

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

February 7, 2018

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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 Third Quarter of FY2018 Ending March 31, 2018 (April 1, 2017–December 31, 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	%
Third Quarter of FY2018	40,897	15.6	8,536	10.7	8,922	14.4	6,066	12.3
Third Quarter of FY2017	35,387	2.5	7,709	17.3	7,798	11.6	5,403	19.7

(Note) Comprehensive income: Third Quarter of FY2018: ¥8,343 million (119.7%) Third Quarter of FY2017: ¥3,798 million (-2.1%)

	Net income per share	Fully diluted net income per share
	Yen	Yen
Third Quarter of FY2018	190.64	–
Third Quarter of FY2017	169.79	–

(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, 2017	84,321	71,777	84.6	2,242.57
As of March 31, 2017	77,025	65,356	84.4	2,042.73

(Reference) Equity capital: As of December 31, 2017: ¥71,363 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	–	20.00	–		
FY2018 (forecast)				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.)

	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	52,091	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 December 31, 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 December 31, 2017	986,540 shares	As of March 31, 2017	985,653 shares
3) Average number of shares outstanding (quarterly consolidated cumulative period)	First nine months of FY2018	31,822,495 shares	First nine months of FY2017	31,823,518 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 first nine months of the fiscal year ending March 31, 2018 (April 1, 2017 – December 31, 2017), the Japanese economy has maintained a moderate recovery trend against a backdrop of improving corporate earnings and employment conditions. However, uncertainty over the future of the economy remains due to an increase in political risks in Europe and the U.S. as well as geopolitical risks in Asia.

In the food industry, although some companies showed steady growth in sales, the business environment for the industry remains harsh against a backdrop of labor shortages/increasing labor costs and price competition etc., given the fact that consumer awareness of "safety/security" is increasing.

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, 2017 (April 1, 2017–December 31, 2017).

The Company's net sales increased by 9.6% (¥2,590 million) year on year, to ¥29,689 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 15.6% year on year, to ¥40,897 million (up by ¥5,509 million year on year).

The Company's operating income increased by 5.1% (¥289 million) year on year to ¥6,014 million, owing to increased operating income associated with the higher sales achieved. Consolidated operating income was ¥8,536 million, representing an increase of 10.7% (¥826 million) from the same period in the previous fiscal year.

The Company's ordinary income increased by 6.5% year on year to ¥6,540 million (up by ¥397 million year on year). Consolidated ordinary income increased by 14.4% (¥1,123 million) year on year to ¥8,922 million.

The Company's quarterly net income increased by 10.3% (¥438 million) year on year to ¥4,693 million.

Quarterly net income attributable to shareholders of the parent company increased by 12.3% (¥663 million) year on year to ¥6,066 million.

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

- Net sales

(Billions of yen)

	First nine months of FY2018	First nine months of FY2017	Difference
Ariake Japan Co., Ltd.	29.69	27.10	2.59
U.S.	4.12	2.83	1.29
Asia	4.36	3.24	1.12
Europe	2.49	1.95	0.54
Japan	0.24	0.27	(0.03)
Consolidated subsidiaries total	11.21	8.29	2.92
Total	40.90	35.39	5.51

- Operating income

(Billions of yen)

	First nine months of FY2018	First nine months of FY2017	Difference
Ariake Japan Co., Ltd.	6.01	5.72	0.29
U.S.	1.17	0.75	0.42
Asia	1.15	1.02	0.13
Europe	0.19	0.20	(0.01)
Japan	0.01	0.02	(0.01)
Consolidated subsidiaries total	2.52	1.99	0.53
Total	8.53	7.71	0.82

(2) Explanation regarding Financial Position

As of December 31, 2017, consolidated total assets were ¥84,321 million. This represents an increase of ¥7,295 million compared to March 31, 2017.

Total liabilities increased by ¥874 million to ¥12,543 million compared to March 31, 2017, mainly due to an increase in deferred tax liabilities etc. Net assets were ¥71,777 million, which represents an increase of ¥6,421 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)	Third Quarter of FY2018 (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	24,547,632	26,476,974
Notes and accounts receivable - trade	9,714,757	12,350,724
Securities	540,044	—
Merchandise and finished goods	3,413,451	3,303,021
Work in process	938,161	865,006
Raw materials and supplies	2,295,541	2,736,796
Deferred tax assets	232,274	220,116
Others	1,077,981	454,428
Allowance for doubtful accounts	(5,723)	(7,611)
Total current assets	42,754,120	46,399,457
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,042,603	24,457,178
Accumulated depreciation	(12,375,575)	(12,943,660)
Buildings and structures, net	11,667,027	11,513,518
Machinery, equipment and vehicles	25,683,991	27,042,704
Accumulated depreciation	(20,230,945)	(21,084,596)
Machinery, equipment and vehicles, net	5,453,045	5,958,107
Land	4,534,147	4,556,863
Leased assets	106,214	114,938
Accumulated depreciation	(62,918)	(72,961)
Leased assets, net	43,296	41,977
Construction in progress	900,990	1,174,726
Others	1,052,622	1,107,704
Accumulated depreciation	(906,838)	(929,070)
Others, net	145,784	178,633
Total property, plant and equipment	22,744,291	23,423,827
Intangible assets		
Goodwill	619,531	596,249
Other	110,440	141,481
Total intangible assets	729,972	737,730
Investments and other assets		
Investment securities	9,755,228	12,741,796
Long-term loans receivable	21,675	19,821
Real estate for investment, net	667,301	661,855
Others	353,600	337,322
Allowance for doubtful accounts	(628)	(628)
Total investments and other assets	10,797,178	13,760,167
Total non-current assets	34,271,442	37,921,725
Total assets	77,025,563	84,321,183

(Thousands of yen)

	FY2017 (As of March 31, 2017)	Third Quarter of FY2018 (As of December 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,176,482	4,731,499
Short-term loans payable	219,360	24,152
Lease obligations	12,620	13,758
Income taxes payable	1,593,787	1,126,649
Provision for bonuses	247,076	100,519
Provision for directors' bonuses	51,840	-
Others	1,906,560	2,223,605
Total current liabilities	8,207,729	8,220,185
Non-current liabilities		
Lease obligations	33,777	31,250
Deferred tax liabilities	1,947,419	2,738,310
Provision for directors' retirement benefits	117,590	123,980
Net defined benefit liability	1,102,228	1,163,065
Others	260,605	267,144
Total non-current liabilities	3,461,621	4,323,751
Total liabilities	11,669,351	12,543,936
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	53,221,696
Treasury shares	(2,079,787)	(2,086,882)
Total shareholders' equity	61,920,131	66,070,252
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,060,042	4,799,013
Foreign currency translation adjustment	135,823	579,843
Remeasurements of defined benefit plans	(110,194)	(85,613)
Total accumulated other comprehensive income	3,085,671	5,293,243
Non-controlling interests	350,409	413,749
Total net assets	65,356,211	71,777,246
Total liabilities and net assets	77,025,563	84,321,183

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

(Thousands of yen)

	Third Quarter of FY2017 (April 1, 2016 to December 31, 2016)	Third Quarter of FY2018 (April 1, 2017 to December 31, 2017)
Net sales	35,387,948	40,897,726
Cost of sales	22,643,030	26,717,534
Gross profit	12,744,918	14,180,191
Selling, general and administrative expenses	5,035,245	5,643,629
Operating income	7,709,673	8,536,562
Non-operating income		
Interest income	50,610	34,512
Dividend income	160,544	157,918
House rent income	26,007	25,743
Foreign exchange gains	–	49,837
Others	84,706	162,535
Total non-operating income	321,868	430,546
Non-operating expenses		
Interest expenses	3,507	2,580
Foreign exchange losses	156,538	–
Loss on valuation of derivatives	44,033	8,844
Cost of lease revenue	12,457	10,879
Others	16,066	22,342
Total non-operating expenses	232,603	44,646
Ordinary income	7,798,938	8,922,462
Extraordinary income		
Subsidy income	–	179,391
Total extraordinary income	–	179,391
Extraordinary losses		
Loss on retirement of non-current assets	–	6,138
Total extraordinary losses	–	6,138
Income before income taxes and minority interests	7,798,938	9,095,715
Income taxes	2,353,373	2,963,325
Quarterly net income	5,445,564	6,132,389
Quarterly net income attributable to non-controlling interests	42,188	65,805
Quarterly net income attributable to shareholders of the parent company	5,403,375	6,066,584

(Quarterly Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	Third Quarter of FY2017 (April 1, 2016 to December 31, 2016)	Third Quarter of FY2018 (April 1, 2017 to December 31, 2017)
Quarterly net income	5,445,564	6,132,389
Other comprehensive income		
Valuation difference on available-for-sale securities	782,656	1,738,970
Foreign currency translation adjustment	(2,455,450)	447,917
Remeasurements of defined benefit plans	25,654	24,581
Total other comprehensive income	(1,647,140)	2,211,469
Quarterly comprehensive income	3,798,424	8,343,859
Quarterly comprehensive income attributable to:		
Quarterly comprehensive income attributable to shareholders of the parent company	3,811,699	8,274,156
Quarterly comprehensive income attributable to non-controlling interests	(13,274)	69,703

(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.

3. Others

Significant Events regarding Going Concern Assumption

There is nothing to report.