated ordinary income increased by 18.0% (¥421 million) year on year to ¥2,768 million.

The Company's quarterly net income increased by 7.0% (¥97 million) year on year to ¥1,480 million.

Quarterly consolidated net income attributable to shareholders of the parent company increased by 5.9% (¥93 million) to ¥1,671 million.

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

- Net sales

(Billions of yen)

		First three months of FY2022	First three months of FY2021	Difference
Ariake Japan Co., Ltd.		9.59	8.38	1.21
Consolidated subsidiaries total		3.04	2.60	0.44
Region	U.S.	—	—	—
	Asia	1.90	1.51	0.39
	Europe	1.07	1.03	0.04
	Japan	0.07	0.06	0.01
Total		12.63	10.98	1.65

- Operating income

(Billions of yen)

		First three months of FY2022	First three months of FY2021	Difference
Ariake Japan Co., Ltd.		1.92	1.46	0.46
Consolidated subsidiaries total		0.73	0.61	0.12
Region	U.S.	—	—	—
	Asia	0.49	0.36	0.13
	Europe	0.24	0.25	(0.01)
	Japan	0.00	0.00	0.00
Total		2.65	2.07	0.58

(2) Explanation regarding Financial Position

As of June 30, 2021, consolidated total assets were ¥112,045 million. This represents an increase of ¥364 million compared to March 31, 2021.

Total liabilities decreased by ¥254 million to ¥12,558 million compared to March 31, 2021, mainly due to a decrease in income taxes payable. Net assets were ¥99,486 million, which represents an increase of ¥619 million from March 31, 2021.

(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 13, 2021.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY2021 (As of March 31, 2021)	First Quarter of FY2022 (As of June 30, 2021)
Assets		
Current assets		
Cash and deposits	54,877,790	55,222,175
Notes and accounts receivable - trade	10,363,876	10,006,335
Securities	5,500,000	6,500,000
Merchandise and finished goods	3,576,288	3,902,309
Work in process	1,104,050	1,162,718
Raw materials and supplies	3,211,544	3,503,329
Accounts receivable - other	9,188	164,000
Others	766,339	1,081,450
Allowance for doubtful accounts	(1,158)	(1,162)
Total current assets	79,407,920	81,541,156
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,701,250	23,075,930
Accumulated depreciation	(13,526,976)	(13,786,409)
Buildings and structures, net	9,174,273	9,289,520
Machinery, equipment and vehicles	25,883,368	26,684,591
Accumulated depreciation	(20,807,568)	(21,144,346)
Machinery, equipment and vehicles, net	5,075,799	5,540,244
Land	4,607,350	4,627,271
Leased assets	61,924	74,023
Accumulated depreciation	(57,441)	(59,542)
Leased assets, net	4,483	14,480
Construction in progress	961,089	517,234
Others	1,257,431	1,304,515
Accumulated depreciation	(1,024,882)	(1,053,278)
Others, net	232,549	251,237
Total property, plant and equipment	20,055,546	20,239,989
Intangible assets		
Goodwill	261,143	242,733
Other	131,454	131,052
Total intangible assets	392,598	373,786
Investments and other assets		
Investment securities	10,852,886	9,235,834
Long-term loans receivable	6,793	6,631
Real estate for investment, net	566,932	264,529
Deferred tax assets	18,102	18,481
Others	380,587	365,183
Allowance for doubtful accounts	(129)	(129)
Total investments and other assets	11,825,173	9,890,530
Total non-current assets	32,273,317	30,504,306
Total assets	111,681,238	112,045,463

(Thousands of yen)

	FY2021 (As of March 31, 2021)	First Quarter of FY2022 (As of June 30, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,451,434	4,811,447
Lease obligations	3,851	3,475
Income taxes payable	1,904,615	905,601
Provision for bonuses	274,908	272,048
Provision for directors' bonuses	69,700	—
Others	2,243,125	2,384,707
Total current liabilities	8,947,635	8,377,280
Non-current liabilities		
Lease obligations	280	18,068
Deferred tax liabilities	2,148,022	2,192,131
Provision for directors' retirement benefits	155,446	326,886
Net defined benefit liability	1,331,966	1,407,910
Others	230,291	236,522
Total non-current liabilities	3,866,006	4,181,519
Total liabilities	12,813,642	12,558,799
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,840,343	7,840,343
Retained earnings	80,348,904	80,205,637
Treasury shares	(2,100,667)	(2,100,828)
Total shareholders' equity	93,183,676	93,040,248
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,298,161	4,214,290
Foreign currency translation adjustment	725,881	1,557,748
Remeasurements of defined benefit plans	(4,036)	(37,209)
Total accumulated other comprehensive income	5,020,006	5,734,829
Non-controlling interests	663,912	711,585
Total net assets	98,867,595	99,486,664
Total liabilities and net assets	111,681,238	112,045,463

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

(Thousands of yen)

	First Quarter of FY2021 (April 1, 2020 to June 30, 2020)	First Quarter of FY2022 (April 1, 2021 to June 30, 2021)
Net sales	10,981,533	12,630,513
Cost of sales	7,276,194	8,177,781
Gross profit	3,705,338	4,452,731
Selling, general and administrative expenses	1,635,163	1,800,624
Operating income	2,070,175	2,652,106
Non-operating income		
Interest income	21,972	11,747
Dividend income	78,498	66,260
House rent income	8,619	4,937
Foreign exchange gains	156,175	—
Others	21,123	44,838
Total non-operating income	286,390	127,785
Non-operating expenses		
Interest expenses	21	1,606
Cost of lease revenue	3,227	3,496
Foreign exchange losses	—	5,222
Others	6,522	1,089
Total non-operating expenses	9,771	11,415
Ordinary income	2,346,794	2,768,476
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	2,346,794	2,599,333
Income taxes	750,650	901,298
Quarterly net income	1,596,143	1,698,035
Quarterly net income attributable to non-controlling interests	18,687	26,756
Quarterly net income attributable to shareholders of the parent company	1,577,455	1,671,278

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Quarter of FY2021 (April 1, 2020 to June 30, 2020)	First Quarter of FY2022 (April 1, 2021 to June 30, 2021)
Quarterly net income	1,596,143	1,698,035
Other comprehensive income		
Valuation difference on available-for-sale securities	287,086	(83,870)
Foreign currency translation adjustment	(800,421)	872,558
Remeasurements of defined benefit plans	7,827	(33,172)
Total other comprehensive income	(505,507)	755,515
Quarterly comprehensive income	1,090,636	2,453,550
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	1,085,091	2,386,102
Quarterly comprehensive income attributable to non-controlling interests	5,544	67,448

(3) Notes on Quarterly 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 are 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 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 three months ended June 30, 2021 decreased by ¥215,863 thousand, cost of sales by ¥182,244 thousand, selling, general and administrative expenses by ¥31,449 thousand, and each of operating income, ordinary income, and income before income taxes and minority interests by ¥2,169 thousand. Furthermore, the beginning balance of retained earnings for the three months decreased by ¥777 thousand.

(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 provisional 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 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 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.

(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.