

Consolidated Financial Results for the Third Quarter of FY2023 Ending March 31, 2023 (J-GAAP)

February 8, 2023

Listed company name: Ariake Japan Co., Ltd.
 Code number: 2815 URL: <https://www.ariakejapan.com/> Listing exchange: Tokyo, Prime Market
 Representative: Naoki Shirakawa, President (CEO)
 Contact: Kazuhiro Fujita, General Manager, Administration Department
 TEL: +81-3-3791-3301

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 Supplementary quarterly materials prepared: None
 Quarterly results information meeting held: None

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Third Quarter of FY2023 Ending March 31, 2023 (April 1, 2022–December 31, 2022)

(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	%
Third Quarter of FY2023	42,050	7.5	6,439	(18.7)	6,986	(16.5)	4,645	(15.9)
Third Quarter of FY2022	39,124	6.3	7,921	8.3	8,364	9.6	5,522	4.7

(Note) Comprehensive income: Third Quarter of FY2023: ¥7,770 million (7.6%) Third Quarter of FY2022: ¥7,220 million (36.4%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Third Quarter of FY2023	145.85	–
Third Quarter of FY2022	173.47	–

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2022	125,771	111,024	87.5	3,453.94
As of March 31, 2022	119,964	106,338	87.9	3,312.02

(Reference) Equity capital: As of December 31, 2022: ¥110,005 million

As of March 31, 2022: ¥105,486 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2022	–	20.00	–	76.00	96.00
FY2023	–	20.00	–	–	–
FY2023 (forecast)	–	–	–	76.00	96.00

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

3. Forecast of the Consolidated Financial Results for FY2023 Ending March 31, 2023 (April 1, 2022–March 31, 2023)

(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	56,100	6.5	11,700	9.5	12,300	8.5	8,200	6.4	257.53

(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.: 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)
- 2) Number of treasury shares as of the period-end
- 3) Average number of shares (quarterly consolidated cumulative period)

As of December 31, 2022	32,808,683 shares	As of March 31, 2022	32,808,683 shares
As of December 31, 2022	959,319 shares	As of March 31, 2022	959,160 shares
First nine months of FY2023	31,849,448 shares	First nine months of FY2022	31,838,374 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 nine months of the fiscal year ending March 31, 2023, the Japanese economy saw signs of economic activities returning to normal as restrictions on movement eased amid the lingering effect of COVID-19 infections. However, with the impact of geopolitical risks persisting internationally, the business environment remains challenging, primarily due to surging raw material and energy prices against the backdrop of rising prices and the weakening of the yen. Whereas signs of recovery can be spotted, partly because of the effects of the vaccination rollout and a variety of policies, the economic outlook remains uncertain, with declining consumption and other negative factors.

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 nine months ended December 31, 2022.

The Company's net sales increased by 4.7% (¥1,438 million) year on year to ¥31,848 million, owing to the usual effort to focus on a "customer-first approach" for expansion of sales, despite the impact of COVID-19.

Net sales of consolidated subsidiaries increased by 17.1% year on year.

As a result, consolidated net sales for the nine months under review increased by 7.5% year on year to ¥42,050 million (up ¥2,925 million year on year).

The Company's operating income decreased by 25.5% (¥1,499 million) year on year to ¥4,390 million due to the steep rise in prices of raw materials and energy. Consolidated operating income was ¥6,439 million, representing a decrease of 18.7% (¥1,481 million) from the same period in the previous fiscal year.

The Company's ordinary income decreased by 24.0% (¥1,568 million) year on year to ¥4,954 million due to a decrease in operating income from the previous fiscal year.

Consolidated ordinary income decreased by 16.5% (¥1,377 million) year on year to ¥6,986 million.

The Company's quarterly net income decreased by 20.5% (¥903 million) year on year to ¥3,505 million.

Quarterly net income attributable to shareholders of the parent company decreased by 15.9% (¥877 million) year on year to ¥4,645 million.

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

- Net sales

(Billions of yen)

	First nine months of FY2023	First nine months of FY2022	Increase (Decrease)
Ariake Japan Co., Ltd.	31.85	30.41	1.44
Asia	6.54	5.60	0.94
Europe	3.45	2.90	0.55
Japan	0.21	0.21	0.00
Consolidated subsidiaries total	10.20	8.71	1.49
Total	42.05	39.12	2.93

- Operating income

(Billions of yen)

	First nine months of FY2023	First nine months of FY2022	Increase (Decrease)
Ariake Japan Co., Ltd.	4.39	5.89	(1.50)
Asia	1.52	1.32	0.20
Europe	0.52	0.70	(0.18)
Japan	0.01	0.01	0.00
Consolidated subsidiaries total	2.05	2.03	0.02
Total	6.44	7.92	(1.48)

(2) Explanation regarding Financial Position

As of December 31, 2022, consolidated total assets were ¥125,771 million. This represents an increase of ¥5,807 million compared to March 31, 2022.

Total liabilities increased by ¥1,121 million to ¥14,747 million compared to March 31, 2022, mainly due to an increase in notes and accounts payable - trade. Net assets were ¥111,024 million, which represents an increase of ¥4,685 million from March 31, 2022.

(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 12, 2022. However, we will disclose information in an appropriate manner if any material changes occur in the future.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY2022 (As of March 31, 2022)	Third Quarter of FY2023 (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	63,404,491	62,959,518
Notes and accounts receivable - trade	11,225,004	13,918,187
Securities	1,500,000	—
Merchandise and finished goods	4,186,198	4,833,836
Work in process	1,288,416	1,541,408
Raw materials and supplies	3,885,213	5,052,960
Accounts receivable - other	5,550	10,093
Others	515,174	685,841
Allowance for doubtful accounts	(1,168)	(1,177)
Total current assets	86,008,880	89,000,669
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,392,242	24,321,985
Accumulated depreciation	(14,289,491)	(15,148,973)
Buildings and structures, net	9,102,750	9,173,012
Machinery, equipment and vehicles	27,491,691	28,644,837
Accumulated depreciation	(22,021,837)	(23,193,387)
Machinery, equipment and vehicles, net	5,469,854	5,451,449
Land	4,641,294	4,715,305
Leased assets	101,644	111,039
Accumulated depreciation	(67,146)	(74,557)
Leased assets, net	34,498	36,482
Construction in progress	1,581,501	3,652,372
Others	1,373,226	1,513,711
Accumulated depreciation	(1,125,512)	(1,223,900)
Others, net	247,714	289,811
Total property, plant and equipment	21,077,613	23,318,433
Intangible assets		
Goodwill	170,842	106,458
Other	136,602	136,354
Total intangible assets	307,445	242,812
Investments and other assets		
Investment securities	11,951,566	12,591,552
Long-term loans receivable	145,874	145,260
Real estate for investment, net	148,088	148,030
Deferred tax assets	11,608	13,878
Others	376,077	373,879
Allowance for doubtful accounts	(63,129)	(63,129)
Total investments and other assets	12,570,086	13,209,472
Total non-current assets	33,955,145	36,770,718
Total assets	119,964,026	125,771,387

(Thousands of yen)

	FY2022 (As of March 31, 2022)	Third Quarter of FY2023 (As of December 31, 2022)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	5,179,945	6,638,245
Lease obligations	8,427	7,222
Income taxes payable	1,483,112	864,874
Provision for bonuses	308,928	144,967
Provision for directors' bonuses	60,100	—
Others	2,226,787	2,414,472
Total current liabilities	9,267,301	10,069,782
Non-current liabilities		
Lease obligations	34,447	29,253
Deferred tax liabilities	2,612,638	2,914,074
Provision for directors' retirement benefits	90,482	97,103
Net defined benefit liability	1,402,316	1,417,395
Others	217,868	219,392
Total non-current liabilities	4,357,753	4,677,218
Total liabilities	13,625,054	14,747,001
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,964,413	7,964,413
Retained earnings	85,606,123	87,193,710
Treasury shares	(2,040,815)	(2,041,631)
Total shareholders' equity	98,624,817	100,211,588
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,712,799	4,848,399
Foreign currency translation adjustment	2,167,456	4,959,085
Remeasurements of defined benefit plans	(18,695)	(13,284)
Total accumulated other comprehensive income	6,861,560	9,794,201
Non-controlling interests	852,593	1,018,596
Total net assets	106,338,971	111,024,386
Total liabilities and net assets	119,964,026	125,771,387

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

(Thousands of yen)

	Third Quarter of FY2022 (April 1, 2021 to December 31, 2021)	Third Quarter of FY2023 (April 1, 2022 to December 31, 2022)
Net sales	39,124,936	42,050,132
Cost of sales	25,661,887	29,744,020
Gross profit	13,463,048	12,306,112
Selling, general and administrative expenses	5,541,896	5,866,240
Operating income	7,921,151	6,439,871
Non-operating income		
Interest income	72,323	116,538
Dividend income	127,132	163,039
House rent income	14,788	16,403
Foreign exchange gains	118,766	181,888
Others	127,974	79,250
Total non-operating income	460,986	557,120
Non-operating expenses		
Interest expenses	4,444	4,716
Cost of lease revenue	2,797	–
Others	10,857	5,797
Total non-operating expenses	18,098	10,513
Ordinary income	8,364,038	6,986,478
Extraordinary income		
Gain on sales of non-current assets	17,252	–
Gain on sale of investment securities	–	38,164
Total extraordinary income	17,252	38,164
Extraordinary losses		
Provision for directors' retirement benefits	186,396	–
Loss on retirement of non-current assets	–	5,350
Total extraordinary losses	186,396	5,350
Income before income taxes and minority interests	8,194,895	7,019,292
Income taxes	2,593,669	2,291,788
Quarterly net income	5,601,226	4,727,503
Quarterly net income attributable to non-controlling interests	78,350	82,364
Quarterly net income attributable to shareholders of the parent company	5,522,875	4,645,139

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Third Quarter of FY2022 (April 1, 2021 to December 31, 2021)	Third Quarter of FY2023 (April 1, 2022 to December 31, 2022)
Quarterly net income	5,601,226	4,727,503
Other comprehensive income		
Valuation difference on available-for-sale securities	484,306	135,599
Foreign currency translation adjustment	1,168,499	2,902,130
Remeasurements of defined benefit plans	(33,462)	5,410
Total other comprehensive income	1,619,343	3,043,141
Quarterly comprehensive income	7,220,569	7,770,645
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	7,082,515	7,577,780
Quarterly comprehensive income attributable to non- controlling interests	138,053	192,865

(3) Notes on Quarterly Financial Statements
(Notes on the Going Concern Assumption)

There is nothing to report.

(Changes in Accounting Policies)

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 third 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.

(Segment Information, etc.)

[Segment information]

Segment information is omitted because the natural seasonings business is our only segment.