

Consolidated Financial Results for the First Quarter of FY2018 Ending March 31, 2018 (J-GAAP)

August 4, 2017

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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 First Quarter of FY2018 Ending March 31, 2018 (April 1, 2017–June 30, 2017)

(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	%
First quarter of FY2018	12,315	12.5	2,486	10.9	2,643	27.9	1,862	34.6
First quarter of FY2017	10,948	3.7	2,241	19.2	2,067	(3.6)	1,384	0.7

(Note) Comprehensive income: First Quarter of FY2018: ¥1,561 million (89.0%) First Quarter of FY2017: ¥825 million (49.4%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
First Quarter of FY2018	58.54	–
First Quarter of FY2017	43.50	–

(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, 2017	77,361	65,634	84.4	2,051.39
As of March 31, 2017	77,025	65,356	84.4	2,042.73

(Reference) Equity capital: As of June 30, 2017: ¥65,280 million

As of March 31, 2017: ¥65,005 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2017	–	20.00	–	40.00	60.00
FY2018	–	–	–	–	–
FY2018 (forecast)	–	20.00	–	40.00	60.00

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

3. Forecast of the Consolidated Financial Results for FY2018 Ending March 31, 2018 (April 1, 2017–March 31, 2018)

(Full year percentage figures represent 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 attributable to shareholders of the parent company		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	24,404	10.0	5,125	11.9	5,244	22.4	3,743	24.4	117.62
Full year	52,091	6.7	11,050	7.6	11,293	6.7	8,096	6.7	254.41

(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 June 30, 2017	32,808,683 shares	As of March 31, 2017	32,808,683 shares
2) Number of treasury shares as of the period-end	As of June 30, 2017	986,085 shares	As of March 31, 2017	985,653 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First three months of FY2018	31,822,812 shares	First three months of FY2017	31,823,756 shares

* These quarterly financial results are outside the scope of quarterly review procedures under the Financial Instruments and Exchange Act.

* 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, 2017 to June 30, 2017), the Japanese economy continued to be on a moderate recovery trend with improvements in corporate earnings and the employment situation. However, with increased geopolitical risk and uncertainty, there remains uncertainty surrounding the future. 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 three months ended June 30, 2017 (April 1, 2017–June 30, 2017).

The Company's net sales increased by 10.3% (¥812 million) year on year to ¥8,724 million, as a result of our steady sales and marketing efforts.

Net sales of consolidated subsidiaries increased by 18.3% year on year due to an increase in net sales of consolidated subsidiaries abroad.

Therefore, consolidated net sales for the three months under review increased by 12.5% (¥1,366 million) year on year to ¥12,315 million.

Owing to the increase in net sales, the Company's operating income increased, marking an increase of 7.4% (¥114 million) year on year to ¥1,662 million.

Consolidated operating income was ¥2,486 million, representing an increase of 10.9% (¥245 million) from the same period in the previous fiscal year.

The Company's ordinary income increased by 33.2% (¥516 million) year on year, to ¥2,071 million, due mainly to a decrease in foreign exchange losses and loss on valuation of derivatives.

Consolidated ordinary income increased by 27.9% (¥576 million) year on year to ¥2,643 million.

The Company's quarterly net income increased by 46.0% (¥495 million) year on year to ¥1,572 million.

Quarterly consolidated net income attributable to shareholders of the parent company increased by 34.6% (¥478 million) to ¥1,862 million.

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

Net sales

(Billions of yen)

		First three months of FY2018	First three months of FY2017	Difference
Ariake Japan Co., Ltd.		8.72	7.91	0.81
Consolidated subsidiaries total		3.59	3.04	0.55
Region	U.S.	1.37	1.05	0.32
	Asia	1.30	1.09	0.21
	Europe	0.84	0.81	0.03
	Japan	0.08	0.09	(0.01)
Total		12.31	10.95	1.36

Operating income (loss)

(Billions of yen)

		First three months of FY2018	First three months of FY2017	Difference
Ariake Japan Co., Ltd.		1.66	1.55	0.11
Consolidated subsidiaries total		0.82	0.69	0.13
Region	U.S.	0.38	0.24	0.14
	Asia	0.35	0.35	0.00
	Europe	0.09	0.10	(0.01)
	Japan	0.00	0.00	0.00
Total		2.48	2.24	0.24

(2) Explanation regarding Financial Position

As of June 30, 2017, consolidated total assets were ¥77,361 million. This represents an increase of ¥335 million compared to March 31, 2017.

Total liabilities increased by ¥57 million to ¥11,726 million compared to March 31, 2017, mainly due to an increase in accrued expenses, etc. Net assets were ¥65,634 million, which represents an increase of ¥278 million from March 31, 2017.

(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, 2017.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Thousands of yen)

	FY2017 (As of March 31, 2017)	First Quarter of FY2018 (As of June 30, 2017)
Assets		
Current assets		
Cash and deposits	24,547,632	23,580,936
Notes and accounts receivable - trade	9,714,757	8,926,623
Securities	540,044	500,000
Merchandise and finished goods	3,413,451	3,557,300
Work in process	938,161	999,325
Raw materials and supplies	2,295,541	2,578,738
Deferred tax assets	232,274	246,064
Others	1,077,981	486,325
Allowance for doubtful accounts	(5,723)	(6,359)
Total current assets	42,754,120	40,868,954
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,042,603	23,935,272
Accumulated depreciation	(12,375,575)	(12,453,563)
Buildings and structures, net	11,667,027	11,481,709
Machinery, equipment and vehicles	25,683,991	26,332,160
Accumulated depreciation	(20,230,945)	(20,335,992)
Machinery, equipment and vehicles, net	5,453,045	5,996,168
Land	4,534,147	4,512,120
Leased assets	106,214	113,919
Accumulated depreciation	(62,918)	(65,962)
Leased assets, net	43,296	47,957
Construction in progress	900,990	441,776
Others	1,052,622	1,074,613
Accumulated depreciation	(906,838)	(912,219)
Others, net	145,784	162,393
Total property, plant and equipment	22,744,291	22,642,126
Intangible assets		
Goodwill	619,531	582,437
Other	110,440	147,168
Total intangible assets	729,972	729,605
Investments and other assets		
Investment securities	9,755,228	10,084,581
Long-term loans receivable	21,675	21,818
Real estate for investment, net	667,301	665,486
Others	353,600	2,349,353
Allowance for doubtful accounts	(628)	(628)
Total investments and other assets	10,797,178	13,120,611
Total non-current assets	34,271,442	36,492,343
Total assets	77,025,563	77,361,297

(Thousands of yen)

	FY2017 (As of March 31, 2017)	First Quarter of FY2018 (As of June 30, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,176,482	4,174,110
Short-term loans payable	219,360	210,883
Lease obligations	12,620	14,104
Income taxes payable	1,593,787	1,138,365
Provision for bonuses	247,076	250,017
Provision for directors' bonuses	51,840	-
Others	1,906,560	2,394,457
Total current liabilities	8,207,729	8,181,939
Non-current liabilities		
Lease obligations	33,777	35,316
Deferred tax liabilities	1,947,419	2,016,659
Provision for directors' retirement benefits	117,590	119,720
Net defined benefit liability	1,102,228	1,120,929
Others	260,605	251,967
Total non-current liabilities	3,461,621	3,544,592
Total liabilities	11,669,351	11,726,532
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,840,343	7,840,343
Retained earnings	49,064,479	49,654,530
Treasury shares	(2,079,787)	(2,082,984)
Total shareholders' equity	61,920,131	62,506,985
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,060,042	3,289,291
Foreign currency translation adjustment	135,823	(413,693)
Remeasurements of defined benefit plans	(110,194)	(102,000)
Total accumulated other comprehensive income	3,085,671	2,773,597
Non-controlling interests	350,409	354,182
Total net assets	65,356,211	65,634,765
Total liabilities and net assets	77,025,563	77,361,297

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

(Thousands of yen)

	First Quarter of FY2017 (April 1, 2016 to June 30, 2016)	First Quarter of FY2018 (April 1, 2017 to June 30, 2017)
Net sales	10,948,733	12,315,704
Cost of sales	7,109,103	8,040,013
Gross profit	3,839,630	4,275,691
Selling, general and administrative expenses	1,598,305	1,789,164
Operating income	2,241,324	2,486,526
Non-operating income		
Interest income	18,823	12,468
Dividend income	88,414	85,024
House rent income	9,623	9,079
Foreign exchange gains	–	8,438
Others	32,930	57,352
Total non-operating income	149,792	172,363
Non-operating expenses		
Interest expenses	1,889	237
Foreign exchange losses	212,962	–
Loss on valuation of derivatives	100,945	8,844
Cost of lease revenue	4,166	1,817
Others	3,851	4,519
Total non-operating expenses	323,814	15,418
Ordinary income	2,067,302	2,643,471
Extraordinary income		
Subsidy income	–	179,391
Total extraordinary income	–	179,391
Income before income taxes and minority interests	2,067,302	2,822,862
Income taxes	666,604	939,933
Quarterly net income	1,400,697	1,882,929
Quarterly net income attributable to non-controlling interests	16,226	19,956
Quarterly net income attributable to shareholders of the parent company	1,384,471	1,862,972

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Quarter of FY2017 (April 1, 2016 to June 30, 2016)	First Quarter of FY2018 (April 1, 2017 to June 30, 2017)
Quarterly net income	1,400,697	1,882,929
Other comprehensive income		
Valuation difference on available-for-sale securities	196,057	229,248
Foreign currency translation adjustment	(779,484)	(559,338)
Remeasurements of defined benefit plans	8,551	8,193
Total other comprehensive income	(574,876)	(321,895)
Quarterly comprehensive income	825,821	1,561,033
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	826,325	1,550,898
Quarterly comprehensive income attributable to non-controlling interests	(504)	10,135

(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 first 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.

(Segment Information, etc.)

[Segment information]

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

3. Others

Significant Events regarding Going Concern Assumption

There is nothing to report.