

Consolidated Financial Results for the Third Quarter of FY2020 Ending March 31, 2020 (J-GAAP)

February 7, 2020

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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 FY2020 Ending March 31, 2020 (April 1, 2019–December 31, 2019)

(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 FY2020	39,617	(4.4)	8,852	(0.2)	9,080	(2.5)	6,237	18.7
Third Quarter of FY2019	41,456	1.4	8,869	3.9	9,311	4.4	5,255	(13.4)

(Note) Comprehensive income: Third Quarter of FY2020: ¥5,079 million (–11.8%) Third Quarter of FY2019: ¥5,757 million (–31.0%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Third Quarter of FY2020	196.02	–
Third Quarter of FY2019	165.16	–

(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, 2019	103,033	91,520	88.3	2,859.16
As of March 31, 2019	106,699	88,904	82.8	2,777.83

(Reference) Equity capital: As of December 31, 2019: ¥90,980 million

As of March 31, 2019: ¥88,393 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2019	–	20.00	–	57.00	77.00
FY2020	–	20.00	–	–	–
FY2020 (forecast)	–	–	–	57.00	77.00

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

3. Forecast of the Consolidated Financial Results for FY2020 Ending March 31, 2020 (April 1, 2019–March 31, 2020)

(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	52,000	(8.0)	11,100	(7.1)	11,200	(10.7)	8,200	(50.8)	257.69

(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, 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 December 31, 2019	32,808,683 shares	As of March 31, 2019	32,808,683 shares
2) Number of treasury shares as of the period-end	As of December 31, 2019	987,825 shares	As of March 31, 2019	987,527 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First nine months of FY2020	31,821,023 shares	First nine months of FY2019	31,821,697 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, 2020 (April 1, 2019–December 31, 2019), the Japanese economy continued 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 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, 2019.

The Company's net sales increased by 7.5% (¥2,208 million) year on year, to ¥31,718 million, resulting from our steady sales and marketing efforts focusing on a "customer-first" approach. Net sales of consolidated subsidiaries decreased substantially as a result of the sale of Ariake U.S.A., Inc. at the end of the previous fiscal year. Therefore, consolidated net sales for the nine months under review decreased by 4.4% year on year, to ¥39,617 million (down by ¥1,839 million year on year).

The Company's operating income increased by 10.4% (¥644 million) year on year to ¥6,828 million, owing to painstaking cost management. Consolidated operating income was ¥8,852 million, representing a decrease of 0.2% (¥17 million) from the same period in the previous fiscal year.

The Company's ordinary income increased by 5.8% (¥394 million) year on year to ¥7,253 million, despite decreases in foreign exchange gains and gains on the valuation of derivatives from the previous fiscal year.

Consolidated ordinary income decreased by 2.5% (¥230 million) year on year to ¥9,080 million.

The Company's quarterly net income increased by 5.8% (¥275 million) year on year to ¥5,066 million.

Quarterly net income attributable to shareholders of the parent company increased by 18.7% (¥981 million) year on year to ¥6,237 million.

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

- Net sales

(Billions of yen)

	First nine months of FY2020	First nine months of FY2019	Difference
Ariake Japan Co., Ltd.	31.72	29.51	2.21
U.S.	0.00	4.01	(4.01)
Asia	4.93	5.09	(0.16)
Europe	2.71	2.59	0.12
Japan	0.26	0.25	0.01
Consolidated subsidiaries total	7.90	11.94	(4.04)
Total	39.62	41.45	(1.83)

- Operating income

(Billions of yen)

	First nine months of FY2020	First nine months of FY2019	Difference
Ariake Japan Co., Ltd.	6.83	6.18	0.65
U.S.	0.10	1.01	(0.91)
Asia	1.25	1.26	(0.01)
Europe	0.65	0.40	0.25
Japan	0.02	0.02	0.00
Consolidated subsidiaries total	2.02	2.69	(0.67)
Total	8.85	8.87	(0.02)

(2) Explanation regarding Financial Position

As of December 31, 2019, consolidated total assets were ¥103,033 million. This represents a decrease of ¥3,665 million compared to March 31, 2019.

Total liabilities decreased by ¥6,282 million to ¥11,513 million compared to March 31, 2019, mainly due to a decline in income taxes payable. Net assets were ¥91,520 million, which represents an increase of ¥2,616 million from March 31, 2019.

(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 10, 2019.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY2019 (As of March 31, 2019)	Third Quarter of FY2020 (As of December 31, 2019)
Assets		
Current assets		
Cash and deposits	32,043,385	40,265,989
Notes and accounts receivable - trade	10,414,698	11,938,676
Securities	2,000,000	3,000,000
Merchandise and finished goods	3,481,308	3,457,539
Work in process	840,647	800,193
Raw materials and supplies	2,425,690	2,869,428
Accounts receivable - other	17,059,384	3,006,250
Others	586,341	2,737,150
Allowance for doubtful accounts	(1,157)	(1,154)
Total current assets	68,850,299	68,074,073
Non-current assets		
Property, plant and equipment		
Buildings and structures	22,004,303	21,608,267
Accumulated depreciation	(12,497,864)	(12,612,015)
Buildings and structures, net	9,506,438	8,996,252
Machinery, equipment and vehicles	24,477,897	24,596,941
Accumulated depreciation	(19,503,488)	(19,837,485)
Machinery, equipment and vehicles, net	4,974,409	4,759,456
Land	4,587,383	4,589,761
Leased assets	118,282	117,953
Accumulated depreciation	(90,140)	(99,600)
Leased assets, net	28,141	18,353
Construction in progress	365,917	521,267
Others	1,126,376	1,154,331
Accumulated depreciation	(931,647)	(952,358)
Others, net	194,728	201,973
Total property, plant and equipment	19,657,018	19,087,065
Intangible assets		
Goodwill	451,244	353,126
Other	140,918	135,724
Total intangible assets	592,163	488,851
Investments and other assets		
Investment securities	13,714,667	14,386,463
Long-term loans receivable	14,700	13,062
Real estate for investment, net	558,543	573,137
Deferred tax assets	10,630	8,829
Long-term accounts receivable - other	3,000,000	—
Others	301,872	402,585
Allowance for doubtful accounts	(129)	(129)
Total investments and other assets	17,600,284	15,383,949
Total non-current assets	37,849,466	34,959,865
Total assets	106,699,766	103,033,939

(Thousands of yen)

	FY2019 (As of March 31, 2019)	Third Quarter of FY2020 (As of December 31, 2019)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,285,535	4,898,495
Lease obligations	14,110	11,217
Income taxes payable	7,425,753	307,527
Provision for bonuses	269,916	102,241
Provision for directors' bonuses	78,400	—
Others	2,086,572	2,516,956
Total current liabilities	14,160,288	7,836,439
Non-current liabilities		
Lease obligations	15,751	7,800
Deferred tax liabilities	1,974,145	1,984,199
Provision for directors' retirement benefits	136,796	143,564
Net defined benefit liability	1,234,749	1,291,997
Others	274,005	249,086
Total non-current liabilities	3,635,447	3,676,648
Total liabilities	17,795,735	11,513,087
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,840,343	7,840,343
Retained earnings	69,596,355	73,383,730
Treasury shares	(2,095,860)	(2,098,196)
Total shareholders' equity	82,435,933	86,220,973
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,285,414	4,970,758
Foreign currency translation adjustment	738,760	(171,510)
Remeasurements of defined benefit plans	(66,454)	(39,409)
Total accumulated other comprehensive income	5,957,720	4,759,838
Non-controlling interests	510,376	540,040
Total net assets	88,904,030	91,520,852
Total liabilities and net assets	106,699,766	103,033,939

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

(Thousands of yen)

	Third Quarter of FY2019 (April 1, 2018 to December 31, 2018)	Third Quarter of FY2020 (April 1, 2019 to December 31, 2019)
Net sales	41,456,205	39,617,145
Cost of sales	26,884,037	25,091,911
Gross profit	14,572,168	14,525,234
Selling, general and administrative expenses	5,702,455	5,673,074
Operating income	8,869,712	8,852,159
Non-operating income		
Interest income	37,765	63,509
Dividend income	158,627	155,827
House rent income	26,973	24,308
Foreign exchange gains	12,019	—
Gain on valuation of derivatives	105,156	—
Others	123,737	70,415
Total non-operating income	464,279	314,060
Non-operating expenses		
Interest expenses	266	61
Foreign exchange losses	—	44,906
Cost of lease revenue	11,972	10,721
Others	10,333	29,587
Total non-operating expenses	22,572	85,276
Ordinary income	9,311,419	9,080,943
Income before income taxes and minority interests	9,311,419	9,080,943
Income taxes	3,979,714	2,771,857
Quarterly net income	5,331,705	6,309,086
Quarterly net income attributable to non-controlling interests	75,916	71,486
Quarterly net income attributable to shareholders of the parent company	5,255,789	6,237,599

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Third Quarter of FY2019 (April 1, 2018 to December 31, 2018)	Third Quarter of FY2020 (April 1, 2019 to December 31, 2019)
Quarterly net income	5,331,705	6,309,086
Other comprehensive income		
Valuation difference on available-for-sale securities	636,588	(314,655)
Foreign currency translation adjustment	(231,794)	(942,388)
Remeasurements of defined benefit plans	21,002	27,045
Total other comprehensive income	425,796	(1,229,999)
Quarterly comprehensive income	5,757,501	5,079,087
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	5,701,875	5,039,717
Quarterly comprehensive income attributable to non-controlling interests	55,626	39,369

(3) 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 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.