

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

February 4, 2022

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 Date to start of dividends distribution: –
 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 FY2022 Ending March 31, 2022 (April 1, 2021–December 31, 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	%
Third Quarter of FY2022	39,124	6.3	7,921	8.3	8,364	9.6	5,522	4.7
Third Quarter of FY2021	36,795	(7.1)	7,316	(17.3)	7,630	(16.0)	5,276	(15.4)

(Note) Comprehensive income: Third Quarter of FY2022: ¥7,220 million (36.4%) Third Quarter of FY2021: ¥5,293 million (4.2%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Third Quarter of FY2022	173.47	–
Third Quarter of FY2021	165.82	–

(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, 2021	116,868	103,801	88.2	3,234.55
As of March 31, 2021	111,681	98,867	87.9	3,086.18

(Reference) Equity capital: As of December 31, 2021: ¥103,019 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 "(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)
- 2) Number of treasury shares as of the period-end
- 3) Average number of shares (quarterly consolidated cumulative period)

As of December 31, 2021	32,808,683 shares	As of March 31, 2021	32,808,683 shares
As of December 31, 2021	959,082 shares	As of March 31, 2021	988,181 shares
First nine months of FY2022	31,838,374 shares	First nine months of FY2021	31,820,729 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, 2022 (April 1, 2021–December 31, 2021), the Japanese economy gradually returned to normal from the situation in which economic activities were considerably restrained by the spread of COVID-19. However, the nationwide resurgence of COVID-19 during this winter has caused the situation to become unpredictable again, leaving consumption activities and the outlook for the economy 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 nine months ended December 31, 2021.

The Company's net sales increased by 4.7% (¥1,362 million) year on year to ¥30,410 million because of our sales and marketing efforts focusing on a "customer first" approach.

Net sales of consolidated subsidiaries increased by 12.5% year on year.

As a result, consolidated net sales for the nine months under review increased by 6.3% year on year to ¥39,124 million (up ¥2,329 million year on year).

The Company's operating income increased by 6.3% (¥350 million) year on year to ¥5,890 million due to an increase in net sales. Consolidated operating income was ¥7,921 million, representing an increase of 8.3% (¥604 million) from the same period in the previous fiscal year.

The Company's ordinary income increased by 8.5% (¥508 million) year on year to ¥6,522 million mainly due to an increase in foreign exchange gains compared with the previous fiscal year.

Consolidated ordinary income increased by 9.6% (¥733 million) year on year to ¥8,364 million.

The Company's quarterly net income increased by 4.9% (¥207 million) year on year to ¥4,408 million.

Quarterly net income attributable to shareholders of the parent company increased by 4.7% (¥246 million) year on year to ¥5,522 million.

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

- Net sales

(Billions of yen)

	First nine months of FY2022	First nine months of FY2021	Difference
Ariake Japan Co., Ltd.	30.41	29.05	1.36
Asia	5.60	4.58	1.02
Europe	2.90	2.96	(0.06)
Japan	0.21	0.20	0.01
Consolidated subsidiaries total	8.71	7.74	0.97
Total	39.12	36.79	2.33

- Operating income

(Billions of yen)

	First nine months of FY2022	First nine months of FY2021	Difference
Ariake Japan Co., Ltd.	5.89	5.54	0.35
Asia	1.32	1.09	0.23
Europe	0.70	0.67	0.03
Japan	0.01	0.01	0.00
Consolidated subsidiaries total	2.03	1.77	0.26
Total	7.92	7.31	0.61

(2) Explanation regarding Financial Position

As of December 31, 2021, consolidated total assets were ¥116,868 million. This represents an increase of ¥5,187 million compared to March 31, 2021.

Total liabilities increased by ¥253 million to ¥13,067 million compared to March 31, 2021, mainly due to an increase in notes and accounts payable - trade. Net assets were ¥103,801 million, which represents an increase of ¥4,933 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. 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)

	FY2021 (As of March 31, 2021)	Third Quarter of FY2022 (As of December 31, 2021)
Assets		
Current assets		
Cash and deposits	54,877,790	57,851,778
Notes and accounts receivable - trade	10,363,876	12,585,320
Securities	5,500,000	4,500,000
Merchandise and finished goods	3,576,288	3,929,407
Work in process	1,104,050	1,146,352
Raw materials and supplies	3,211,544	3,626,832
Accounts receivable - other	9,188	8,523
Others	766,339	833,752
Allowance for doubtful accounts	(1,158)	(1,165)
Total current assets	79,407,920	84,480,801
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,701,250	23,209,112
Accumulated depreciation	(13,526,976)	(14,080,715)
Buildings and structures, net	9,174,273	9,128,396
Machinery, equipment and vehicles	25,883,368	27,076,894
Accumulated depreciation	(20,807,568)	(21,687,032)
Machinery, equipment and vehicles, net	5,075,799	5,389,861
Land	4,607,350	4,633,494
Leased assets	61,924	101,517
Accumulated depreciation	(57,441)	(64,843)
Leased assets, net	4,483	36,674
Construction in progress	961,089	1,035,441
Others	1,257,431	1,354,403
Accumulated depreciation	(1,024,882)	(1,104,012)
Others, net	232,549	250,390
Total property, plant and equipment	20,055,546	20,474,258
Intangible assets		
Goodwill	261,143	194,276
Other	131,454	140,950
Total intangible assets	392,598	335,227
Investments and other assets		
Investment securities	10,852,886	11,049,532
Long-term loans receivable	6,793	6,045
Real estate for investment, net	566,932	148,235
Deferred tax assets	18,102	15,449
Others	380,587	358,922
Allowance for doubtful accounts	(129)	(129)
Total investments and other assets	11,825,173	11,578,056
Total non-current assets	32,273,317	32,387,542
Total assets	111,681,238	116,868,344

(Thousands of yen)

	FY2021 (As of March 31, 2021)	Third Quarter of FY2022 (As of December 31, 2021)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,451,434	5,129,493
Lease obligations	3,851	5,311
Income taxes payable	1,904,615	1,041,006
Provision for bonuses	274,908	116,521
Provision for directors' bonuses	69,700	—
Others	2,243,125	2,455,978
Total current liabilities	8,947,635	8,748,312
Non-current liabilities		
Lease obligations	280	40,082
Deferred tax liabilities	2,148,022	2,499,838
Provision for directors' retirement benefits	155,446	87,245
Net defined benefit liability	1,331,966	1,464,352
Others	230,291	227,307
Total non-current liabilities	3,866,006	4,318,826
Total liabilities	12,813,642	13,067,138
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	83,420,238
Treasury shares	(2,100,667)	(2,040,380)
Total shareholders' equity	93,183,676	96,439,367
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,298,161	4,782,467
Foreign currency translation adjustment	725,881	1,834,677
Remeasurements of defined benefit plans	(4,036)	(37,498)
Total accumulated other comprehensive income	5,020,006	6,579,646
Non-controlling interests	663,912	782,191
Total net assets	98,867,595	103,801,205
Total liabilities and net assets	111,681,238	116,868,344

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

(Thousands of yen)

	Third Quarter of FY2021 (April 1, 2020 to December 31, 2020)	Third Quarter of FY2022 (April 1, 2021 to December 31, 2021)
Net sales	36,795,019	39,124,936
Cost of sales	24,108,448	25,661,887
Gross profit	12,686,571	13,463,048
Selling, general and administrative expenses	5,370,014	5,541,896
Operating income	7,316,557	7,921,151
Non-operating income		
Interest income	101,666	72,323
Dividend income	138,304	127,132
House rent income	25,883	14,788
Foreign exchange losses	—	118,766
Others	80,020	127,974
Total non-operating income	345,874	460,986
Non-operating expenses		
Interest expenses	2,168	4,444
Foreign exchange losses	7,386	—
Cost of lease revenue	9,631	2,797
Others	13,115	10,857
Total non-operating expenses	32,301	18,098
Ordinary income	7,630,129	8,364,038
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	7,630,129	8,194,895
Income taxes	2,297,317	2,593,669
Quarterly net income	5,332,812	5,601,226
Quarterly net income attributable to non-controlling interests	56,337	78,350
Quarterly net income attributable to shareholders of the parent company	5,276,475	5,522,875

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Third Quarter of FY2021 (April 1, 2020 to December 31, 2020)	Third Quarter of FY2022 (April 1, 2021 to December 31, 2021)
Quarterly net income	5,332,812	5,601,226
Other comprehensive income		
Valuation difference on available-for-sale securities	157,466	484,306
Foreign currency translation adjustment	(219,942)	1,168,499
Remeasurements of defined benefit plans	23,482	(33,462)
Total other comprehensive income	(38,993)	1,619,343
Quarterly comprehensive income	5,293,819	7,220,569
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	5,242,464	7,082,515
Quarterly comprehensive income attributable to non- controlling interests	51,355	138,053

(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 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 nine months ended December 31, 2021 decreased by ¥671,496 thousand, cost of sales by ¥521,028 thousand, selling, general and administrative expenses by ¥148,956 thousand, and each of operating income, ordinary income, and income before income taxes and minority interests by ¥1,511 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 nine 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 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.