

Consolidated Financial Results for the Second Quarter of FY2019 Ending March 31, 2019 (J-GAAP)

November 8, 2018

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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 FY2019 Ending March 31, 2019 (April 1, 2018–September 30, 2018)

(1) Consolidated Business 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 FY2019	26,427	2.5	5,661	7.4	5,991	9.5	4,104	9.6
Second Quarter of FY2018	25,789	16.3	5,270	15.1	5,471	27.7	3,745	24.5

(Note) Comprehensive income: Second Quarter of FY2019: ¥4,619 million (2.9%) Second Quarter of FY2018: ¥4,489 million (278.2%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second Quarter of FY2019	128.98	–
Second Quarter of FY2018	117.70	–

(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, 2018	90,080	77,169	85.1	2,410.13
As of March 31, 2018	87,026	74,027	84.5	2,312.19

(Reference) Equity capital: As of September 30, 2018: ¥76,693 million

As of March 31, 2018: ¥73,578 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2018	–	20.00	–	46.00	66.00
FY2019	–	20.00	–	–	–
FY2019 (forecast)	–	–	–	46.00	66.00

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

3. Forecast of the Consolidated Financial Results for FY2019 Ending March 31, 2019 (April 1, 2018–March 31, 2019)

(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	56,802	4.5	11,922	5.2	12,315	6.4	8,828	9.0	277.42

(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, 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 Shares Outstanding (Common Stock)

1) Number of shares outstanding as of the period-end (including treasury shares)	As of September 30, 2018	32,808,683 shares	As of March 31, 2018	32,808,683 shares
2) Number of treasury shares as of the period-end	As of September 30, 2018	987,182 shares	As of March 31, 2018	986,696 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First six months of FY2019	31,821,838 shares	First six months of FY2018	31,822,618 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 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 first six months of the fiscal year ending March 31, 2019 (April 1, 2018–September 30, 2018), the Japanese economy continued to be on a moderate recovery trend with improvements in corporate earnings and employment and income conditions. However, uncertainty concerning the future remains as the tendency among consumers to economize still persists.

In the food industry, although some companies showed steady growth in sales, the business environment for the industry remained harsh against a backdrop of price competition.

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 Eight-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, 2018.

The Company's net sales increased by 0.0% (¥7 million) year on year, to ¥18,638 million, resulting from our steady sales and marketing efforts focusing on a "customer-first" approach. Regarding net sales of consolidated subsidiaries, those of the subsidiaries in Asia marked an increase. Therefore, consolidated net sales for the six months under review increased by 2.5% year on year, to ¥26,427 million (up by ¥638 million year on year).

The Company's operating income increased by 3.6% (¥131 million) year on year to ¥3,776 million, owing to painstaking cost management. Consolidated operating income was ¥5,661 million, representing an increase of 7.4% (¥390 million) from the same period in the previous fiscal year.

The Company's ordinary income increased by 6.9% (¥282 million) year on year to ¥4,357 million mainly due to foreign exchange gains and gains on the valuation of derivatives, which totaled ¥221 million in the period under review.

Consolidated ordinary income increased by 9.5% (¥520 million) year on year to ¥5,991 million.

The Company's quarterly net income increased by 2.4% (¥71 million) year on year to ¥3,043 million.

Quarterly net income attributable to shareholders of the parent company increased by 9.6% (¥358 million) year on year to ¥4,104 million.

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

- Net sales

(Billions of yen)

	First six months of FY2019	First six months of FY2018	Increase (Decrease)
Ariake Japan Co., Ltd.	18.64	18.63	0.01
U.S.	2.71	2.73	(0.02)
Asia	3.31	2.68	0.63
Europe	1.61	1.59	0.02
Japan	0.16	0.16	0.00
Consolidated subsidiaries total	7.79	7.16	0.63
Total	26.43	25.79	0.64

- Operating income

(Billions of yen)

	First six months of FY2019	First six months of FY2018	Increase (Decrease)
Ariake Japan Co., Ltd.	3.78	3.65	0.13
U.S.	0.76	0.78	(0.02)
Asia	0.86	0.69	0.17
Europe	0.25	0.14	0.11
Japan	0.01	0.01	0.00
Consolidated subsidiaries total	1.88	1.62	0.26
Total	5.66	5.27	0.39

(2) Explanation regarding Financial Position

As of September 30, 2018, consolidated total assets were ¥90,080 million. This represents an increase of ¥3,053 million compared to March 31, 2018.

Total liabilities decreased by ¥87 million to ¥12,911 million compared to March 31, 2018, mainly due to an increase in deferred tax liabilities and a decline in notes and accounts payable - trade. Net assets were ¥77,169 million, which represents an increase of ¥3,141 million from March 31, 2018.

(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 11, 2018.

2. Quarterly Consolidated Financial Statements and Major Notes**(1) Quarterly Consolidated Balance Sheets**

(Thousands of yen)

	FY2018 (As of March 31, 2018)	Second Quarter of FY2019 (As of September 30, 2018)
Assets		
Current assets		
Cash and deposits	29,816,304	29,282,109
Notes and accounts receivable - trade	10,665,763	10,953,635
Securities	500,000	1,500,000
Merchandise and finished goods	3,836,679	4,008,917
Work in process	895,113	1,080,871
Raw materials and supplies	2,378,687	2,535,704
Others	514,754	636,646
Allowance for doubtful accounts	(1,845)	(1,471)
Total current assets	48,605,456	49,996,412
Non-current assets		
Property, plant and equipment		
Buildings and structures	25,094,171	24,711,915
Accumulated depreciation	(13,155,347)	(13,335,219)
Buildings and structures, net	11,938,823	11,376,695
Machinery, equipment and vehicles	27,289,207	27,635,769
Accumulated depreciation	(21,383,024)	(21,695,094)
Machinery, equipment and vehicles, net	5,906,183	5,940,674
Land	4,561,727	4,523,478
Leased assets	115,002	114,735
Accumulated depreciation	(76,390)	(83,023)
Leased assets, net	38,612	31,712
Construction in progress	1,241,053	2,164,492
Others	1,121,727	1,146,251
Accumulated depreciation	(943,293)	(960,630)
Others, net	178,434	185,620
Total property, plant and equipment	23,864,833	24,222,674
Intangible assets		
Goodwill	580,394	502,318
Other	138,653	126,925
Total intangible assets	719,048	629,243
Investments and other assets		
Investment securities	12,802,571	14,239,505
Long-term loans receivable	18,315	17,216
Real estate for investment, net	660,040	656,753
Deferred tax assets	11,472	10,714
Others	345,323	308,029
Allowance for doubtful accounts	(129)	(129)
Total investments and other assets	13,837,593	15,232,090
Total non-current assets	38,421,475	40,084,008
Total assets	87,026,932	90,080,421

(Thousands of yen)

	FY2018 (As of March 31, 2018)	Second Quarter of FY2019 (As of September 30, 2018)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,792,824	4,527,775
Short-term loans payable	24,532	23,254
Lease obligations	14,389	14,120
Income taxes payable	1,806,634	1,622,549
Provision for bonuses	255,987	259,112
Provision for directors' bonuses	70,000	-
Others	2,170,088	1,985,850
Total current liabilities	9,134,456	8,432,663
Non-current liabilities		
Lease obligations	27,008	19,882
Deferred tax liabilities	2,238,640	2,852,991
Provision for directors' retirement benefits	126,110	131,453
Net defined benefit liability	1,168,585	1,196,073
Others	304,447	278,283
Total non-current liabilities	3,864,791	4,478,683
Total liabilities	12,999,247	12,911,346
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,840,343	7,840,343
Retained earnings	55,255,026	57,895,537
Treasury shares	(2,088,405)	(2,093,155)
Total shareholders' equity	68,102,060	70,737,822
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	4,650,893	6,005,688
Foreign currency translation adjustment	895,680	6,644
Remeasurements of defined benefit plans	(70,253)	(56,252)
Total accumulated other comprehensive income	5,476,319	5,956,080
Non-controlling interests	449,304	475,171
Total net assets	74,027,684	77,169,074
Total liabilities and net assets	87,026,932	90,080,421

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

(Thousands of yen)

	First Half of FY2018 (April 1, 2017 to September 30, 2017)	First Half of FY2019 (April 1, 2018 to September 30, 2018)
Net sales	25,789,357	26,427,416
Cost of sales	16,864,115	17,065,121
Gross profit	8,925,242	9,362,295
Selling, general and administrative expenses	3,654,661	3,701,205
Operating income	5,270,581	5,661,089
Non-operating income		
Interest income	25,251	11,889
Dividend income	85,062	85,503
House rent income	16,892	18,079
Foreign exchange gains	24,639	6,842
Gain on valuation of derivatives	–	124,324
Others	77,919	98,908
Total non-operating income	229,766	345,546
Non-operating expenses		
Interest expenses	322	211
Loss on valuation of derivatives	8,844	–
Cost of lease revenue	7,259	7,542
Others	12,807	7,660
Total non-operating expenses	29,233	15,414
Ordinary income	5,471,114	5,991,221
Extraordinary income		
Subsidy income	179,391	–
Total extraordinary income	179,391	–
Extraordinary losses		
Loss on retirement of non-current assets	6,138	–
Total extraordinary losses	6,138	–
Income before income taxes and minority interests	5,644,367	5,991,221
Income taxes	1,859,754	1,835,441
Quarterly net income	3,784,612	4,155,780
Quarterly net income attributable to non-controlling interests	39,103	51,457
Quarterly net income attributable to shareholders of the parent company	3,745,508	4,104,322

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Half of FY2018 (April 1, 2017 to September 30, 2017)	First Half of FY2019 (April 1, 2018 to September 30, 2018)
Quarterly net income	3,784,612	4,155,780
Other comprehensive income		
Valuation difference on available-for-sale securities	620,604	1,354,795
Foreign currency translation adjustment	70,884	(905,231)
Remeasurements of defined benefit plans	13,584	14,001
Total other comprehensive income	705,073	463,565
Quarterly comprehensive income	4,489,685	4,619,346
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	4,456,407	4,584,083
Quarterly comprehensive income attributable to non- controlling interests	33,278	35,262

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First Half of FY2018 (April 1, 2017 to September 30, 2017)	First Half of FY2019 (April 1, 2018 to September 30, 2018)
Cash flows from operating activities		
Income before income taxes and minority interests	5,644,367	5,991,221
Depreciation	950,972	929,072
Amortization of goodwill	47,862	47,839
Increase (decrease) in allowance for doubtful accounts	1,257	(330)
Increase (decrease) in provision for directors' retirement benefits	4,260	5,343
Increase (decrease) in net defined benefit liability	77,895	47,467
Increase (decrease) in provision for bonuses	1,072	4,007
Increase (decrease) in provision for directors' bonuses	(51,840)	(70,000)
Interest and dividend income	(110,314)	(97,392)
Interest expenses	322	211
Foreign exchange losses (gains)	(60,828)	5,513
Loss (gain) on valuation of derivatives	8,844	(124,324)
Loss on retirement of non-current assets	6,138	–
Subsidy income	(179,391)	–
Decrease (increase) in notes and accounts receivable - trade	(982,660)	(385,013)
Decrease (increase) in inventories	(412,145)	(612,658)
Increase (decrease) in notes and accounts payable - trade	15,494	(300,382)
Others	(56,792)	(62,574)
Subtotal	4,904,515	5,378,001
Interest and dividend income received	124,629	94,173
Interest expenses paid	(322)	(211)
Proceeds from subsidy income	179,391	–
Income taxes paid	(1,907,716)	(1,871,628)
Net cash provided by operating activities	3,300,497	3,600,334
Cash flows from investing activities		
Proceeds from sale of securities	48,311	–
Payments into time deposits	(2,000,000)	–
Purchase of property, plant and equipment	(1,120,905)	(1,823,968)
Purchase of intangible assets	(42,741)	(2,850)
Proceeds from sales of non-current assets	610,704	–
Purchase of investment securities	(503,665)	(503,721)
Payments of loans receivable	(1,000)	(719)
Collection of loans receivable	1,698	1,476
Net cash used in investing activities	(3,007,597)	(2,329,783)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(191,277)	–
Purchase of treasury shares	(5,401)	(4,749)
Cash dividends paid	(1,272,851)	(1,464,181)
Cash dividends paid to non-controlling interests	(6,362)	(9,395)

Others	-	(7,634)
Net cash used in financing activities	(1,475,892)	(1,485,961)
Effect of exchange rate change on cash and cash equivalents	96,806	(318,784)
Net increase (decrease) in cash and cash equivalents	(1,086,186)	(534,195)
Cash and cash equivalents at beginning of period	17,547,632	17,316,304
Cash and cash equivalents at end of period	16,461,446	16,782,109

(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.

(Additional Information)

(Application of "Partial Amendments to 'Accounting Standard for Tax Effect Accounting,'" etc.)

As the Company has applied "Partial Amendments to 'Accounting Standard for Tax Effect Accounting'" (ASBJ Statement No. 28, February 16, 2018) and other related standards from the beginning of the consolidated first quarter, "deferred tax assets" is presented in the category of investments and other assets, and "deferred tax liabilities" is presented in the category of non-current liabilities.

(Segment Information, etc.)

[Segment information]

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