

Consolidated Financial Results for the Second Quarter of FY2017 Ending March 31, 2017 (J-GAAP)

November 9, 2016

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 Date to start of dividends distribution: December 5, 2016
 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 FY2017 Ending March 31, 2017 (April 1, 2016 – September 30, 2016)

(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 FY2017	22,180	0.6	4,578	14.9	4,284	(0.9)	3,009	9.2
Second Quarter of FY2016	22,059	19.1	3,984	50.3	4,322	41.0	2,754	42.6

(Note) Comprehensive income: Second Quarter of FY2017: ¥1,187 million (-44.6%) Second Quarter of FY2016: ¥2,142 million (4.0%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Second Quarter of FY2017	94.56	–
Second Quarter of FY2016	86.55	–

(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, 2016	69,661	59,473	85.0	1,859.92
As of March 31, 2016	71,205	59,567	83.2	1,861.85

(Reference) Equity capital: As of September 30, 2016: ¥59,188 million

As of March 31, 2016: ¥59,251 million

2. Dividends

	Dividends per share				
	1Q-end	2Q-end	3Q-end	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
FY2016	–	20.00	–	40.00	60.00
FY2017	–	20.00	–	–	–
FY2017 (forecast)	–	–	–	40.00	60.00

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

3. Forecast of the Consolidated Financial Results for FY2017 Ending March 31, 2017 (April 1, 2016–March 31, 2017)

(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	50,061	7.9	9,654	9.3	9,895	9.0	6,592	11.0	207.14

(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 "(2) Application of Specified Accounting Methods for Preparation of Quarterly Consolidated Financial Statements" of "2. Supplement to Summary Information (Notes)."

(3) Changes in Accounting Policies, 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 Shares Outstanding (Common Stock)

1) Number of shares outstanding as of the period-end (including treasury shares)	As of September 30, 2016	32,808,683 shares	As of March 31, 2016	32,808,683 shares
2) Number of treasury shares as of the period-end	As of September 30, 2016	985,280 shares	As of March 31, 2016	984,762 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First six months of FY2017	31,823,615 shares	First six months of FY2016	31,825,046 shares

* Presentation of implementation status for quarterly review procedures

The procedure based on the Financial Instruments and Exchange Act does not apply to these Consolidated Financial Results and the quarterly review procedure based on this Act has been completed. The quarterly review report was received as of November 8, 2016.

* 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, 2017 (April 1, 2016 to September 30, 2016), the Japanese economy saw steady recovery while significant fluctuations in foreign exchange and stock markets further added to the uncertainty regarding the economy.

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 six months ended September 30, 2016 (April 1, 2016–September 30, 2016).

The Company's net sales increased by 1.4% (¥232 million) year on year, to ¥16,901 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 the U.S. and Asia marked an increase. Therefore, consolidated net sales for the six months under review increased by 0.6% year on year, to ¥22,180 million (up by ¥121 million year on year).

The Company's operating income increased by 5.4% (¥174 million) year on year to ¥3,389 million, owing to increased operating income associated with the higher sales achieved as well as to painstaking cost management. Consolidated operating income was ¥4,578 million, representing an increase of 14.9% (¥593 million) from the same period in the previous fiscal year.

The Company's ordinary income posted a decline of 6.8% (¥248 million) year on year to ¥3,399 million owing to foreign exchange losses and valuation losses in derivatives trading of ¥300 million due mainly to the strengthening of the yen, which translated to a loss of ¥437 million compared to a gain of ¥136 million for the same period last year.

Consolidated ordinary income decreased by 0.9% (¥38 million) year on year to ¥4,284 million.

The Company's quarterly net income decreased by 4.6% (¥113 million) year on year to ¥2,355 million.

Quarterly net income attributable to shareholders of the parent company increased by 9.2% (¥254 million) year on year to ¥3,009 million.

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

- Net sales

(Billions of yen)

	First six months of FY2017	First six months of FY2016	Difference
Ariake Japan Co., Ltd.	16.90	16.67	0.23
U.S.	1.81	1.98	(0.17)
Asia	2.05	1.90	0.15
Europe	1.24	1.33	(0.09)
Japan	0.18	0.18	0.00
Consolidated subsidiaries total	5.28	5.39	(0.11)
Total	22.18	22.06	0.12

- Operating income (loss)

(Billions of yen)

	First six months of FY2017	First six months of FY2016	Difference
Ariake Japan Co., Ltd.	3.39	3.21	0.18
U.S.	0.43	0.38	0.05
Asia	0.62	0.51	0.11
Europe	0.13	(0.12)	0.25
Japan	0.01	0.01	0.00
Consolidated subsidiaries total	1.19	0.78	0.41
Total	4.58	3.99	0.59

(2) Explanation regarding Financial Position

As of September 30, 2016, consolidated total assets were ¥69,661 million. This represents a decrease of ¥1,544 million compared to March 31, 2016.

Total liabilities fell by ¥1,451 million to ¥10,187 million compared to March 31, 2016, mainly due to a drop in consumption tax payable and short-term loans payable. Net assets were ¥59,473 million, which represents a decrease of ¥93 million from March 31, 2016.

(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, 2016.

2. Supplement to Summary Information (Notes)

(1) Significant Changes in Subsidiaries during the Period

There is no related information.

(2) 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 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.

(3) Changes in Accounting Policies, Accounting Estimates, and Restatement of Revisions

(Application of Practical Solution on a change in depreciation method due to Tax Reform 2016)

Pursuant to the revised Corporation Tax Law, we have applied "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Practical Issues Task Force No. 32, June 17, 2016) starting in the consolidated first quarter under review. Accordingly, we have changed the depreciation method applied to additional equipment to buildings and structures which were acquired on or later than April 1, 2016 from the declining balance method to the straight line method.

As a result, the impacts on the operating income, ordinary income, and income before income taxes and minority interests are immaterial.

(4) Additional Information

(Application of Implementation Guidance on Recoverability of Deferred Tax Assets)

Starting in the consolidated first quarter, we have applied "Implementation Guidance on Recoverability of Deferred Tax Assets" (Implementation Guidance of Corporate Accounting Standards No. 26, March 28, 2016).

3. Significant Events regarding Going Concern Assumption

There is no related information.

4. Quarterly Consolidated Financial Statements**(1) Quarterly Consolidated Balance Sheets**

(Thousands of yen)

	FY2016 (As of March 31, 2016)	Second Quarter of FY2017 (As of September 30, 2016)
Assets		
Current assets		
Cash and deposits	16,184,958	20,646,046
Notes and accounts receivable - trade	9,090,047	8,651,432
Securities	581,368	80,872
Merchandise and finished goods	2,948,959	3,473,773
Work in process	869,936	852,827
Raw materials and supplies	2,165,024	2,281,292
Deferred tax assets	179,019	176,517
Others	507,186	454,610
Allowance for doubtful accounts	(4,937)	(6,041)
Total current assets	32,521,565	36,611,330
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,436,294	22,246,327
Accumulated depreciation	(12,185,302)	(12,011,520)
Buildings and structures, net	11,250,991	10,234,807
Machinery, equipment and vehicles	26,517,857	25,738,788
Accumulated depreciation	(20,411,718)	(20,203,319)
Machinery, equipment and vehicles, net	6,106,138	5,535,469
Land	4,727,380	4,628,607
Leased assets	75,112	74,580
Accumulated depreciation	(48,781)	(53,455)
Leased assets, net	26,331	21,125
Construction in progress	1,431,765	1,267,413
Others	1,044,320	1,011,137
Accumulated depreciation	(898,254)	(881,559)
Others, net	146,066	129,578
Total property, plant and equipment	23,688,673	21,817,001
Intangible assets		
Goodwill	763,894	620,356
Other	141,988	110,790
Total intangible assets	905,883	731,146
Investments and other assets		
Investment securities	8,527,807	9,464,419
Long-term loans receivable	13,491	13,039
Real estate for investment, net	675,494	671,398
Others	4,873,696	353,699
Allowance for doubtful accounts	(821)	(821)
Total investments and other assets	14,089,669	10,501,736
Total non-current assets	38,684,226	33,049,884
Total assets	71,205,791	69,661,214

(Thousands of yen)

	FY2016 (As of March 31, 2016)	Second Quarter of FY2017 (As of September 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,021,163	3,711,234
Short-term loans payable	663,178	298,878
Lease obligations	8,935	6,368
Income taxes payable	1,515,531	1,227,109
Provision for bonuses	218,125	232,986
Provision for directors' bonuses	51,840	–
Others	1,882,076	1,720,065
Total current liabilities	8,360,850	7,196,642
Non-current liabilities		
Lease obligations	19,024	16,011
Deferred tax liabilities	1,573,630	1,497,669
Provision for directors' retirement benefits	299,520	111,055
Net defined benefit liability	1,087,615	1,114,308
Others	297,694	251,574
Total non-current liabilities	3,277,484	2,990,620
Total liabilities	11,638,335	10,187,262
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus	7,840,343	7,840,343
Retained earnings	43,388,641	45,125,004
Treasury shares	(2,074,351)	(2,077,520)
Total shareholders' equity	56,249,729	57,982,923
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,177,309	2,508,465
Foreign currency translation adjustment	993,596	(1,150,207)
Remeasurements of defined benefit plans	(169,286)	(152,183)
Total accumulated other comprehensive income	3,001,619	1,206,074
Non-controlling interests	316,107	284,955
Total net assets	59,567,456	59,473,952
Total liabilities and net assets	71,205,791	69,661,214

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

(Thousands of yen)

	First Half of FY2016 (April 1, 2015 to September 30, 2015)	First Half of FY2017 (April 1, 2016 to September 30, 2016)
Net sales	22,059,380	22,180,827
Cost of sales	14,839,592	14,354,368
Gross profit	7,219,787	7,826,459
Selling, general and administrative expenses	3,234,917	3,248,399
Operating income	3,984,870	4,578,059
Non-operating income		
Interest income	39,901	36,463
Dividend income	66,939	88,452
House rent income	17,944	17,845
Foreign exchange gains	391,044	–
Others	97,394	61,512
Total non-operating income	613,224	204,274
Non-operating expenses		
Interest expenses	9,160	2,974
Foreign exchange losses	–	382,011
Loss on valuation of derivatives	235,015	96,381
Cost of lease revenue	8,610	8,314
Others	23,017	8,507
Total non-operating expenses	275,803	498,189
Ordinary income	4,322,291	4,284,144
Extraordinary income		
Gain on sales of investment securities	4,822	–
Total extraordinary income	4,822	–
Extraordinary losses		
Directors' retirement benefits	15,596	–
Total extraordinary losses	15,596	–
Income before income taxes and minority interests	4,311,518	4,284,144
Income taxes	1,523,560	1,251,455
Quarterly net income	2,787,957	3,032,689
Quarterly net income attributable to non-controlling interests	33,404	23,369
Quarterly net income attributable to shareholders of the parent company	2,754,552	3,009,319

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Half of FY2016 (April 1, 2015 to September 30, 2015)	First Half of FY2017 (April 1, 2016 to September 30, 2016)
Quarterly net income	2,787,957	3,032,689
Other comprehensive income		
Valuation difference on available-for-sale securities	(354,413)	331,155
Foreign currency translation adjustment	(296,581)	(2,193,800)
Remeasurements of defined benefit plans	5,082	17,102
Total other comprehensive income	(645,911)	(1,845,542)
Quarterly comprehensive income	2,142,045	1,187,146
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	2,097,711	1,213,773
Quarterly comprehensive income attributable to non-controlling interests	44,334	(26,627)

(3) Quarterly Consolidated Statements of Cash Flows

(Thousands of yen)

	First Half of FY2016 (April 1, 2015 to September 30, 2015)	First Half of FY2017 (April 1, 2016 to September 30, 2016)
Cash flows from operating activities		
Income before income taxes and minority interests	4,311,518	4,284,144
Depreciation	1,055,657	907,559
Amortization of goodwill	51,325	42,783
Increase (decrease) in allowance for doubtful accounts	1,283	1,104
Increase (decrease) in provision for directors' retirement benefits	(70,438)	(188,465)
Increase (decrease) in net defined benefit liability	31,977	51,098
Increase (decrease) in provision for bonuses	5,790	14,860
Increase (decrease) in provision for directors' bonuses	(63,800)	(51,840)
Interest and dividend income	(106,840)	(124,915)
Interest expenses	9,160	2,974
Foreign exchange losses (gains)	(371,987)	204,404
Loss (gain) on valuation of derivatives	235,015	96,381
Loss (gain) on sales of investment securities	(4,822)	–
Decrease (increase) in notes and accounts receivable - trade	(333,306)	107,636
Decrease (increase) in inventories	(465,806)	(906,405)
Increase (decrease) in notes and accounts payable - trade	97,836	(256,763)
Others	(713,564)	(137,191)
Subtotal	3,668,998	4,047,365
Interest and dividend income received	109,535	124,707
Interest expenses paid	(9,160)	(2,974)
Contribution received	1,057,157	–
Income taxes paid	(1,277,250)	(1,590,519)
Net cash provided by operating activities	3,549,280	2,578,579
Cash flows from investing activities		
Proceeds from sale of securities	1,047,771	547,911
Payments into time deposits	(1,000,000)	(1,000,000)
Proceeds from withdrawal of time deposits	–	2,200,000
Purchase of property, plant and equipment	(898,257)	(628,692)
Purchase of intangible assets	(866)	(1,902)
Purchase of investment securities	(3,409)	(503,576)
Proceeds from sales of investment securities	41,584	–
Payments of loans receivable	(1,723)	(800)
Collection of loans receivable	2,429	1,431
Net cash provided by (used in) investing activities	(812,472)	614,370
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(126,819)	(316,448)

Purchase of treasury shares	(2,709)	(3,168)
Cash dividends paid	(1,113,347)	(1,272,569)
Cash dividends paid to non-controlling interests	(6,686)	(4,525)
Net cash used in financing activities	(1,249,563)	(1,596,711)
Effect of exchange rate change on cash and cash equivalents	395,593	(435,152)
Net increase (decrease) in cash and cash equivalents	1,882,838	1,161,087
Cash and cash equivalents at beginning of period	12,955,853	13,484,958
Cash and cash equivalents at end of period	14,838,692	14,646,046

(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.

(Segment Information, etc.)

[Segment information]

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