

# Consolidated Financial Results for the First Quarter of FY2015 Ending March 31, 2015 (J-GAAP)

August 8, 2014

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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 FY2015 Ending March 31, 2015 (April 1, 2014 – June 30, 2014)

### (1) Consolidated Business Results (cumulative)

(Percentage figures are changes from the same period in the previous fiscal year.)

|                         | Net sales       |     | Operating income |       | Ordinary income |        | Net income      |        |
|-------------------------|-----------------|-----|------------------|-------|-----------------|--------|-----------------|--------|
|                         | Millions of yen | %   | Millions of yen  | %     | Millions of yen | %      | Millions of yen | %      |
| First Quarter of FY2015 | 8,899           | 6.8 | 1,189            | (8.1) | 1,272           | (24.6) | 750             | (25.1) |
| First Quarter of FY2014 | 8,329           | 7.0 | 1,293            | 5.4   | 1,687           | 55.3   | 1,003           | 73.9   |

(Note) Comprehensive income: First Quarter of FY2015: ¥1,146 million (-28.3%) First Quarter of FY2014: ¥1,600 million (65.1%)

|                         | Net income per share | Fully diluted net income per share |
|-------------------------|----------------------|------------------------------------|
|                         | Yen                  | Yen                                |
| First Quarter of FY2015 | 23.59                | –                                  |
| First Quarter of FY2014 | 31.51                | –                                  |

### (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, 2014  | 62,028          | 52,334          | 83.7         | 1,631.22             |
| As of March 31, 2014 | 62,352          | 52,211          | 83.0         | 1,626.85             |

(Reference) Equity capital: As of June 30, 2014: ¥51,915 million

As of March 31, 2014: ¥51,777 million

## 2. Dividends

|                   | Dividends per share |        |        |          |        |
|-------------------|---------------------|--------|--------|----------|--------|
|                   | 1Q-end              | 2Q-end | 3Q-end | Year-end | Annual |
|                   | Yen                 | Yen    | Yen    | Yen      | Yen    |
| FY2014            | –                   | 20.00  | –      | 30.00    | 50.00  |
| FY2015            | –                   | –      | –      | –        | –      |
| FY2015 (forecast) | –                   | 20.00  | –      | 30.00    | 50.00  |

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

## 3. Forecast of the Consolidated Financial Results for FY2015 Ending March 31, 2015 (April 1, 2014 – March 31, 2015)

(Full year percentage figures represent of 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      |      | Net income per share |
|------------|-----------------|------|------------------|------|-----------------|-----|-----------------|------|----------------------|
|            | Millions of yen | %    | Millions of yen  | %    | Millions of yen | %   | Millions of yen | %    | Yen                  |
| First half | 19,426          | 11.8 | 3,021            | 10.2 | 3,408           | 1.7 | 2,217           | 12.2 | 69.66                |
| Full year  | 41,879          | 12.6 | 6,961            | 23.4 | 7,724           | 6.7 | 5,066           | 19.1 | 159.17               |

(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 “(2) Application of Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements” of “2. Supplement to Summary Information (Notes).”

(3) Changes in Accounting Policies, 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 Shares Outstanding (Common Stock)

|  |                              |                   |                              |                   |
|--|------------------------------|-------------------|------------------------------|-------------------|
| 1) Number of shares outstanding as of the period-end (including treasury shares)   | As of June 30, 2014          | 32,808,683 shares | As of March 31, 2014         | 32,808,683 shares |
| 2) Number of treasury shares as of the period-end                                  | As of June 30, 2014          | 982,259 shares    | As of March 31, 2014         | 981,952 shares    |
| 3) Average number of shares outstanding (quarterly consolidated cumulative period) | First three months of FY2015 | 31,826,624 shares | First three months of FY2014 | 31,827,729 shares |

\* Presentation of implementation status for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to these Consolidated Financial Results and the procedure based on this Act had been completed. The quarterly review report was received as of August 8, 2014.

\* 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 business results may significantly vary due to various factors.

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## 1. Qualitative Information on Quarterly Consolidated Financial Results

### (1) Explanation regarding Business Results

During the three months under review (April 1, 2014 to June 30, 2014), the Japanese economy was on an upswing, particularly among exporting companies, underpinned by supportive effects of the government's economic policies. However, domestic consumer spending was sluggish due to higher costs of imported raw materials and fuel as well as a pullback following the demand surge that occurred prior to the consumption tax hike in April 2014.

Under such circumstances, Ariake Japan Co., Ltd. (the "Company") and its Group companies (collectively, the "Ariake Group") have been striving to grasp 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 three months ended June 30, 2014.

The Company's net sales increased by 1.2% (¥81 million) year on year to ¥6,839 million, resulting from its steadfast efforts to expand sales.

Net sales of consolidated subsidiaries increased by 31.1% year on year mainly due to the higher sales in the overseas subsidiaries.

Therefore, consolidated net sales for the three months under review increased by 6.8% (¥570 million) from the same period in the previous fiscal year to ¥8,899 million.

The Company's operating income decreased by 16.0% (¥201 million) year on year, to ¥1,057 million. This was mainly due to an increase in costs of raw materials as a result of the yen depreciation and a rise in utility expenses (up by approximately ¥152 million year on year), despite the higher sales achieved.

Consolidated operating income was ¥1,189 million, representing a decrease of 8.1% (¥104 million) from the same period in the previous fiscal year.

The Company's ordinary income decreased by 25.2% (¥411 million) year on year to ¥1,224 million. This was mainly due to foreign exchange losses (including valuation losses in derivatives trading) of ¥40 million, marking a ¥223 million decrease from the foreign exchange gains of ¥182 million posted in the previous fiscal year.

Consolidated ordinary income fell by 24.6% (¥415 million) year on year to ¥1,272 million.

Net income for the Company decreased by 23.2% (¥234 million) year on year to ¥777 million.

Consolidated net income decreased by 25.1% (¥252 million) year on year to ¥750 million.

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

#### Net sales

(Billions of yen)

|                                  | First three months of FY2015 | First three months of FY2014 | Difference |
|----------------------------------|------------------------------|------------------------------|------------|
| <b>Ariake Japan Co., Ltd.</b>    | 6.84                         | 6.76                         | 0.08       |
| <b>Consolidated subsidiaries</b> | 2.06                         | 1.57                         | 0.49       |
| U.S.                             | 0.50                         | 0.56                         | (0.06)     |
| Asia                             | 0.68                         | 0.64                         | 0.04       |
| Europe                           | 0.80                         | 0.27                         | 0.53       |
| Japan                            | 0.09                         | 0.10                         | (0.01)     |
| <b>Total</b>                     | 8.90                         | 8.33                         | 0.57       |

#### Operating income (loss)

(Billions of yen)

|                                  | First three months of FY2015 | First three months of FY2014 | Difference |
|----------------------------------|------------------------------|------------------------------|------------|
| <b>Ariake Japan Co., Ltd.</b>    | 1.06                         | 1.26                         | (0.20)     |
| <b>Consolidated subsidiaries</b> | 0.13                         | 0.03                         | 0.10       |
| U.S.                             | 0.04                         | 0.10                         | (0.06)     |
| Asia                             | 0.16                         | 0.10                         | 0.06       |
| Europe                           | (0.07)                       | (0.17)                       | 0.10       |
| Japan                            | 0.00                         | 0.00                         | 0.00       |
| <b>Total</b>                     | 1.19                         | 1.29                         | (0.10)     |

**(2) Explanation regarding Financial Position**

As of June 30, 2014, consolidated total assets were ¥62,028 million. This represents a decrease of ¥324 million compared to March 31, 2014.

Total liabilities fell by ¥447 million to ¥9,694 million, mainly due to a large drop in income taxes payable. Net assets were ¥52,334 million, which represents an increase of ¥122 million from March 31, 2014.

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

We have not revised our forecast of the consolidated financial results which were announced on May 12, 2014.

**2. Supplement to Summary Information (Notes)**

**(1) Significant Changes in Subsidiaries during the Period**

There is no related information.

**(2) 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 fiscal year, including the first quarter under review were rationally 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.

**(3) Changes in Accounting Policies, Accounting Estimates, and Restatement of Revisions**

(Changes in Accounting Policies)

(Application of Accounting Standard for Retirement Benefits and Others)

Regarding Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) (hereinafter the "Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) (hereinafter the "Guidance"), the Company has applied the provisions set forth in the main clauses of Paragraph 35 of the Accounting Standard and in Paragraph 67 of the Guidance, beginning with the first quarter of the fiscal year 2015, and reviewed its method for calculating retirement benefit obligations and service costs. The Company has changed the attribution method for expected retirement benefits from straight-line basis to benefit-formula basis, and also changed the method for determining the discount rate from the use of the period approximate to the estimated average remaining service period to the use of a single-weighted average discount rate that reflects the estimated period of retirement benefits and the expected amount of retirement benefit payments for each such period.

The application of the Accounting Standard and the Guidance is in line with the transitional treatment stated in Paragraph 37 of the Accounting Standard and the amount of financial impact resulting from the change was added to or deducted from retained earnings at the beginning of the fiscal year 2015.

As a result, net defined benefit liabilities increased by ¥134,956 thousand and retained earnings decreased by ¥87,991 thousand at the beginning of the fiscal year 2015. The effect of the change on consolidated operating income, ordinary income and income before income taxes and minority interests for the three months ended June 30, 2014 was insignificant.

**3. Significant Events regarding Going Concern Assumption**

There is no related information.

**4. Quarterly Consolidated Financial Statements****(1) Quarterly Consolidated Balance Sheets**

(Thousands of yen)

|  | FY2014<br>(As of March 31, 2014) | First Quarter of FY2015<br>(As of June 30, 2014) |
|--|----------------------------------|--|
| <b>Assets</b>                          |                                  |  |
| Current assets                         |                                  |  |
| Cash and deposits                      | 8,475,323                        | 7,983,460  |
| Notes and accounts receivable - trade  | 7,131,256                        | 6,674,277  |
| Securities                             | 3,590,000                        | 2,590,000  |
| Merchandise and finished goods         | 3,078,829                        | 3,232,494  |
| Work in process                        | 893,386                          | 903,825  |
| Raw materials and supplies             | 1,771,276                        | 2,109,738  |
| Deferred tax assets                    | 192,287                          | 198,716  |
| Others                                 | 1,104,125                        | 1,055,663  |
| Allowance for doubtful accounts        | (1,522)                          | (2,110)  |
| Total current assets                   | 26,234,964                       | 24,746,065                                       |
| Non-current assets                     |                                  |  |
| Property, plant and equipment          |                                  |  |
| Buildings and structures               | 23,108,779                       | 22,872,696                                       |
| Accumulated depreciation               | (10,820,544)                     | (10,913,741)                                     |
| Buildings and structures, net          | 12,288,235                       | 11,958,954                                       |
| Machinery, equipment and vehicles      | 26,139,882                       | 26,627,483                                       |
| Accumulated depreciation               | (18,977,895)                     | (19,133,609)                                     |
| Machinery, equipment and vehicles, net | 7,161,987                        | 7,493,874  |
| Land                                   | 4,695,695                        | 4,672,397  |
| Leased assets                          | 56,194                           | 56,194   |
| Accumulated depreciation               | (25,649)                         | (28,301)   |
| Leased assets, net                     | 30,545                           | 27,893   |
| Construction in progress               | 1,152,225                        | 626,332  |
| Others                                 | 997,400                          | 992,410  |
| Accumulated depreciation               | (864,258)                        | (859,510)  |
| Others, net                            | 133,142                          | 132,899  |
| Total property, plant and equipment    | 25,461,830                       | 24,912,351                                       |
| Intangible assets                      |                                  |  |
| Goodwill                               | 1,057,882                        | 1,006,596  |
| Other                                  | 177,903                          | 168,243  |
| Total intangible assets                | 1,235,785                        | 1,174,840  |
| Investments and other assets           |                                  |  |
| Investment securities                  | 7,477,484                        | 9,259,076  |
| Long-term loans receivable             | 48,327                           | 49,208   |
| Real estate for investment, net        | 1,469,306                        | 1,466,509  |
| Others                                 | 433,168                          | 428,087  |
| Allowance for doubtful accounts        | (7,976)                          | (7,976)  |
| Total investments and other assets     | 9,420,310                        | 11,194,905                                       |
| Total non-current assets               | 36,117,926                       | 37,282,097                                       |
| Total assets                           | 62,352,891                       | 62,028,162                                       |

(Thousands of yen)

|   | FY2014<br>(As of March 31, 2014) | First Quarter of FY2015<br>(As of June 30, 2014) |
|---|----------------------------------|--|
| <b>Liabilities</b>                                    |                                  |  |
| <b>Current liabilities</b>                            |                                  |  |
| Notes and accounts payable - trade                    | 3,381,377                        | 3,292,039  |
| Short-term loans payable                              | 461,090                          | 652,948  |
| Lease obligations                                     | 11,138                           | 11,138   |
| Income taxes payable                                  | 1,508,758                        | 595,978  |
| Provision for bonuses                                 | 203,526                          | 69,924   |
| Provision for directors' bonuses                      | 58,000                           | –  |
| Others  | 1,917,345                        | 2,045,142  |
| <b>Total current liabilities</b>                      | <b>7,541,238</b>                 | <b>6,667,172</b>                                 |
| <b>Non-current liabilities</b>                        |                                  |  |
| Long-term loans payable                               | 220,054                          | 172,082  |
| Lease obligations                                     | 20,933                           | 18,148   |
| Deferred tax liabilities                              | 955,848                          | 1,317,542  |
| Provision for directors' retirement benefits          | 348,795                          | 353,317  |
| Net defined benefit liability                         | 638,985                          | 766,437  |
| Others  | 415,516                          | 399,395  |
| <b>Total non-current liabilities</b>                  | <b>2,600,134</b>                 | <b>3,026,923</b>                                 |
| <b>Total liabilities</b>                              | <b>10,141,372</b>                | <b>9,694,096</b>                                 |
| <b>Net assets</b>                                     |                                  |  |
| <b>Shareholders' equity</b>                           |                                  |  |
| Capital stock   | 7,095,096                        | 7,095,096  |
| Capital surplus                                       | 7,833,869                        | 7,833,869  |
| Retained earnings                                     | 36,153,808                       | 35,886,058                                       |
| Treasury shares                                       | (2,062,514)                      | (2,063,302)                                      |
| <b>Total shareholders' equity</b>                     | <b>49,020,258</b>                | <b>48,751,720</b>                                |
| <b>Accumulated other comprehensive income</b>         |                                  |  |
| Valuation difference on available-for-sale securities | 1,626,742                        | 2,392,020  |
| Foreign currency translation adjustment               | 1,120,558                        | 762,811  |
| Remeasurements of defined benefit plans               | 9,664                            | 9,385  |
| <b>Total accumulated other comprehensive income</b>   | <b>2,756,966</b>                 | <b>3,164,217</b>                                 |
| <b>Minority interests</b>                             | <b>434,293</b>                   | <b>418,128</b>                                   |
| <b>Total net assets</b>                               | <b>52,211,518</b>                | <b>52,334,066</b>                                |
| <b>Total liabilities and net assets</b>               | <b>62,352,891</b>                | <b>62,028,162</b>                                |

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

(Thousands of yen)

|   | First Quarter of FY2014<br>(April 1, 2013 to<br>June 30, 2013) | First Quarter of FY2015<br>(April 1, 2014 to<br>June 30, 2014) |
|---|--|--|
| Net sales   | 8,329,495  | 8,899,901  |
| Cost of sales                                     | 5,709,357  | 6,222,884  |
| Gross profit                                      | 2,620,138  | 2,677,017  |
| Selling, general and administrative expenses      | 1,326,296  | 1,487,450  |
| Operating income                                  | 1,293,842  | 1,189,566  |
| Non-operating income                              |  |  |
| Interest income                                   | 27,304   | 28,654   |
| Dividend income                                   | 61,289   | 69,631   |
| House rent income                                 | 8,213  | 8,229  |
| Foreign exchange gains                            | 197,690  | 21,467   |
| Gain on valuation of derivatives                  | 63,043   | –  |
| Others  | 45,846   | 41,488   |
| Total non-operating income                        | 403,388  | 169,471  |
| Non-operating expenses                            |  |  |
| Interest expenses                                 | 4,336  | 6,048  |
| Loss on valuation of derivatives                  | –  | 71,712   |
| Cost of lease revenue                             | 4,198  | 4,510  |
| Others  | 1,468  | 4,703  |
| Total non-operating expenses                      | 10,003   | 86,975   |
| Ordinary income                                   | 1,687,227  | 1,272,063  |
| Income before income taxes and minority interests | 1,687,227  | 1,272,063  |
| Income taxes                                      | 672,545  | 513,184  |
| Income before minority interests                  | 1,014,681  | 758,879  |
| Minority interests in income                      | 11,680   | 8,106  |
| Net income  | 1,003,001  | 750,772  |



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

(Thousands of yen)

|   | First Quarter of FY2014<br>(April 1, 2013 to<br>June 30, 2013) | First Quarter of FY2015<br>(April 1, 2014 to<br>June 30, 2014) |
|---|--|--|
| Income before minority interests                        | 1,014,681  | 758,879  |
| Other comprehensive income                              |  |  |
| Valuation difference on available-for-sale securities   | (27,070)   | 765,277  |
| Foreign currency translation adjustment                 | 612,815  | (377,164)  |
| Remeasurements of defined benefit plans                 | –  | (279)  |
| Total other comprehensive income                        | 585,745  | 387,833  |
| Comprehensive income                                    | 1,600,426  | 1,146,713  |
| Comprehensive income attributable to:                   |  |  |
| Comprehensive income attributable to owners of parent   | 1,560,640  | 1,158,023  |
| Comprehensive income attributable to minority interests | 39,786   | (11,310)   |

**(3) Notes on Quarterly Financial Statements**

**(Notes on Going Concern Assumption)**

There is no related information.

**(Notes on Significant Changes in the Amount of Shareholders' Equity)**

There is no related information.

**(Segment Information, etc.)**

[Segment information]

Segment information is omitted because natural seasoning business is our only segment.