

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

February 7, 2017

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Filing of quarterly financial report: February 7, 2017
 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 FY2017 Ending March 31, 2017 (April 1, 2016 – December 31, 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	%
Third Quarter of FY2017	35,387	2.5	7,709	17.3	7,798	11.6	5,403	19.7
Third Quarter of FY2016	34,535	15.8	6,573	39.9	6,990	19.8	4,513	23.7

(Note) Comprehensive income: Third Quarter of FY2017: ¥3,798 million (-2.1%) Third Quarter of FY2016: ¥3,879 million (-13.8%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Third Quarter of FY2017	169.79	–
Third Quarter of FY2016	141.82	–

(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, 2016	72,518	61,447	84.3	1,921.53
As of March 31, 2016	71,205	59,567	83.2	1,861.85

(Reference) Equity capital: As of December 31, 2016: ¥61,149 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 December 31, 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 December 31, 2016	985,498 shares	As of March 31, 2016	984,762 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First nine months of FY2017	31,823,518 shares	First nine months of FY2016	31,824,861 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 has been completed. The quarterly review report was received as of February 6, 2017.

* 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 nine months of the fiscal year ending March 31, 2017 (April 1, 2016–December 31, 2016), the Japanese economy continued to show modest recovery in an environment marked by improvement in areas such as corporate earnings and employment. However, with a slowdown in economies, including in emerging countries, as well as concerns about the impact of the election of the new U.S. President on the Japanese economy, there was uncertainty surrounding the future.

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 nine months ended December 31, 2016 (April 1, 2016–December 31, 2016).

The Company's net sales increased by 3.6% (¥939 million) year on year, to ¥27,098 million, resulting from our steady sales and marketing efforts focusing on a "customer-first" approach. Therefore, consolidated net sales for the nine months under review increased by 2.5% year on year, to ¥35,387 million (up by ¥852 million year on year).

The Company's operating income increased by 11.3% (¥581 million) year on year to ¥5,725 million, owing to increased operating income associated with the higher sales achieved. Consolidated operating income was ¥7,709 million, representing an increase of 17.3% (¥1,136 million) from the same period in the previous fiscal year.

The Company's ordinary income increased by 8.2% year on year to ¥6,142 million (up by ¥465 million year on year). Consolidated ordinary income increased by 11.6% (¥808 million) year on year to ¥7,798 million.

The Company's quarterly net income increased by 10.6% (¥408 million) year on year to ¥4,255 million.

Quarterly net income attributable to shareholders of the parent company increased by 19.7% (¥890 million) year on year to ¥5,403 million.

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

- Net sales

(Billions of yen)

	First nine months of FY2017	First nine months of FY2016	Difference
Ariake Japan Co., Ltd.	27.10	26.16	0.94
U.S.	2.83	3.04	(0.21)
Asia	3.24	2.99	0.25
Europe	1.95	2.06	(0.11)
Japan	0.27	0.28	(0.01)
Consolidated subsidiaries total	8.29	8.37	(0.08)
Total	35.39	34.53	0.86

- Operating income (loss)

(Billions of yen)

	First nine months of FY2017	First nine months of FY2016	Difference
Ariake Japan Co., Ltd.	5.72	5.14	0.58
U.S.	0.75	0.63	0.12
Asia	1.02	0.83	0.19
Europe	0.20	(0.05)	0.25
Japan	0.02	0.02	0.00
Consolidated subsidiaries total	1.99	1.43	0.56
Total	7.71	6.57	1.14

(2) Explanation regarding Financial Position

As of December 31, 2016, consolidated total assets were ¥72,518 million. This represents an increase of ¥1,312 million compared to March 31, 2016.

Total liabilities fell by ¥567 million to ¥11,071 million compared to March 31, 2016, mainly due to a drop in income taxes payable. Net assets were ¥61,447 million, which represents an increase of ¥1,880 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 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.

(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. 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)	Third Quarter of FY2017 (As of December 31, 2016)
Assets		
Current assets		
Cash and deposits	16,184,958	20,602,646
Notes and accounts receivable - trade	9,090,047	10,934,186
Securities	581,368	540,460
Merchandise and finished goods	2,948,959	3,412,460
Work in process	869,936	761,064
Raw materials and supplies	2,165,024	2,264,785
Deferred tax assets	179,019	178,022
Others	507,186	415,199
Allowance for doubtful accounts	(4,937)	(5,523)
Total current assets	32,521,565	39,103,301
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,436,294	22,151,082
Accumulated depreciation	(12,185,302)	(12,128,839)
Buildings and structures, net	11,250,991	10,022,242
Machinery, equipment and vehicles	26,517,857	25,305,286
Accumulated depreciation	(20,411,718)	(19,985,892)
Machinery, equipment and vehicles, net	6,106,138	5,319,394
Land	4,727,380	4,846,485
Leased assets	75,112	74,549
Accumulated depreciation	(48,781)	(55,344)
Leased assets, net	26,331	19,204
Construction in progress	1,431,765	1,735,043
Others	1,044,320	1,018,860
Accumulated depreciation	(898,254)	(890,376)
Others, net	146,066	128,483
Total property, plant and equipment	23,688,673	22,070,853
Intangible assets		
Goodwill	763,894	593,571
Other	141,988	104,758
Total intangible assets	905,883	698,329
Investments and other assets		
Investment securities	8,527,807	9,610,553
Long-term loans receivable	13,491	12,164
Real estate for investment, net	675,494	669,349
Others	4,873,696	354,797
Allowance for doubtful accounts	(821)	(821)
Total investments and other assets	14,089,669	10,646,044
Total non-current assets	38,684,226	33,415,227
Total assets	71,205,791	72,518,528

(Thousands of yen)

	FY2016 (As of March 31, 2016)	Third Quarter of FY2017 (As of December 31, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,021,163	4,407,029
Short-term loans payable	663,178	294,029
Lease obligations	8,935	5,636
Income taxes payable	1,515,531	994,858
Provision for bonuses	218,125	94,537
Provision for directors' bonuses	51,840	–
Others	1,882,076	2,063,532
Total current liabilities	8,360,850	7,859,623
Non-current liabilities		
Lease obligations	19,024	14,718
Deferred tax liabilities	1,573,630	1,711,862
Provision for directors' retirement benefits	299,520	114,322
Net defined benefit liability	1,087,615	1,125,570
Others	297,694	244,932
Total non-current liabilities	3,277,484	3,211,406
Total liabilities	11,638,335	11,071,029
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	46,882,592
Treasury shares	(2,074,351)	(2,078,783)
Total shareholders' equity	56,249,729	59,739,248
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,177,309	2,959,966
Foreign currency translation adjustment	993,596	(1,406,390)
Remeasurements of defined benefit plans	(169,286)	(143,632)
Total accumulated other comprehensive income	3,001,619	1,409,943
Non-controlling interests	316,107	298,307
Total net assets	59,567,456	61,447,498
Total liabilities and net assets	71,205,791	72,518,528

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

(Thousands of yen)

	Third Quarter of FY2016 (April 1, 2015 to December 31, 2015)	Third Quarter of FY2017 (April 1, 2016 to December 31, 2016)
Net sales	34,535,141	35,387,948
Cost of sales	23,063,720	22,643,030
Gross profit	11,471,421	12,744,918
Selling, general and administrative expenses	4,897,904	5,035,245
Operating income	6,573,517	7,709,673
Non-operating income		
Interest income	58,142	50,610
Dividend income	138,633	160,544
House rent income	26,182	26,007
Foreign exchange gains	535,190	–
Others	136,743	84,706
Total non-operating income	894,891	321,868
Non-operating expenses		
Interest expenses	12,247	3,507
Foreign exchange losses	–	156,538
Loss on valuation of derivatives	425,263	44,033
Cost of lease revenue	12,837	12,457
Others	27,341	16,066
Total non-operating expenses	477,689	232,603
Ordinary income	6,990,719	7,798,938
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	6,979,945	7,798,938
Income taxes	2,408,512	2,353,373
Quarterly net income	4,571,432	5,445,564
Quarterly net income attributable to non-controlling interests	58,113	42,188
Quarterly net income attributable to shareholders of the parent company	4,513,318	5,403,375

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Third Quarter of FY2016 (April 1, 2015 to December 31, 2015)	Third Quarter of FY2017 (April 1, 2016 to December 31, 2016)
Quarterly net income	4,571,432	5,445,564
Other comprehensive income		
Valuation difference on available-for-sale securities	51,218	782,656
Foreign currency translation adjustment	(750,183)	(2,455,450)
Remeasurements of defined benefit plans	7,422	25,654
Total other comprehensive income	(691,541)	(1,647,140)
Quarterly comprehensive income	3,879,891	3,798,424
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	3,832,320	3,811,699
Quarterly comprehensive income attributable to non-controlling interests	47,570	(13,274)

(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 the natural seasonings business is our only segment.