

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

August 5, 2016

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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 First Quarter of FY2017 Ending March 31, 2017 (April 1, 2016 – June 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	%
First quarter of FY2017	10,948	3.7	2,241	19.2	2,067	(3.6)	1,384	0.7
First quarter of FY2016	10,559	18.6	1,880	58.1	2,144	68.6	1,374	83.1

(Note) Comprehensive income: First Quarter of FY2017: ¥825 million (49.4%) First Quarter of FY2016: ¥552 million (-51.8%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
First Quarter of FY2017	43.50	–
First Quarter of FY2016	43.18	–

(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, 2016	69,952	59,113	84.1	1,847.76
As of March 31, 2016	71,205	59,567	83.2	1,861.85

(Reference) Equity capital: As of June 30, 2016: ¥58,802 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	–	–	–	–	–
FY2017 (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 FY2017 Ending March 31, 2017 (April 1, 2016–March 31, 2017)

(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	23,509	6.6	4,316	8.3	4,671	8.1	3,059	11.1	96.12
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 June 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 June 30, 2016	985,177 shares	As of March 31, 2016	984,762 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First three months of FY2017	31,823,756 shares	First three months of FY2016	31,825,216 shares

* Presentation of implementation status for quarterly review procedures

The quarterly review procedure based on the Financial Instruments and Exchange Act does not apply to these Consolidated Financial Results and the procedure based on this Act had been completed. The quarterly review report was received as of August 4, 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 three months under review (April 1, 2016 to June 30, 2016), the Japanese economy saw the employment and income situations improve moderately while there was increased uncertainty in the world economy as emerging economies slowed down and the UK referendum turned out in favor of leaving the EU. Also, the strengthening of the yen added to the uncertainty in the environment that surrounded the Company.

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 three months ended June 30, 2016 (April 1, 2016–June 30, 2016).

The Company’s net sales decreased by 0.3% (¥20 million) year on year to ¥7,912 million, as a result of our steady sales and marketing efforts.

Net sales of consolidated subsidiaries increased by 15.6% 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 3.7% (¥389 million) year on year to ¥10,948 million.

Though sales decreased, the Company's operating income increased slightly, marking an increase of 3.8% (¥ 56 million) year on year to ¥ 1,547 million.

Consolidated operating income was ¥2,241 million, representing an increase of 19.2% (¥360 million) from the same period in the previous fiscal year.

The Company's ordinary income posted a decline of 17.4% (¥328 million) year on year to ¥1,554 million owing to foreign exchange losses and valuation losses in derivatives trading of ¥262 million due mainly to the strengthening of the yen, which translated to a loss of ¥428 million compared to a gain of ¥165 million for the same period last year.

Consolidated ordinary income decreased by 3.6% (¥77 million) year on year to ¥2,067 million.

The Company’s quarterly net income decreased by 15.7% (¥200 million) year on year to ¥1,076 million.

Quarterly consolidated net income attributable to shareholders of the parent company increased by 0.7% (¥10 million) to ¥1,384 million.

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

Net sales

(Billions of yen)

		First three months of FY2017	First three months of FY2016	Difference
Ariake Japan Co., Ltd.		79.1	79.3	(0.2)
Consolidated subsidiaries total		30.4	26.3	4.1
Region	U.S.	10.5	8.8	1.7
	Asia	10.9	9.4	1.5
	Europe	8.1	7.2	0.9
	Japan	0.9	0.9	0.0
Total		109.5	105.6	3.9

Operating income (loss)

(Billions of yen)

		First three months of FY2017	First three months of FY2016	Difference
Ariake Japan Co., Ltd.		15.5	14.9	0.6
Consolidated subsidiaries total		6.9	3.9	3.0
Region	U.S.	2.4	1.7	0.7
	Asia	3.5	2.6	0.9
	Europe	1.0	(0.4)	1.4
	Japan	0.0	0.0	0.0
Total		22.4	18.8	3.6

(2) Explanation regarding Financial Position

As of June 30, 2016, consolidated total assets were ¥69,952 million. This represents a decrease of ¥1,253 million compared to March 31, 2016.

Total liabilities fell by ¥798 million to ¥10,839 million compared to March 31, 2016, mainly due to a large drop in income tax payable. Net assets were ¥59,113 million, which represents a decrease of ¥454 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 first 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 under review, 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)	First Quarter of FY2017 (As of June 30, 2016)
Assets		
Current assets		
Cash and deposits	16,184,958	20,549,103
Notes and accounts receivable - trade	9,090,047	7,858,148
Securities	581,368	81,152
Merchandise and finished goods	2,948,959	3,534,409
Work in process	869,936	934,885
Raw materials and supplies	2,165,024	2,255,009
Deferred tax assets	179,019	173,443
Others	507,186	465,126
Allowance for doubtful accounts	(4,937)	(5,506)
Total current assets	32,521,565	35,845,770
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,436,294	23,121,765
Accumulated depreciation	(12,185,302)	(12,194,567)
Buildings and structures, net	11,250,991	10,927,198
Machinery, equipment and vehicles	26,517,857	26,171,076
Accumulated depreciation	(20,411,718)	(20,406,131)
Machinery, equipment and vehicles, net	6,106,138	5,764,944
Land	4,727,380	4,696,026
Leased assets	75,112	74,987
Accumulated depreciation	(48,781)	(51,638)
Leased assets, net	26,331	23,349
Construction in progress	1,431,765	1,387,008
Others	1,044,320	1,040,673
Accumulated depreciation	(898,254)	(901,924)
Others, net	146,066	138,748
Total property, plant and equipment	23,688,673	22,937,275
Intangible assets		
Goodwill	763,894	716,419
Other	141,988	129,881
Total intangible assets	905,883	846,300
Investments and other assets		
Investment securities	8,527,807	9,269,876
Long-term loans receivable	13,491	13,246
Real estate for investment, net	675,494	673,446
Others	4,873,696	367,493
Allowance for doubtful accounts	(821)	(821)
Total investments and other assets	14,089,669	10,323,242
Total non-current assets	38,684,226	34,106,818
Total assets	71,205,791	69,952,589

(Thousands of yen)

	FY2016 (As of March 31, 2016)	First Quarter of FY2017 (As of June 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,021,163	3,919,303
Short-term loans payable	663,178	520,374
Lease obligations	8,935	7,158
Income taxes payable	1,515,531	794,480
Provision for bonuses	218,125	217,792
Provision for directors' bonuses	51,840	—
Others	1,882,076	2,073,823
Total current liabilities	8,360,850	7,532,932
Non-current liabilities		
Lease obligations	19,024	17,546
Deferred tax liabilities	1,573,630	1,602,019
Provision for directors' retirement benefits	299,520	302,787
Net defined benefit liability	1,087,615	1,101,153
Others	297,694	283,000
Total non-current liabilities	3,277,484	3,306,507
Total liabilities	11,638,335	10,839,440
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	43,500,155
Treasury shares	(2,074,351)	(2,076,998)
Total shareholders' equity	56,249,729	56,358,596
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,177,309	2,373,367
Foreign currency translation adjustment	993,596	230,842
Remeasurements of defined benefit plans	(169,286)	(160,735)
Total accumulated other comprehensive income	3,001,619	2,443,474
Non-controlling interests	316,107	311,077
Total net assets	59,567,456	59,113,148
Total liabilities and net assets	71,205,791	69,952,589

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

(Thousands of yen)

	First Quarter of FY2016 (April 1, 2015 to June 30, 2015)	First Quarter of FY2017 (April 1, 2016 to June 30, 2016)
Net sales	10,559,575	10,948,733
Cost of sales	7,087,344	7,109,103
Gross profit	3,472,230	3,839,630
Selling, general and administrative expenses	1,591,830	1,598,305
Operating income	1,880,400	2,241,324
Non-operating income		
Interest income	17,117	18,823
Dividend income	66,593	88,414
House rent income	9,699	9,623
Foreign exchange gains	195,265	—
Others	37,811	32,930
Total non-operating income	326,486	149,792
Non-operating expenses		
Interest expenses	5,152	1,889
Foreign exchange losses	—	212,962
Loss on valuation of derivatives	48,718	100,945
Cost of lease revenue	4,273	4,166
Others	4,272	3,851
Total non-operating expenses	62,417	323,814
Ordinary income	2,144,469	2,067,302
Income before income taxes and minority interests	2,144,469	2,067,302
Income taxes	752,241	666,604
Quarterly net income	1,392,228	1,400,697
Quarterly net income attributable to non-controlling interests	17,875	16,226
Quarterly net income attributable to shareholders of the parent company	1,374,352	1,384,471

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	First Quarter of FY2016 (April 1, 2015 to June 30, 2015)	First Quarter of FY2017 (April 1, 2016 to June 30, 2016)
Quarterly net income	1,392,228	1,400,697
Other comprehensive income		
Valuation difference on available-for-sale securities	(46,602)	196,057
Foreign currency translation adjustment	(795,591)	(779,484)
Remeasurements of defined benefit plans	2,742	8,551
Total other comprehensive income	(839,451)	(574,876)
Quarterly comprehensive income	552,776	825,821
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	534,538	826,325
Quarterly comprehensive income attributable to non-controlling interests	18,238	(504)

(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.

(Segment Information, etc.)

[Segment information]

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