

# Consolidated Financial Results for the Second Quarter of FY2021 Ending March 31, 2021 (J-GAAP)

November 11, 2020

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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 FY2021 Ending March 31, 2021 (April 1, 2020–September 30, 2020)

(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 FY2021	22,666	(10.9)	4,287	(21.6)	4,614	(18.0)	3,183	(16.7)
Second Quarter of FY2020	25,453	(3.7)	5,471	(3.3)	5,629	(6.0)	3,821	(6.9)

(Note) Comprehensive income: Second Quarter of FY2021: ¥3,203 million (-3.8%) Second Quarter of FY2020: ¥3,329 million (-27.9%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second Quarter of FY2021	100.05	—
Second Quarter of FY2020	120.08	—

(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, 2020	106,426	94,802	88.5	2,960.94
As of March 31, 2020	104,489	93,432	88.9	2,917.83

(Reference) Equity capital: As of September 30, 2020: ¥94,219 million

As of March 31, 2020: ¥92,847 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2020	—	20.00	—	57.00	77.00
FY2021	—	20.00	—	—	—
FY2021 (forecast)	—	—	—	57.00	77.00

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

3. Forecast of the Consolidated Financial Results for FY2021 Ending March 31, 2021 (April 1, 2020–March 31, 2021)

(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	52,650	0.6	11,180	(5.2)	11,310	(5.0)	7,930	(5.3)	249.21

(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 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, 2020	32,808,683 shares	As of March 31, 2020	32,808,683 shares
2) Number of treasury shares as of the period-end	As of September 30, 2020	987,976 shares	As of March 31, 2020	987,855 shares
3) Average number of shares (quarterly consolidated cumulative period)	First six months of FY2021	31,820,757 shares	First six months of FY2020	31,821,088 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, 2021 (April 1, 2020–September 30, 2020), the Japanese economy started to return to normalcy gradually from the state in which economic activity was considerably restricted as the spread of the COVID-19 pandemic caused havoc, such as people showing self-restraint regarding eating out and restrictions on the movement of people in Japan, resulting in domestic tourism performing poorly. Nonetheless, consumption activity and the outlook of the economy have remained uncertain.

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, 2020.

The Company's net sales decreased by 11.1% (¥2,244 million) year on year to ¥17,946 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 decreased by 10.3% year on year.

As a result, consolidated net sales for the six months under review decreased by 10.9% (¥2,786 million) year on year to ¥22,666 million.

The Company's operating income decreased by 23.4% (¥976 million) year on year to ¥3,196 million due to a considerable decrease in net sales. Consolidated operating income was ¥4,287 million, representing a decrease of 21.6% (¥1,184 million) from the same period of the previous fiscal year.

The Company's ordinary income decreased by 17.1% (¥765 million) year on year to ¥3,710 million due to a decrease in operating income despite an increase in foreign exchange gains from the previous fiscal year.

Consolidated ordinary income decreased by 18.0% (¥1,015 million) year on year to ¥4,614 million.

The Company's quarterly net income decreased by 17.1% (¥534 million) year on year to ¥2,591 million.

Quarterly net income attributable to shareholders of the parent company decreased by 16.7% (¥637 million) year on year to ¥3,183 million.

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

- Net sales

(Billions of yen)

	First six months of FY2021	First six months of FY2020	Increase (Decrease)
<b>Ariake Japan Co., Ltd.</b>	17.95	20.19	(2.24)
U.S.	—	—	—
Asia	2.77	3.28	(0.51)
Europe	1.81	1.81	0.00
Japan	0.14	0.17	(0.03)
<b>Consolidated subsidiaries total</b>	4.72	5.26	(0.54)
<b>Total</b>	22.67	25.45	(2.78)

- Operating income

(Billions of yen)

	First six months of FY2021	First six months of FY2020	Increase (Decrease)
<b>Ariake Japan Co., Ltd.</b>	3.20	4.17	(0.97)
U.S.	—	0.10	(0.10)
Asia	0.62	0.82	(0.20)
Europe	0.46	0.37	0.09
Japan	0.01	0.01	0.00
<b>Consolidated subsidiaries total</b>	1.09	1.30	(0.21)
<b>Total</b>	4.29	5.47	(1.18)

**(2) Explanation regarding Financial Position**

As of September 30, 2020, consolidated total assets were ¥106,426 million. This represents an increase of ¥1,936 million compared to March 31, 2020.

Total liabilities increased by ¥567 million to ¥11,624 million compared to March 31, 2020, mainly due to an increase in income taxes payable. Net assets were ¥94,802 million, which represents an increase of ¥1,369 million from March 31, 2020.

**(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 August 5, 2020.

## 2. Quarterly Consolidated Financial Statements and Major Notes

## (1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY2020 (As of March 31, 2020)	Second Quarter of FY2021 (As of September 30, 2020)
Assets		
Current assets		
Cash and deposits	41,904,934	44,998,595
Notes and accounts receivable - trade	9,507,527	9,182,570
Securities	6,000,000	6,000,000
Merchandise and finished goods	4,044,351	3,677,330
Work in process	898,535	1,184,309
Raw materials and supplies	2,925,684	3,839,981
Accounts receivable - other	3,007,905	3,027,415
Others	2,251,832	649,694
Allowance for doubtful accounts	(1,157)	(1,157)
Total current assets	70,539,614	72,558,740
Non-current assets		
Property, plant and equipment		
Buildings and structures	21,921,894	21,881,172
Accumulated depreciation	(12,871,468)	(13,098,111)
Buildings and structures, net	9,050,425	8,783,060
Machinery, equipment and vehicles	25,007,431	25,344,224
Accumulated depreciation	(20,160,912)	(20,464,253)
Machinery, equipment and vehicles, net	4,846,518	4,879,970
Land	4,610,825	4,597,865
Leased assets	118,253	61,852
Accumulated depreciation	(102,881)	(52,375)
Leased assets, net	15,372	9,477
Construction in progress	837,523	1,010,095
Others	1,180,259	1,190,706
Accumulated depreciation	(961,261)	(988,880)
Others, net	218,998	201,826
Total property, plant and equipment	19,579,664	19,482,296
Intangible assets		
Goodwill	343,735	294,354
Others	139,899	127,109
Total intangible assets	483,634	421,464
Investments and other assets		
Investment securities	12,895,994	12,980,909
Long-term loans receivable	12,748	11,936
Real estate for investment, net	571,863	569,397
Deferred tax assets	10,064	18,449
Others	396,422	383,723
Allowance for doubtful accounts	(129)	(129)
Total investments and other assets	13,886,963	13,964,287
Total non-current assets	33,950,262	33,868,048
Total assets	104,489,877	106,426,789

(Thousands of yen)

	FY2020 (As of March 31, 2020)	Second Quarter of FY2021 (As of September 30, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable - trade	4,725,466	4,111,148
Lease obligations	11,625	7,403
Income taxes payable	285,180	1,358,082
Provision for bonuses	287,526	290,675
Provision for directors' bonuses	78,400	—
Others	1,955,602	1,951,558
<b>Total current liabilities</b>	<b>7,343,801</b>	<b>7,718,868</b>
<b>Non-current liabilities</b>		
Lease obligations	4,071	2,174
Deferred tax liabilities	1,963,069	2,158,821
Provision for directors' retirement benefits	145,821	150,633
Net defined benefit liability	1,353,395	1,361,991
Others	246,865	232,238
<b>Total non-current liabilities</b>	<b>3,713,222</b>	<b>3,905,859</b>
<b>Total liabilities</b>	<b>11,057,024</b>	<b>11,624,728</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	7,095,096	7,095,096
Capital surplus	7,840,343	7,840,343
Retained earnings	75,521,791	76,891,529
Treasury shares	(2,098,406)	(2,099,208)
<b>Total shareholders' equity</b>	<b>88,358,824</b>	<b>89,727,760</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	3,925,202	4,332,337
Foreign currency translation adjustment	632,343	211,736
Remeasurements of defined benefit plans	(68,375)	(52,719)
<b>Total accumulated other comprehensive income</b>	<b>4,489,170</b>	<b>4,491,354</b>
<b>Non-controlling interests</b>	<b>584,857</b>	<b>582,946</b>
<b>Total net assets</b>	<b>93,432,852</b>	<b>94,802,060</b>
<b>Total liabilities and net assets</b>	<b>104,489,877</b>	<b>106,426,789</b>

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

(Thousands of yen)

	First Half of FY2020 (April 1, 2019 to September 30, 2019)	First Half of FY2021 (April 1, 2020 to September 30, 2020)
Net sales	25,453,198	22,666,571
Cost of sales	16,235,641	14,958,038
Gross profit	9,217,557	7,708,532
Selling, general and administrative expenses	3,745,973	3,420,975
Operating income	5,471,583	4,287,557
Non-operating income		
Interest income	41,142	65,413
Dividend income	80,605	78,609
House rent income	16,078	17,231
Foreign exchange gains	—	122,499
Others	52,165	57,731
Total non-operating income	189,991	341,486
Non-operating expenses		
Interest expenses	6	23
Foreign exchange losses	18,017	—
Cost of lease revenue	6,960	6,508
Others	7,234	8,207
Total non-operating expenses	32,218	14,739
Ordinary income	5,629,356	4,614,304
Income before income taxes and minority interests	5,629,356	4,614,304
Income taxes	1,761,039	1,397,222
Quarterly net income	3,868,317	3,217,082
Quarterly net income attributable to non-controlling interests	47,219	33,556
Quarterly net income attributable to shareholders of the parent company	3,821,098	3,183,525

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

(Thousands of yen)

	First Half of FY2020 (April 1, 2019 to September 30, 2019)	First Half of FY2021 (April 1, 2020 to September 30, 2020)
Quarterly net income	3,868,317	3,217,082
Other comprehensive income		
Valuation difference on available-for-sale securities	(32,724)	407,134
Foreign currency translation adjustment	(523,796)	(436,807)
Remeasurements of defined benefit plans	18,030	15,655
Total other comprehensive income	(538,490)	(14,018)
Quarterly comprehensive income	3,329,827	3,203,064
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	3,297,296	3,185,708
Quarterly comprehensive income attributable to non- controlling interests	32,530	17,355

**(3) Quarterly Consolidated Statements of Cash Flows**

(Thousands of yen)

	First Half of FY2020 (April 1, 2019 to September 30, 2019)	First Half of FY2021 (April 1, 2020 to September 30, 2020)
<b>Cash flows from operating activities</b>		
Income before income taxes and minority interests	5,629,356	4,614,304
Depreciation	730,938	740,411
Amortization of goodwill	45,812	45,285
Increase (decrease) in provision for directors' retirement benefits	4,512	4,812
Increase (decrease) in net defined benefit liability	52,448	24,288
Increase (decrease) in provision for bonuses	186	3,149
Increase (decrease) in provision for directors' bonuses	(78,400)	(78,400)
Interest and dividend income	(121,748)	(144,023)
Interest expenses	6	23
Foreign exchange losses (gains)	26,613	(127,382)
Decrease (increase) in notes and accounts receivable - trade	682,693	289,200
Decrease (increase) in inventories	(691,241)	(873,471)
Increase (decrease) in notes and accounts payable - trade	186,249	(529,484)
Others	(565,510)	(358,270)
Subtotal	5,901,919	3,610,443
Interest and dividend income received	113,630	138,871
Interest expenses paid	(6)	(23)
Income taxes refunded	—	1,673,328
Income taxes paid	(6,865,884)	(244,292)
Net cash provided by operating activities	(850,341)	5,178,328
<b>Cash flows from investing activities</b>		
Proceeds from sale of securities	1,500,000	500,000
Payments into time deposits	(1,500,000)	—
Purchase of property, plant and equipment	(497,533)	(614,490)
Purchase of intangible assets	(14,313)	(699)
Purchase of investment securities	(2,619,330)	(3,957)
Payments of loans receivable	—	(500)
Collection of loans receivable	1,100	1,095
Proceeds from sales of shares of subsidiaries	16,998,352	—
Others	(18,500)	—
Net cash used in investing activities	13,849,775	(118,552)
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(2,018)	(802)
Cash dividends paid	(1,813,437)	(1,813,611)
Cash dividends paid to non-controlling interests	(9,705)	(19,266)
Others	(7,375)	(6,043)
Net cash used in financing activities	(1,832,536)	(1,839,723)
Effect of exchange rate change on cash and cash equivalents	(211,110)	(126,391)
Net increase (decrease) in cash and cash equivalents	10,955,786	3,093,660
Cash and cash equivalents at beginning of period	19,543,385	27,904,934
Cash and cash equivalents at end of period	30,499,171	30,998,595

**(4) Notes on Quarterly 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.