

Consolidated Financial Results for the Fiscal Year 2018 (J-GAAP)

May 11, 2018

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 Supplementary materials prepared: Yes
 Results information meeting held: Yes (for financial analysts)

(Figures shown are rounded down to the nearest million yen.)

1. Consolidated Financial Results for the Year Ended March 31, 2018 (April 1, 2017–March 31, 2018)

(1) Consolidated Business Results

(Percentage figures represent changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income attributable to shareholders of the parent company	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2018	54,348	11.4	11,329	10.3	11,570	9.4	8,099	6.8
FY2017	48,803	5.2	10,273	16.3	10,579	16.5	7,585	27.7

Note: Comprehensive income: FY2018: ¥10,595 million (37.5%)

FY2017: ¥7,708 million (69.0%)

	Net income per share	Fully diluted net income per share	Return on shareholders' equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2018	254.54	–	11.7	14.1	20.8
FY2017	238.35	–	12.2	14.3	21.1

Reference: Investment profit/loss on equity method: FY2018: ¥ – million

FY2017: ¥ – million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2018	87,269	74,027	84.3	2,312.19
FY2017	77,025	65,356	84.4	2,042.73

Reference: Equity capital: FY2018: ¥73,578 million

FY2017: ¥65,005 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2018	10,173	(8,448)	(2,132)	17,316
FY2017	7,805	(1,711)	(2,340)	17,547

2. Dividends

	Dividends per share					Total dividends (Annual)	Dividends payout ratio (Consolidated)	Dividends on shareholders' equity ratio (Consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
FY2017	–	20.00	–	40.00	60.00	1,909	25.2	3.1
FY2018	–	20.00	–	46.00	66.00	2,100	25.9	3.0
FY2019 (forecast)	–	20.00	–	46.00	66.00		23.8	

3. Forecast of the Consolidated Financial Results for the Year Ending March 31, 2019 (April 1, 2018–March 31, 2019)

(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	26,718	3.6	5,576	5.8	5,728	4.7	4,102	9.5	128.90
Full year	56,802	4.5	11,922	5.2	12,315	6.4	8,828	9.0	277.42

* Notes

(1) Significant Changes in Subsidiaries during the Year under Review (Changes in specified subsidiaries resulting in change of scope of consolidation): None

Newly included: None (Company name:) Removed: None (Company name:)

(2) 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

(3) Number of Shares Outstanding (Common Stock)

1) Number of shares outstanding as of the period-end (including treasury shares)	As of March 31, 2018:	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 March 31, 2018:	986,696 shares	As of March 31, 2017:	985,653 shares
3) Average number of shares outstanding for the period	FY2018:	31,822,374 shares	FY2017:	31,823,423 shares

(Reference) Summary of Non-consolidated Financial Results

1. Financial Results for the Year Ended March 31, 2018 (April 1, 2017–March 31, 2018)

(1) Non-consolidated Financial Results

(Percentage figures represent changes from the previous fiscal year.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2018	38,985	8.2	7,838	4.6	8,224	3.9	5,926	6.9
FY2017	36,030	4.5	7,495	12.4	7,912	12.1	5,541	15.5

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY2018	186.24	–
FY2017	174.15	–

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2018	80,006	69,871	87.3	2,195.70
FY2017	73,015	64,271	88.0	2,019.67

Reference: Equity capital: FY2018: ¥69,871 million FY2017: ¥64,271 million

2. Forecast of the Non-consolidated Financial Results for the Year Ending March 31, 2019 (April 1, 2018–March 31, 2019)

(Full year percentage figures represent changes from the previous fiscal year, and first half figures represent changes from the same period of the previous year.)

	Net sales		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	19,033	2.2	4,111	0.9	2,988	0.6	93.90
Full year	40,000	2.6	8,520	3.6	6,000	1.2	188.55

* These financial results are outside the scope of the audit by certified public accountants or auditing firms.

* 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. Overview of Business Results

(1) Overview of Business Results for the FY2018

(Consolidated business results)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company	Net income per share (yen)
FY2018	54,348	11,329	11,570	8,099	254.53
FY2017	48,803	10,273	10,579	7,585	238.35
Growth Rate	11.4%	10.3%	9.4%	6.8%	—

(Non-consolidated business results)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2018	38,985	7,838	8,224	5,926	186.24
FY2017	36,030	7,495	7,912	5,541	174.15
Growth Rate	8.2%	4.6%	3.9%	6.9%	—

The Japanese economy during the fiscal year ended March 31, 2018 remained on a moderate recovery trend as corporate earnings and employment conditions improved thanks to economic policies by the government. However, future prospects remain uncertain due to increasing uncertainties about overseas economies and geopolitical risks.

Under such circumstances, Ariake Japan Co., Ltd. (the "Company") and its Group companies (collectively, the "Ariake Group") have been striving to understand 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 Group and the Company were able to record the following earnings for the fiscal year under review.

The Company's net sales increased by 8.2% (¥2,955 million) year on year, to ¥38,985 million, resulting from our steady sales and marketing efforts focusing on a "customer-first" approach.

Net sales of consolidated subsidiaries increased by 20.3% year on year mainly due to the higher sales in the overseas subsidiaries.

Therefore, consolidated net sales for the fiscal year under review increased by 11.4% (¥5,544 million) year on year to ¥54,348 million.

The Company's operating income grew by 4.6% (¥342 million) year on year, to ¥7,838 million. This was largely a result of increased sales, which offset growth in expenses such as the higher cost of raw materials due to the depreciation of the yen and higher fixed manufacturing costs (up by approximately ¥416 million year on year).

Consolidated operating income increased by 10.3% (¥1,056 million) year on year to ¥11,329 million.

The Company's ordinary income increased by 3.9% (¥311 million) year on year to ¥8,224 million. This was mainly attributable to the foreign exchange losses (as well as loss on valuation of derivatives) of ¥165 million, marking a ¥138 million increase from the foreign exchange gains (as well as loss on derivative instruments) of ¥27 million posted in the previous fiscal year.

Consolidated ordinary income increased by 9.4% (¥990 million) year on year to ¥11,570 million.

Net income for the Company grew by 6.9% (¥384 million) year on year to ¥5,926 million.

Net income attributable to shareholders of the parent company increased by 6.8% (¥514 million) to ¥8,099 million.

The Ariake Group has only one reportable segment, so information on segment performance is not reported.

(2) Overview of Financial Position for the FY2018

(Assets)

As of March 31, 2018, total current assets were ¥48,859 million. This represents an increase of ¥6,104 million compared to March 31, 2017, mainly due to an increase of ¥5,268 million in cash and deposits, an increase of ¥951 million in notes and accounts receivable - trade and an increase of ¥423 million in merchandise and finished goods. Total non-current assets increased by ¥4,138 million compared to March 31, 2017 to ¥38,410 million, mainly due to increases of ¥3,047 million in investment securities and ¥1,120 million in property, plant and equipment.

Therefore, total assets were ¥87,269 million, an increase of ¥10,243 million compared to March 31, 2017.

(Liabilities)

As of March 31, 2018, total current liabilities were ¥9,134 million, which represents an increase of ¥926 million compared to March 31, 2017. This was mainly attributable to an increase of ¥616 million in notes and accounts payable - trade. Total non-current liabilities rose to ¥4,106 million, an increase of ¥645 million compared to March 31, 2017. This was mainly owing to an increase of ¥533 million in deferred tax liabilities.

Therefore, total liabilities were ¥13,241 million, an increase of ¥1,571 million compared to March 31, 2017.

(Net Assets)

As of March 31, 2018, total net assets were ¥74,027 million, representing an increase of ¥8,671 million compared to March 31, 2017. This was mainly due to ¥8,099 million in net income attributable to shareholders of the parent company and ¥1,909 million in dividends of surplus.

Therefore, equity ratio was 84.3% (84.4% as of March 31, 2017).

(3) Overview of Cash Flows in the FY2018

Cash and cash equivalents (hereinafter "cash") as of March 31, 2018 totaled ¥17,316 million, a decrease of ¥231 million (down 1.3%) compared to March 31, 2017, as a result of outflows including the purchase of property, plant and equipment and payment of cash dividends despite an increase in income before income taxes and minority interests to ¥11,743 million (up 7.6% compared to the FY2017).

Overview of the respective cash flows and factors that influenced them in the FY 2018 are stated as below.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥10,173 million (a year on year increase in inflow of ¥2,368 million). While income before income taxes and minority interests increased to ¥11,743 million (a year on year increase of ¥829 million) and depreciation of ¥1,968 million was posted, payments for income and other taxes was ¥3,531 million and increases in inventories, and notes and accounts receivable - trade were ¥370 million and ¥868 million, respectively.

(Cash flows from investing activities)

Net cash used in investing activities was an outflow of ¥8,448 million (a year on year increase in outflow of ¥6,737 million), mainly attributable to capital expenditures of ¥2,781 million (a year on year increase in outflow of ¥804 million) and expenditures of ¥5,500 million from a net increase in time deposits.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,132 million (a year on year decrease of outflow of ¥207 million). This was mainly attributable to decreases in dividends paid and short-term loans payable of ¥1,909 million and ¥194 million, respectively.

(Reference) Cash Flow Indicators

	FY2014	FY2015	FY2016	FY2017	FY2018
Equity ratio (%)	83.0	82.7	83.2	84.4	84.3
Equity ratio based on fair value (%)	122.2	192.2	295.0	258.6	310.7
Cash flows interest-bearing debts ratio (years)	0.1	0.1	0.1	0.0	0.0
Interest coverage ratio (times)	343.8	256.5	607.6	1,398.3	3,801.3

Equity ratio: equity capital / total assets

Equity ratio based on fair value: total fair value / total assets

Cash flows interest-bearing liabilities ratio: interest-bearing debts/cash flows

Interest coverage ratio: cash flows / interest payments

(Note 1) All indicators are calculated using financial figures on a consolidated basis.

(Note 2) Total fair value is calculated based on number of shares outstanding after deducting treasury shares.

(Note 3) The "Cash flows from operating activities" was used as cash flows.

(Note 4) All interest-bearing debts on the Consolidated Balance Sheets were used as interest-bearing debts.

(4) Future Outlook

(Forecast for consolidated financial results)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to shareholders of the parent company	Net income per share (yen)
FY2019	56,802	11,922	12,315	8,828	277.42
FY2018	54,348	11,329	11,570	8,099	254.53
Growth Rate	4.5%	5.2%	6.4%	9.0%	—

(Forecast for non-consolidated financial results)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2019	40,000	8,080	8,520	6,000	188.55
FY2018	38,985	7,838	8,224	5,926	186.24
Growth Rate	2.6%	3.1%	3.6%	1.2%	—

For the past decade, the Ariake Group has made large-scale capital expenditures of more than ¥20 billion across the globe to expand worldwide demand for natural seasonings and to have our products penetrate global markets. The results of these domestic and overseas capital expenditures are steadily being realized. Net sales of the Company in the FY2018 was ¥38,985 million, an increase of 85.2% compared to the FY2008 (¥21,050 million) and consolidated net sales increased to ¥54,348 million, an improvement of 136.7% from the FY2008 (¥22,961 million). Both sales items have been setting record highs for eight consecutive years.

Our income also has steadily been growing, offsetting the increase in depreciation due to capital expenditures. The Company's net income was ¥5,926 million and net income attributable to shareholders of our parent company was ¥8,099 million in the FY2018, both recording historical highs. In the coming fiscal year, as well, we will make the most of our proprietary technologies and cutting-edge facilities, and spare no effort in fully leveraging the unique qualities discussed above to maintain steady increase of its earnings.

In these circumstances, for the next consolidated fiscal year, the FY2019, consolidated net sales are projected to be ¥56,802 million (up 4.5% compared to the FY2018), operating income ¥11,922 million (up 5.2%), ordinary income ¥12,315 million (up 6.4%) and net income attributable to shareholders of parent company ¥8,828 million (up 9.0%).

We used exchange rates of 1 US dollar = ¥108 and 1 euro = ¥132 as the base for forecast for financial results.

The forecast for financial results above was prepared based on information available as of the date of announcement of this material and actual results may be different from the forecast figures due to various factors in the future.

2. Basic Approach to the Selection of Accounting Standards

In consideration of comparability of the consolidated financial statements over different accounting periods, the Group will prepare consolidated financial statements based on Japanese GAAP for the time being. For the application of International Financial Reporting Standards (IFRS), the Group will take adequate actions while paying attention to various situations inside and outside Japan.

3. Consolidated Financial Statements and Major Notes

(1) Consolidated Balance Sheets

	(Thousands of yen)	
	FY2017 (As of March 31, 2017)	FY2018 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	24,547,632	29,816,304
Notes and accounts receivable - trade	9,714,757	10,665,763
Securities	540,044	500,000
Merchandise and finished goods	3,413,451	3,836,679
Work in process	938,161	895,113
Raw materials and supplies	2,295,541	2,378,687
Deferred tax assets	232,274	253,552
Others	1,077,981	514,754
Allowance for doubtful accounts	(5,723)	(1,845)
Total current assets	42,754,120	48,859,008
Non-current assets		
Property, plant and equipment		
Buildings and structures	24,042,603	25,094,171
Accumulated depreciation	(12,375,575)	(13,155,347)
Buildings and structures, net	11,667,027	11,938,823
Machinery, equipment and vehicles	25,683,991	27,289,207
Accumulated depreciation	(20,230,945)	(21,383,024)
Machinery, equipment and vehicles, net	5,453,045	5,906,183
Land	4,534,147	4,561,727
Leased assets	106,214	115,002
Accumulated depreciation	(62,918)	(76,390)
Leased assets, net	43,296	38,612
Construction in progress	900,990	1,241,053
Others	1,052,622	1,121,727
Accumulated depreciation	(906,838)	(943,293)
Others, net	145,784	178,434
Total property, plant and equipment	22,744,291	23,864,833
Intangible assets		
Goodwill	619,531	580,394
Others	110,440	138,653
Total intangible assets	729,972	719,048
Investments and other assets		
Investment securities	*1 9,755,228	*1 12,802,571
Long-term loans receivable	21,675	18,315
Real estate for investment, net	*2 667,301	*2 660,040
Others	353,600	345,323
Allowance for doubtful accounts	(628)	(129)
Total investments and other assets	10,797,178	13,826,121
Total non-current assets	34,271,442	38,410,003
Total assets	77,025,563	87,269,012

(Thousands of yen)

	FY2017 (As of March 31, 2017)		FY2018 (As of March 31, 2018)
Liabilities			
Current liabilities			
Notes and accounts payable - trade	4,176,482	*3	4,792,824
Short-term loans payable	219,360		24,532
Lease obligations	12,620		14,389
Income taxes payable	1,593,787		1,806,634
Provision for bonuses	247,076		255,987
Provision for directors' bonuses	51,840		70,000
Others	1,906,560		2,170,088
Total current liabilities	8,207,729		9,134,456
Non-current liabilities			
Lease obligations	33,777		27,008
Deferred tax liabilities	1,947,419		2,480,720
Provision for directors' retirement benefits	117,590		126,110
Net defined benefit liability	1,102,228		1,168,585
Others	260,605		304,447
Total non-current liabilities	3,461,621		4,106,870
Total liabilities	11,669,351		13,241,327
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		55,255,026
Treasury shares	(2,079,787)		(2,088,405)
Total shareholders' equity	61,920,131		68,102,060
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	3,060,042		4,650,893
Foreign currency translation adjustment	135,823		895,680
Remeasurements of defined benefit plans	(110,194)		(70,253)
Total accumulated other comprehensive income	3,085,671		5,476,319
Non-controlling interests	350,409		449,304
Total net assets	65,356,211		74,027,684
Total liabilities and net assets	77,025,563		87,269,012

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

(Consolidated Statements of Income)

(Thousands of yen)

	FY2017		FY2018	
	(from April 1, 2016 to March 31, 2017)		(from April 1, 2017 to March 31, 2018)	
Net sales		48,803,463		54,348,006
Cost of sales	*1, *3	31,493,767	*1, *3	35,510,441
Gross profit		17,309,696		18,837,565
Selling, general and administrative expenses	*2, *3	7,036,414	*2, *3	7,508,003
Operating income		10,273,281		11,329,561
Non-operating income				
Interest and dividend income		228,885		207,983
Foreign exchange gains		42,761		20,688
House rent income		34,145		35,058
Others		115,500		183,428
Total non-operating income		421,293		447,158
Non-operating expenses				
Interest expenses		5,563		2,676
Loss on valuation of derivatives		43,345		125,093
Cost of lease revenue		16,604		15,903
Loss on retirement of non-current assets		23,344		–
Penalties		–		24,000
Others		25,805		38,533
Total non-operating expenses		114,662		206,207
Ordinary income		10,579,911		11,570,512
Extraordinary income				
Gain on sales of non-current assets		350,533		–
Subsidy income		–		179,391
Total extraordinary income		350,533		179,391
Extraordinary losses				
Loss on retirement of non-current assets		16,257		6,138
Total extraordinary losses		16,257		6,138
Income before income taxes and minority interests		10,914,187		11,743,765
Income taxes - current		3,326,953		3,721,155
Income taxes - deferred		(64,641)		(171,838)
Total income taxes		3,262,312		3,549,316
Net income		7,651,875		8,194,448
Net income attributable to non-controlling interests		66,613		94,533
Net income attributable to shareholders of the parent company		7,585,262		8,099,915

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Net income	7,651,875	8,194,448
Other comprehensive income		
Valuation difference on available-for-sale securities	882,732	1,590,850
Foreign currency translation adjustment	(885,559)	770,580
Remeasurements of defined benefit plans	59,091	39,940
Total other comprehensive income	* 56,265	* 2,401,372
Comprehensive income	7,708,140	10,595,821
Comprehensive income attributable to:		
Comprehensive income attributable to shareholders of the parent company	7,669,314	10,490,562
Comprehensive income attributable to non-controlling interests	38,826	105,258

(3) Consolidated Statements of Changes in Equity

FY2017 (from April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,095,096	7,840,343	43,388,641	(2,074,351)	56,249,729
Changes of items during period					
Dividends of surplus			(1,909,424)		(1,909,424)
Net income attributable to shareholders of the parent company			7,585,262		7,585,262
Purchase of treasury shares				(5,435)	(5,435)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	5,675,837	(5,435)	5,670,401
Balance at end of current period	7,095,096	7,840,343	49,064,479	(2,079,787)	61,920,131

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	2,177,309	993,596	(169,286)	3,001,619	316,107	59,567,456
Changes of items during period						
Dividends of surplus						(1,909,424)
Net income attributable to shareholders of the parent company						7,585,262
Purchase of treasury shares						(5,435)
Net changes of items other than shareholders' equity	882,732	(857,772)	59,091	84,051	34,301	118,353
Total changes of items during period	882,732	(857,772)	59,091	84,051	34,301	5,788,755
Balance at end of current period	3,060,042	135,823	(110,194)	3,085,671	350,409	65,356,211

FY2018 (from April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	7,095,096	7,840,343	49,064,479	(2,079,787)	61,920,131
Changes of items during period					
Dividends of surplus			(1,909,367)		(1,909,367)
Net income attributable to shareholders of the parent company			8,099,915		8,099,915
Purchase of treasury shares				(8,617)	(8,617)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	6,190,547	(8,617)	6,181,929
Balance at end of current period	7,095,096	7,840,343	55,255,026	(2,088,405)	68,102,060

	Accumulated other comprehensive income				Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of current period	3,060,042	135,823	(110,194)	3,085,671	350,409	65,356,211
Changes of items during period						
Dividends of surplus						(1,909,367)
Net income attributable to shareholders of the parent company						8,099,915
Purchase of treasury shares						(8,617)
Net changes of items other than shareholders' equity	1,590,850	759,856	39,940	2,390,647	98,895	2,489,543
Total changes of items during period	1,590,850	759,856	39,940	2,390,647	98,895	8,671,472
Balance at end of current period	4,650,893	895,680	(70,253)	5,476,319	449,304	74,027,684

(4) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Cash flows from operating activities		
Income before income taxes and minority interests	10,914,187	11,743,765
Depreciation	1,933,638	1,968,822
Amortization of goodwill	91,782	100,938
Increase (decrease) in allowance for doubtful accounts	593	(4,376)
Increase (decrease) in net defined benefit liability	98,933	123,349
Increase (decrease) in provision for directors' retirement benefits	(181,930)	8,520
Increase (decrease) in provision for directors' bonuses	-	18,160
Increase (decrease) in provision for bonuses	28,951	8,910
Interest and dividend income	(228,885)	(207,983)
Interest expenses	5,563	2,676
Foreign exchange losses (gains)	(15,946)	42,532
Loss (gain) on valuation of derivatives	43,345	125,093
Loss (gain) on sales of non-current assets	(350,533)	-
Loss (gain) on sales and retirement of non-current assets	23,344	-
Loss on retirement of non-current assets	16,257	6,138
Subsidy income	-	(179,391)
Decrease (increase) in notes and accounts receivable - trade	(763,976)	(868,684)
Decrease (increase) in inventories	(782,047)	(370,862)
Increase (decrease) in notes and accounts payable - trade	52,657	699,748
Increase (decrease) in accrued consumption taxes	(50,157)	4,116
Decrease (increase) in other assets	16,344	(78,813)
Increase (decrease) in other liabilities	70,721	158,445
Subtotal	10,922,844	13,301,103
Interest and dividend income received	225,995	226,712
Interest expenses paid	(5,563)	(2,676)
Proceeds from subsidy income	-	179,391
Income taxes paid	(3,338,126)	(3,531,240)
Net cash provided by operating activities	7,805,150	10,173,290
Cash flows from investing activities		
Proceeds from sale of securities	587,911	540,000
Net decrease (increase) in time deposits	200,000	(5,500,000)
Purchase of property, plant and equipment	(1,977,093)	(2,781,786)
Proceeds from sales of property, plant and equipment	-	610,704
Purchase of intangible assets	(6,362)	(44,492)
Purchase of investment securities	(506,490)	(1,277,249)
Payments of loans receivable	(11,430)	(1,000)
Collection of loans receivable	2,377	4,846
Net cash used in investing activities	(1,711,087)	(8,448,977)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(421,297)	(194,045)
Purchase of treasury shares	(5,435)	(8,617)
Cash dividends paid	(1,909,131)	(1,909,321)
Dividends paid to non-controlling interests	(4,525)	(6,362)
Others	-	(14,277)
Net cash used in financing activities	(2,340,389)	(2,132,624)
Effect of exchange rate change on cash and cash equivalents	309,000	176,983
Net increase (decrease) in cash and cash equivalents	4,062,674	(231,328)
Cash and cash equivalents at beginning of period	13,484,958	17,547,632
Cash and cash equivalents at end of period	*	*
	17,547,632	17,316,304

(5) Notes on the Consolidated Financial Statements

(Notes on the Going Concern Assumption)

There is nothing to report.

(Basic Important Matters to Prepare the Consolidated Financial Statements)

1. Matters relating to the scope of consolidation

(1) Consolidated subsidiary companies: 9

Name of the major consolidated subsidiaries

Dear. SOUP Co., Ltd.

A.C.C. Co., Ltd.

ARIAKE U.S.A., Inc.

Qingdao Ariake Foodstuff Co., Ltd.

Taiwan Ariake Foods Co., Ltd.

F. P. Natural Ingredients S.A.S.

Ariake Europe N.V.

Henningsen Nederland B.V.

PT. Ariake Europe Indonesia

(2) Name of the major non-consolidated subsidiary:

Major non-consolidated subsidiaries

Ariake Farm Co., Ltd.

(Reason to exclude from the scope of consolidation)

The non-consolidated subsidiary Ariake Farm Co., Ltd. is a small company, and its total assets, net sales, net income or loss (corresponding to equity) and retained earnings (corresponding to equity) did not have a significant influence on the Consolidated Financial Statements.

2. Matters relating to subsidiaries and affiliates adopting the equity method

(1) Number and names of companies adopting equity method

Non-consolidated subsidiaries: None

Affiliated companies: None

(2) Non-consolidated subsidiaries that are not using the equity method:

Considering the net income or loss (corresponding to equity) and retained earnings (corresponding to equity), Ariake Farm Co., Ltd. had an insignificant influence on the Consolidated Financial Statements. Since it was not financially important overall, it was excluded from the scope of application of the equity method.

3. Matters relating to business year of consolidated subsidiaries

The closing day of ARIAKE U.S.A., Inc., Qingdao Ariake Foodstuff Co., Ltd., Taiwan Ariake Foods Co., Ltd., F. P. Natural Ingredients S.A.S., Ariake Europe N.V., Henningsen Nederland B.V. and PT. Ariake Europe Indonesia is December 31. Although the Company adopted all the subsidiaries' financial statements as of December 31 to prepare for the Consolidated Financial Statements, any significant transactions accrued in the period from that date to the consolidated book closing day were adjusted according to consolidation requirements.

4. Matters relating to accounting policies

(1) Valuation standards and methods for important assets

(i) Securities

(a) Held-to-maturity securities

Amortized cost method (straight-line method)

(b) Other securities

1) Securities with market price

Mark-to-market method based on the market price as of the closing day of accounts (All the valuation differences were incorporated directly into the net assets and costs for sale were computed with the moving average method.)

2) Securities without market price

Cost method under the moving average method

(ii) Derivatives

Mark-to-market method

(iii) Major inventories

(a) Products

Mainly, identified cost method

(b) Raw materials

Mainly, cost method under the moving average method

(c) Work in process

Mainly, identified cost method

(d) Supplies

Last cost method

(Amounts on the balance sheets were calculated by the method of writing down the book value in accordance with a decline in profitability.)

(2) Depreciation method for important depreciable assets

(i) Property, plant and equipment (except for leased assets)

(a) Domestic companies: Declining balance method

However, a straight-line method was used for buildings (except attached equipment) acquired or put into business use after April 1, 1998, and attached equipment to buildings and structures acquired on or later than April 1, 2016.

Small-amount depreciable assets of which the acquisition price was ¥100,000 or more and less than ¥200,000 were and will be depreciated evenly over 3 years.

Useful lives of major assets were as follows:

Buildings and structures: 7 to 50 years

Machines, devices and delivery equipment: 2 to 10 years

(b) Overseas subsidiaries: Straight-line method based on the estimated useful life

(ii) Intangible assets (except for leased assets): Straight-line method

Software for internal use is amortized over its estimated useful life of 5 years, using the straight-line method.

(iii) Leased assets

Finance leased assets that do not transfer ownership are depreciated using the straight-line method over the period of the lease with zero residual value.

(iv) Real estate for investment: Declining balance method

(3) Standards for significant allowances

(i) Allowance for doubtful accounts

To prepare against losses from bad debts, the amount estimated based on the actual loss ratio was reserved for ordinary receivables, and the amount of possible losses is included in the reserve considering the collectability of individual doubtful accounts.

(ii) Provision for employees' bonuses

Except for the foreign subsidiaries, the Company has reserved and recorded the estimated amount of the bonuses to prepare for payment to employees.

(iii) Provision for directors' bonuses

The Company has reserved and recorded as the current fiscal year's Company's contribution a part of the estimated amount of directors' bonuses to prepare for payment to directors.

(iv) Provision for directors' retirement benefits

To prepare for payment of directors' retirement benefits, the Company has reserved and recorded the required amounts as of the end of the term based on the internal regulations regarding directors' retirement benefits.

(4) Accounting method for retirement benefits

(i) Period corresponding method for the projected retirement benefits

For the calculation of the retirement benefit obligations, the benefit formula standard is applied as a period corresponding method to determine projected retirement benefits up to the current consolidated fiscal year.

(ii) Accounting method for actuarial gains and losses and prior service costs

Past employment expenses are treated as expenses and amortized, using the straight-line method based on a fixed number of years (mainly 5 years) within the average remaining service period of employees at the time of accrual.

Actuarial gains and losses are treated as expenses, and amortized from the following fiscal year in which the gain or loss is recognized using the straight-line method over a certain period (mainly 5 years) within the average remaining years of service of the employees.

(5) Standards for converting significant foreign currency denominated assets and liabilities into Japanese yen

Receivables and payables denominated in foreign currencies were converted to Japanese yen using the spot exchange rate for the closing day of the consolidated period, and differences were recorded as gains or losses.

The assets and liabilities, as well as income and expenses, of foreign subsidiaries were converted to Japanese yen using the spot exchange rate for the closing day of the consolidated period and differences were included in the adjustment account for foreign currency exchange or non-controlling interests under net assets.

(6) Amortization method and period for goodwill

A straight-line method is adopted to amortize goodwill for a period of 10 years.

(7) Scope of cash in the Consolidated Statements of Cash Flows

Cash (cash and cash equivalents) in the Consolidated Statements of Cash Flows consist of cash on hand, deposits withdrawable at any time and short-term investments convertible easily into cash and repayable within 3 months after acquisition, with little risk for price fluctuation.

(8) Other important matters to prepare the Consolidated Financial Statements

Accounting of the consumption tax

The Company applied the tax-exclusion accounting method.

(Consolidated Balance Sheets)

*1. Items accounted in non-consolidated subsidiaries and affiliated companies are as follows:

	FY2017 (As of March 31, 2017)	FY2018 (As of March 31, 2018)
	(Thousands of yen)	(Thousands of yen)
Investment securities (stocks)	1,500	1,500

*2. Accumulated depreciation of investments in real estates

	FY2017 (As of March 31, 2017)	FY2018 (As of March 31, 2018)
	(Thousands of yen)	(Thousands of yen)
Accumulated depreciation of investments in real estates	168,119	175,380

*3. Notes maturing at the end of the consolidated fiscal year

Notes that matured on March 31, 2018 are deemed to have been settled on the date of maturity although it fell on a day when financial institutions were closed. The amounts of notes that matured on March 31, 2018 are as follows:

	FY2017 (As of March 31, 2017)	FY2018 (As of March 31, 2018)
	(Thousands of yen)	(Thousands of yen)
Notes receivable	–	84,572
Notes payable	–	75,199

4. Contingent liabilities

Guarantee of liabilities was applied to the following obligations by non-consolidated companies.

	FY2017 (As of March 31, 2017)	FY2018 (As of March 31, 2018)
	(Thousands of yen)	(Thousands of yen)
Ariake Farm Co., Ltd.		
Indebtedness to financial institutions	185,800	128,680
Guarantee of liabilities related to overdraft facility	150,000	150,000

(Consolidated Statements of Income)

*1. Ending inventories were calculated by writing down the book value in accordance with a decline in profitability and the following loss on valuation of inventories was included in cost of sales.

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
	(Thousands of yen)	(Thousands of yen)
	(35,878)	(1,486)

*2. Major items and amounts under selling, general and administrative expenses are as follows:

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
	(Thousands of yen)	(Thousands of yen)
Salary and bonuses	1,093,660	1,160,206
Packing and transportation expenses	2,719,366	3,052,074
Depreciation	98,486	102,087
Provision for bonuses	56,668	57,820
Provision for directors' bonuses	51,840	70,000
Retirement benefit expenses	46,239	44,747
Provision for directors' retirement benefits	13,070	8,520

*3. The total amount of research and development expenses included in general and administrative expenses and manufacturing cost of the current term is as follows:

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
	(Thousands of yen)	(Thousands of yen)
General and administrative expenses	344,025	385,642
Manufacturing cost of the current term	27,155	29,214

(Consolidated Statements of Comprehensive Income)

* Other comprehensive income reclassification adjustments and tax effects

(Thousands of yen)

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Valuation difference on available-for-sale securities:		
Accrued amount during the period	1,259,607	2,270,049
Reclassification adjustments	-	-
Before tax effect adjustment	1,259,607	2,270,049
Tax effects	(376,874)	(679,198)
Valuation difference on available-for-sale securities	882,732	1,590,850
Foreign currency translation adjustment:		
Accrued amount during the period	(885,559)	770,580
Reclassification adjustments	-	-
Foreign currency translation adjustment	(885,559)	770,580
Remeasurements of defined benefit plans:		
Amount recognized during the current fiscal year	35,511	10,224
Reclassification adjustments	48,809	46,769
Before tax effect adjustment	84,320	56,993
Tax effects	(25,228)	(17,052)
Remeasurements of defined benefit plans	59,091	39,940
Total other comprehensive income	56,265	2,401,372

(Consolidated Statements of Changes in Equity)

FY2017 (from April 1, 2016 to March 31, 2017)

1. Items regarding the type and number of shares outstanding and the type and number of treasury shares

(Thousands of shares)

	Number of shares as of April 1, 2016	Increased number of shares (April 1, 2016 to March 31, 2017)	Decreased number of shares (April 1, 2016 to March 31, 2017)	Number of shares as of March 31, 2017
Outstanding shares				
Common stock	32,808	–	–	32,808
Total	32,808	–	–	32,808
Treasury shares				
Common stock ^(Note)	984	0	–	985
Total	984	0	–	985

Note: The increase in common stock in treasury was due to the acquisition of shares of less than one unit.

2. Matters regarding subscription rights to shares and treasury subscription rights to shares

There is nothing to report.

3. Items regarding dividends

(1) Amount of dividends paid

Resolution	Type of stock	Total amount of dividends (thousand yen)	Dividends per share (yen)	Record date	Effective date
June 17, 2016 Annual meeting of shareholders	Common stock	1,272,956	40.0	March 31, 2016	June 20, 2016
November 9, 2016 Board of Directors Meeting	Common stock	636,468	20.0	September 30, 2016	December 5, 2016

(2) Dividends for which the record date fell in current consolidated fiscal year and the effective date fell in the following year

Resolution	Type of stock	Total amount of dividends (thousand yen)	Fiscal resources of dividends	Dividends per share (yen)	Record date	Effective date
June 23, 2017 Annual meeting of shareholders	Common stock	1,272,921	Retained earnings	40.0	March 31, 2017	June 26, 2017

FY2018 (from April 1, 2017 to March 31, 2018)

1. Items regarding the type and number of shares outstanding and the type and number of treasury shares

(Thousands of shares)

	Number of shares as of April 1, 2017	Increased number of shares (April 1, 2017 to March 31, 2018)	Decreased number of shares (April 1, 2017 to March 31, 2018)	Number of shares as of March 31, 2018
Outstanding shares				
Common stock	32,808	–	–	32,808
Total	32,808	–	–	32,808
Treasury shares				
Common stock ^(Note)	985	1	–	986
Total	985	1	–	986

Note: The increase in common stock in treasury was due to the acquisition of shares of less than one unit.

2. Matters regarding subscription rights to shares and treasury subscription rights to shares

There is nothing to report.

3. Items regarding dividends

(1) Amount of dividends paid

Resolution	Type of stock	Total amount of dividends (thousand yen)	Dividends per share (yen)	Record date	Effective date
June 23, 2017 Annual meeting of shareholders	Common stock	1,272,921	40.0	March 31, 2017	June 26, 2017
November 9, 2017 Board of Directors Meeting	Common stock	636,446	20.0	September 30, 2017	December 4, 2017

(2) Dividends for which the record date fell in current consolidated fiscal year and the effective date will fall in the following year

Resolution	Type of stock	Total amount of dividends (thousand yen)	Fiscal resources of dividends	Dividends per share (yen)	Record date	Effective date
June 22, 2018 Annual meeting of shareholders	Common stock	1,463,811	Retained earnings	46.0	March 31, 2018	June 25, 2018

(Consolidated Statements of Cash Flows)

* Relation between the ending balance of cash and cash equivalents and the accounts on the Consolidated Balance Sheets

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
	(Thousands of yen)	(Thousands of yen)
Cash and deposits	24,547,632	29,816,304
Time deposits with maturities longer than 3 months	(7,000,000)	(12,500,000)
Cash and cash equivalents	17,547,632	17,316,304

(Securities)

1. Held-to-maturity securities

FY2017 (as of March 31, 2017)

(Thousands of yen)

	Type	Carrying amount on the Consolidated Balance Sheets	Fair value	Difference
Securities whose fair value exceed their carrying amount on the Consolidated Balance Sheets	(1) Government and municipal bonds, etc.			
	(2) Corporate bonds			
	(3) Others	2,500,000	2,537,950	37,950
	Subtotal	2,500,000	2,537,950	37,950
Securities whose fair value do not exceed their carrying amount on the Consolidated Balance Sheets	(1) Government and municipal bonds, etc.			
	(2) Corporate bonds			
	(3) Others	500,000	495,050	(4,950)
	Subtotal	500,000	495,050	(4,950)
Total		3,000,000	3,033,000	33,000

FY2018 (as of March 31, 2018)

(Thousands of yen)

	Type	Carrying amount on the Consolidated Balance Sheets	Fair value	Difference
Securities whose fair value exceed their carrying amount on the Consolidated Balance Sheets	(1) Government and municipal bonds, etc.			
	(2) Corporate bonds			
	(3) Others	2,000,000	2,027,400	27,400
	Subtotal	2,000,000	2,027,400	27,400
Securities whose fair value do not exceed their carrying amount on the Consolidated Balance Sheets	(1) Government and municipal bonds, etc.			
	(2) Corporate bonds			
	(3) Others	1,500,000	1,493,700	(6,300)
	Subtotal	1,500,000	1,493,700	(6,300)
Total		3,500,000	3,521,100	21,100

2. Other securities

FY2017 (as of March 31, 2017)

(Thousands of yen)

	Type	Carrying amount on the Consolidated Balance Sheets	Acquisition costs	Difference
Securities whose carrying amount on the Consolidated Balance Sheets exceed acquisition costs	(1) Stocks	7,084,238	2,710,088	4,374,150
	(2) Bonds			
	1) Government and municipal bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Others	40,044	40,000	44
	(3) Others	—	—	—
	Subtotal	7,124,282	2,750,088	4,374,194
Securities whose carrying amount on the Consolidated Balance Sheets do not exceed acquisition costs	(1) Stocks	43,575	51,270	(7,695)
	(2) Bonds			
	1) Government and municipal bonds etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Others	—	—	—
	(3) Others	—	—	—
	Subtotal	43,575	51,270	(7,695)
Total		7,167,857	2,801,358	4,366,499

Note: Unlisted equity securities (with a carrying amount of ¥125,915 thousand recorded on the Consolidated Balance Sheets) are not included in the above "Other securities," since there is no quoted market price and it is very difficult to determine their fair values.

FY2018 (as of March 31, 2018)

(Thousands of yen)

	Type	Carrying amount on the Consolidated Balance Sheets	Acquisition costs	Difference
Securities whose carrying amount on the Consolidated Balance Sheets exceed acquisition costs	(1) Stocks	9,625,405	2,987,337	6,638,068
	(2) Bonds			
	1) Government and municipal bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Others	—	—	—
	(3) Others	—	—	—
	Subtotal	9,625,405	2,987,337	6,638,068
Securities whose carrying amount on the Consolidated Balance Sheets do not exceed acquisition costs	(1) Stocks	49,750	51,270	(1,520)
	(2) Bonds			
	1) Government and municipal bonds etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Others	—	—	—
	(3) Others	—	—	—
	Subtotal	49,750	51,270	(1,520)
Total		9,675,156	3,038,607	6,636,548

Note: Unlisted equity securities (with a carrying amount of ¥125,915 thousand recorded on the Consolidated Balance Sheets) are not included in the above "Other securities," since there is no quoted market price and it is very difficult to determine their fair values.

3. Other securities sold

FY2017 (April 1, 2016–March 31, 2017)

There is nothing to report.

FY2018 (April 1, 2017–March 31, 2018)

There is nothing to report.

(Derivative Transactions)

1. Derivative transactions not applied to hedge accounting

(1) Currency-related

FY2017 (as of March 31, 2017)

(Thousands of yen)

Category	Type	Contract amount, etc.	Contract price (portion due after one year)	Fair value	Gain/loss on valuation
Non-market transactions	Forward exchange contracts Short position				
	U.S. dollar	40,000	–	8,844	8,844
Total		40,000	–	8,844	8,844

Note: Method for calculating fair value

The fair values of these are determined using the quoted price by financial institutions and others with which businesses are conducted.

FY2018 (as of March 31, 2018)

(Thousands of yen)

Category	Type	Contract amount, etc.	Contract price (portion due after one year)	Fair value	Gain/loss on valuation
Non-market transactions	Forward exchange contracts Short position				
	U.S. dollar	2,549,760	1,699,840	(116,249)	(116,249)
Total		2,549,760	1,699,840	(116,249)	(116,249)

Note: Method for calculating fair value

The fair values of these are determined using the quoted price by financial institutions and others with which businesses are conducted.

(Retirement Benefits)

1. Outline of the retirement benefits system employed by the Company

The Company has a retirement lump-sum payment plan and a defined-benefit corporate pension plan in place for its regular employees and a retirement lump-sum payment plan for its junior employees. Some consolidated subsidiaries adopt defined contribution pension plans.

For the retirement lump-sum payment plan for junior employees, retirement benefit obligations and retirement benefit expenses are calculated using the simplified method.

2. Defined benefits system

(1) Reconciliation table for beginning and ending balances of retirement benefits obligations

	(Thousands of yen)	
	FY2017	FY2018
	(from April 1, 2016 to March 31, 2017)	(from April 1, 2017 to March 31, 2018)
Beginning balance of retirement benefits obligations	1,963,222	2,016,848
Employment expenses	125,631	134,322
Interest expenses	13,965	14,370
Amortization of net actuarial gains or losses	(38,309)	(15,283)
Payment of retirement benefits	(47,661)	(39,472)
Ending balance of retirement benefits obligations	2,016,848	2,110,785

(2) Reconciliation table for beginning and ending balances of pension assets

	(Thousands of yen)	
	FY2017	FY2018
	(from April 1, 2016 to March 31, 2017)	(from April 1, 2017 to March 31, 2018)
Beginning balance of pension assets	875,605	914,619
Expected return on plan assets	13,134	13,719
Amortization of net actuarial gains or losses	(2,797)	(5,059)
Employer's contribution	57,321	70,193
Payment of retirement benefits	(28,643)	(22,929)
Ending balance of pension assets	914,619	970,544

(3) Reconciliation table for beginning and ending balances of retirement benefit obligations calculated using the simplified method

	(Thousands of yen)	
	FY2017	FY2018
	(from April 1, 2016 to March 31, 2017)	(from April 1, 2017 to March 31, 2018)
Beginning balance of retirement benefit obligations	-	-
Retirement benefit expenses	-	29,531
Retirement benefits paid	-	(1,186)
Ending balance of retirement benefit obligations	-	28,344

(4) Reconciliation table for ending balance of retirement benefits obligations and pension assets, and liabilities concerning retirement benefits and assets concerning retirement benefits posted on the Consolidated Balance Sheets

	(Thousands of yen)	
	FY2017 (as of March 31, 2017)	FY2018 (as of March 31, 2018)
Retirement benefits obligations on the funded scheme	1,277,555	1,363,002
Pension assets	(914,619)	(970,544)
	362,935	392,458
Retirement benefits obligations on the non-funded scheme	739,293	776,126
Net amount of liabilities and assets reported in the Consolidated Balance Sheets	1,102,228	1,168,585
Liabilities concerning retirement benefits	1,102,228	1,168,585
Net amount of liabilities and assets reported in the Consolidated Balance Sheets	1,102,228	1,168,585

Note: Plans to which the simplified method has been applied are included.

(5) Amounts of retirement benefits expenses and their components

	(Thousands of yen)	
	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Employment expenses	125,631	134,322
Interest expenses	13,965	14,370
Expected return on plan assets	(13,134)	(13,719)
Amortization of net actuarial gains or losses	48,809	46,769
Retirement benefit expenses calculated by the simplified method	-	29,531
Retirement benefits expenses concerning defined benefit system	175,271	211,273

(6) Accumulated adjustments concerning retirement benefits

The breakdown of items (before income taxes) posted on the accumulated adjustments concerning retirement benefits are as follows:

	(Thousands of yen)	
	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Prior service costs	-	-
Actuarial gains and losses	84,320	56,993
Total	84,320	56,993

(7) Accumulated adjustments concerning retirement benefits

The breakdown of items (before income taxes) posted on the accumulated adjustments concerning retirement benefits are as follows:

	(Thousands of yen)	
	FY2017 (as of March 31, 2017)	FY2018 (as of March 31, 2018)
Unrecognized prior service costs	-	-
Unrecognized actuarial gains and losses	(157,241)	(100,248)
Total	(157,241)	(100,248)

(8) Matters relating to pension assets

1) Principal components of pension assets

The proportion of principal categories concerning the total pension assets is as follows:

	FY2017 (as of March 31, 2017)	FY2018 (as of March 31, 2018)
Bonds	– %	– %
Stocks	–	–
Cash and deposits	–	–
Others	100	100
Total	100	100

2) Configuration method of long-term expected rate of return

In determining long-term expected rate of return on pension assets, allocation of current and projected pension assets and present and future long-term rate of return on a variety of assets comprising pension assets are considered.

(9) Matters relating to the basis of the actuarial calculation

The basis of the principal actuarial calculation (calculated using the weighted average).

	FY2017 (as of March 31, 2017)	FY2018 (as of March 31, 2018)
Discount rate	0.6 to 0.9%	0.6 to 0.9%
Long-term expected rate of return	1.5%	1.5%
Expected rate of salary increases	2.0%	2.0%

3. Defined contribution plans

The amount contributed to defined contribution plans of the consolidated subsidiaries was ¥14,090 thousand for the previous consolidated fiscal year and ¥17,472 thousand for the current consolidated fiscal year.

(Segment Information, etc.)

[Segment information]

1. Overview of reportable segments

In accordance with aggregation criteria for reportable segments, the Company's businesses are aggregated into the segment "manufacturing and sales of natural seasoning." Therefore, the Ariake Group has only one reportable segment of the natural seasonings business.

2. Method of calculations of sales, income (loss), assets, liabilities, and other items by reportable segment

The Ariake Group has only one reportable segment of the natural seasonings business, so information is omitted.

3. Information on sales, income (loss), assets, liabilities, and other items by reportable segment

The Ariake Group has only one reportable segment of the natural seasonings business, so information is omitted.

4. Difference between total amount of reportable segment and amount recorded on consolidated financial statements and its details about the difference (matters relating to difference adjustment)

The Ariake Group has only one reportable segment of the natural seasonings business, so information is omitted.

[Related information]

FY2017 (from April 1, 2016 to March 31, 2017)

1. Information by product and service

Information by product and service is omitted because external sales by products and services account for more than 90% of total net sales stated at the Consolidated Statements of Income.

2. Information by geographic segment

(1) Sales

(Thousands of yen)

Japan	North America	Europe	Asia	Total
36,343,583	4,502,557	2,895,413	5,061,908	48,803,463

(2) Property, plant and equipment

(Thousands of yen)

Japan	North America	Europe	Asia	Total
12,071,437	3,596,684	3,243,876	3,832,293	22,744,291

3. Information by major client

(Thousands of yen)

Name	Sales	Segment name
Vendor Services Co., Ltd.	5,907,228	Natural seasonings business

FY2018 (from April 1, 2017 to March 31, 2018)

1. Information by product and service

Information by product and service is omitted because external sales by products and services account for more than 90% of total net sales stated at the Consolidated Statements of Income.

2. Information by geographic segment

(1) Sales

(Thousands of yen)

Japan	North America	Europe	Asia	Total
39,257,535	5,432,900	3,417,195	6,240,375	54,348,006

(2) Property, plant and equipment

(Thousands of yen)

Japan	North America	Europe	Asia	Total
11,610,321	3,754,463	3,569,466	4,930,581	23,864,833

3. Information by major client

(Thousands of yen)

Name	Sales	Segment name
Vendor Services Co., Ltd.	6,307,445	Natural seasonings business

[Information on impairment loss of non-current assets by reportable segment]

FY2017 (from April 1, 2016 to March 31, 2017)

There is nothing to report.

FY2018 (from April 1, 2017 to March 31, 2018)

There is nothing to report.

[Information on amortization and unamortization of goodwill by reportable segment]

FY2017 (from April 1, 2016 to March 31, 2017)

The Ariake Group has only one reportable segment of the natural seasonings business, so information is omitted.

FY2018 (from April 1, 2017 to March 31, 2018)

The Ariake Group has only one reportable segment of the natural seasonings business, so information is omitted.

[Information on accrual profit of negative goodwill by reportable segment]

FY2017 (from April 1, 2016 to March 31, 2017)

There is nothing to report.

FY2018 (from April 1, 2017 to March 31, 2018)

There is nothing to report.

(Information on the Related Parties)

Transaction with related parties

(1) Transaction between the Company and related parties

a) Non-consolidated subsidiaries and affiliated companies, etc. of the Company

FY2017 (from April 1, 2016 to March 31, 2017)

Position	Name	Address	Capital or investment (thousand yen)	Type of business or job role	Voting rights (Company stake) (%)	Relationship with related parties	Nature of business transaction	Transaction value (thousand yen)	Item	Ending balance of debts and credits (thousand yen)
Subsidiary	Ariake Farm Co., Ltd.	Sasebo City, Nagasaki	15,100	Farming	9.9 (Direct) 89.4 (Indirect)	Purchase of raw materials	Purchase of raw materials	744,782	Accounts payable - trade Advance payments - trade	75,255 75,000
							Guarantee of liabilities	335,800	-	-

Notes: 1. With regard to the amounts above, the ending balances of debts and credits include consumption taxes while the transaction values do not include them.

2. The same terms and conditions as those for general clients are applied.

3. The Company has provided guarantees to Ariake Farm Co., Ltd. for its borrowings from financial institutions. The Company has not received guarantee fees from this subsidiary.

FY2018 (from April 1, 2017 to March 31, 2018)

Position	Name	Address	Capital or investment (thousand yen)	Type of business or job role	Voting rights (Company stake) (%)	Relationship with related parties	Nature of business transaction	Transaction value (thousand yen)	Item	Ending balance of debts and credits (thousand yen)
Subsidiary	Ariake Farm Co., Ltd.	Sasebo City, Nagasaki	15,100	Farming	9.9 (Direct) 89.4 (Indirect)	Purchase of raw materials	Purchase of raw materials	634,215	Accounts payable - trade Advance payments - trade	64,328 50,000
							Guarantee of liabilities	278,680	-	-

Notes: 1. With regard to the amounts above, the ending balances of debts and credits include consumption taxes while the transaction values do not include them.

2. The same terms and conditions as those for general clients are applied.

3. The Company has provided guarantees to Ariake Farm Co., Ltd. for its borrowings from financial institutions. The Company has not received guarantee fees from this subsidiary.

b) Directors, major shareholders, etc. of the Company

FY2017 (from April 1, 2016 to March 31, 2017)

Position	Name	Address	Capital or investment (thousand yen)	Type of business or job role	Voting rights (Company stake) (%)	Relationship with related parties	Nature of business transaction	Transaction value (thousand yen)	Item	Ending balance of debts and credits (thousand yen)
Companies in which directors or close relatives hold more than 50% of voting rights (including company subsidiaries)	Hill Top Food System Co., Ltd.	Fukuoka City, Fukuoka	30,000	Operation of restaurants	None	Sales of merchandise Leasing of facilities	Sales of merchandise	203,858	Accounts receivable - trade	26,023
							Receiving of facility usage fees	1,200	Advances received	108
	Japan Food Business Co., Ltd.	Shibuya ward, Tokyo	20,000	Management of assets	Direct (Directly held) 33.4	Leasing of facilities	Receiving of facility usage fees	2,400	Advances received	216

Notes: 1. With regard to the amounts above, the ending balances of debts and credits include consumption taxes while the transaction values do not include them.

2. The same terms and conditions as those for general clients are applied.

FY2018 (from April 1, 2017 to March 31, 2018)

Position	Name	Address	Capital or investment (thousand yen)	Type of business or job role	Voting rights (Company stake) (%)	Relationship with related parties	Nature of business transaction	Transaction value (thousand yen)	Item	Ending balance of debts and credits (thousand yen)
Companies in which directors or close relatives hold more than 50% of voting rights (including company subsidiaries)	Hill Top Food System Co., Ltd.	Fukuoka City, Fukuoka	30,000	Operation of restaurants	None	Sales of merchandise Leasing of facilities	Sales of merchandise	137,939	Accounts receivable - trade	24,721
							Receiving of facility usage fees	1,200	Advances received	108
	Japan Food Business Co., Ltd.	Shibuya ward, Tokyo	20,000	Management of assets	Direct (Directly held) 33.4	Leasing of facilities	Receiving of facility usage fees	2,400	Advances received	216

Notes: 1. With regard to the amounts above, the ending balances of debts and credits include consumption taxes while the transaction values do not include them.

2. The same terms and conditions as those for general clients are applied.

(2) Transactions between consolidated subsidiaries of the Company and related parties

a) Directors and major shareholders of the Company

FY2017 (from April 1, 2016 to March 31, 2017)

There is nothing to report.

FY2018 (from April 1, 2017 to March 31, 2018)

There is nothing to report.

(Per Share Information)

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Net assets per share	2,042.73	2,312.19
Net income per share	238.35	254.54

(Yen)

Notes: 1. Diluted net income per share is not reported because these are not residual securities.

2. Basis for calculation of net income per share is as follows:

(Thousands of yen)

	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Net income attributable to shareholders of the parent company	7,585,262	8,099,915
Amount not attributed to common shareholders	—	—
Net income attributable to shareholders of the parent company with regard to common shares	7,585,262	8,099,915
Average number of shares outstanding during the fiscal years (thousand shares)	31,823	31,822

(Important Subsequent Events)

There is nothing to report.

4. Non-consolidated Financial Statements**(1) Non-consolidated Balance Sheets**

	(Thousands of yen)	
	FY2017 (As of March 31, 2017)	FY2018 (As of March 31, 2018)
Assets		
Current assets		
Cash and deposits	21,443,304	24,472,989
Notes receivable - trade	285,325	289,575
Accounts receivable - trade	6,791,577	7,655,616
Securities	540,044	500,000
Merchandise and finished goods	2,116,905	2,439,165
Work in process	598,061	545,035
Raw materials and supplies	1,905,751	1,858,023
Advance payments - trade	310,945	182,188
Prepaid expenses	76,894	61,460
Deferred tax assets	159,357	202,540
Derivatives	8,844	-
Others	43,709	41,961
Allowance for doubtful accounts	(4,662)	(750)
Total current assets	34,276,059	38,247,806
Non-current assets		
Property, plant and equipment		
Buildings	4,852,251	4,608,885
Structures	197,713	209,076
Machinery and equipment	2,892,415	2,636,212
Vessels	20	15
Vehicles	38,596	41,190
Tools, furniture and fixtures	54,935	79,550
Land	3,957,058	3,952,098
Leased assets	40,857	36,305
Construction in progress	28,501	44,803
Total property, plant and equipment	12,062,350	11,608,137
Intangible assets		
Software	7,456	4,671
Telephone subscription rights	7,139	7,139
Total intangible assets	14,595	11,810
Investments and other assets		
Investment securities	9,753,728	12,801,071
Shares of subsidiaries and associates	14,401,741	14,401,741
Investments in capital of subsidiaries and associates	691,477	691,477
Long-term loans receivable from employees	21,675	18,315
Long-term loans receivable from subsidiaries and associates	905,454	1,350,512
Long-term prepaid expenses	67,693	48,336
Real estate for investment	667,301	660,040
Insurance funds	198,693	228,933
Others	39,026	39,306
Allowance for doubtful accounts	(84,628)	(101,129)
Total investments and other assets	26,662,164	30,138,606
Total non-current assets	38,739,110	41,758,553
Total assets	73,015,170	80,006,360

	(Thousands of yen)	
	FY2017	FY2018
	(As of March 31, 2017)	(As of March 31, 2018)
Liabilities		
Current liabilities		
Notes payable - trade	1,257,527	1,324,263
Accounts payable - trade	2,244,700	2,390,050
Lease obligations	11,871	13,554
Accounts payable - other	978,566	1,092,062
Accrued expenses	177,614	195,818
Income taxes payable	1,324,321	1,497,164
Accrued consumption taxes	200,093	206,558
Deposits received	50,617	55,788
Provision for bonuses	213,581	236,311
Provision for directors' bonuses	51,840	70,000
Derivatives liabilities	-	116,249
Others	171,405	120,246
Total current liabilities	6,682,140	7,318,068
Non-current liabilities		
Lease obligations	32,119	25,579
Deferred tax liabilities	966,313	1,596,707
Provision for retirement benefits	944,986	1,068,336
Provision for directors' retirement benefits	117,590	126,110
Others	60	60
Total non-current liabilities	2,061,070	2,816,794
Total liabilities	8,743,211	10,134,862
Net assets		
Shareholders' equity		
Capital stock	7,095,096	7,095,096
Capital surplus		
Legal capital surplus	7,833,869	7,833,869
Total capital surplus	7,833,869	7,833,869
Retained earnings		
Legal retained earnings	441,000	441,000
Other retained earnings		
Reserve for special depreciation	99,495	85,930
General reserve	7,820,000	7,820,000
Retained earnings brought forward	40,002,244	44,033,114
Total retained earnings	48,362,739	52,380,045
Treasury shares	(2,079,787)	(2,088,405)
Total shareholders' equity	61,211,917	65,220,605
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	3,060,042	4,650,893
Total valuation and translation adjustments	3,060,042	4,650,893
Total net assets	64,271,959	69,871,498
Total liabilities and net assets	73,015,170	80,006,360

(2) Non-consolidated Statements of Income

	(Thousands of yen)	
	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Net sales		
Net sales of finished goods	34,773,483	37,714,929
Net sales of goods	1,256,520	1,270,294
Total net sales	36,030,003	38,985,223
Cost of sales	23,317,570	25,576,176
Gross profit	12,712,432	13,409,047
Selling, general and administrative expenses	5,216,819	5,570,856
Operating income	7,495,612	7,838,190
Non-operating income		
Interest income	30,174	21,758
Interest on securities	41,144	34,400
Dividend income	292,445	425,729
Foreign exchange gains	15,946	-
House rent income	43,673	44,586
Others	63,206	69,818
Total non-operating income	486,590	596,293
Non-operating expenses		
Cost of lease revenue	16,604	15,903
Loss on retirement of non-current assets	9,513	-
Loss on valuation of derivatives	43,345	125,093
Foreign exchange losses	-	40,411
Penalties	-	24,000
Others	375	4,780
Total non-operating expenses	69,838	210,189
Ordinary income	7,912,364	8,224,294
Extraordinary income		
Subsidy income	-	179,391
Total extraordinary income	-	179,391
Extraordinary losses		
Loss on retirement of non-current assets	16,257	-
Total extraordinary losses	16,257	-
Income before income taxes	7,896,107	8,403,685
Income taxes - current	2,345,928	2,569,000
Income taxes - deferred	8,270	(91,987)
Total income taxes	2,354,198	2,477,012
Net income	5,541,908	5,926,673

[Breakdown of the Product Cost of Manufacture]

(Thousands of yen)

Account	Notes	FY2017 (from April 1, 2016 to March 31, 2017)		FY2018 (from April 1, 2017 to March 31, 2018)	
		Amount	Ratio (%)	Amount	Ratio (%)
I. Material costs		13,900,538	61.3	15,327,005	61.7
II. Labor costs		3,064,434	13.5	3,421,747	13.8
III. Expenses	*1	5,706,587	25.2	6,087,666	24.5
Total manufacturing cost of the current term		22,671,561	100.0	24,836,419	100.0
Work in process inventory at beginning of term		522,429		598,061	
Total		23,193,990		25,434,480	
Subtract: Work in process inventory at end of term		598,061		545,035	
Subtract: Transfers to other accounts	*2	70,819		76,539	
Product cost of manufacture of the current term		22,525,109		24,812,905	

Cost accounting method

Separate cost accounting per individual lots based on actual cost

Notes

*1. Details are as follows:

(Thousands of yen)

Item	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Depreciation expenses	1,057,318	980,692
Subcontract processing expenses	42,667	97,731

*2. Details of transfers to other accounts are as follows:

(Thousands of yen)

Item	FY2017 (from April 1, 2016 to March 31, 2017)	FY2018 (from April 1, 2017 to March 31, 2018)
Advertising expenses	51,194	76,539
Research and development expenses	19,625	-
Total	70,819	76,539

(3) Non-consolidated Statements of Changes in Equity

FY2017 (from April 1, 2016 to March 31, 2017)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
					Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at beginning of current period	7,095,096	7,833,869	7,833,869	441,000	103,637	7,820,000	36,365,618	44,730,256
Changes of items during period								
Provision of reserve for special depreciation					17,694		(17,694)	–
Reversal of reserve for special depreciation					(21,836)		21,836	–
Dividends of surplus							(1,909,424)	(1,909,424)
Net income							5,541,908	5,541,908
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	(4,142)	–	3,636,625	3,632,483
Balance at end of current period	7,095,096	7,833,869	7,833,869	441,000	99,495	7,820,000	40,002,244	48,362,739

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(2,074,351)	57,584,869	2,177,309	2,177,309	59,762,179
Changes of items during period					
Provision of reserve for special depreciation					–
Reversal of reserve for special depreciation					–
Dividends of surplus		(1,909,424)			(1,909,424)
Net income		5,541,908			5,541,908
Purchase of treasury shares	(5,435)	(5,435)			(5,435)
Net changes of items other than shareholders' equity			882,732	882,732	882,732
Total changes of items during period	(5,435)	3,627,047	882,732	882,732	4,509,780
Balance at end of current period	(2,079,787)	61,211,917	3,060,042	3,060,042	64,271,959

FY2018 (from April 1, 2017 to March 31, 2018)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings			
				Reserve for special depreciation	General reserve	Retained earnings brought forward		
Balance at beginning of current period	7,095,096	7,833,869	7,833,869	441,000	99,495	7,820,000	40,002,244	48,362,739
Changes of items during period								
Provision of reserve for special depreciation					10,278		(10,278)	–
Reversal of reserve for special depreciation					(23,843)		23,843	–
Dividends of surplus							(1,909,367)	(1,909,367)
Net income							5,926,673	5,926,673
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	(13,564)		4,030,870	4,017,305
Balance at end of current period	7,095,096	7,833,869	7,833,869	441,000	85,930	7,820,000	44,033,114	52,380,045

	Shareholders' equity		Valuation and translation adjustments		Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of current period	(2,079,787)	61,211,917	3,060,042	3,060,042	64,271,959
Changes of items during period					
Provision of reserve for special depreciation					–
Reversal of reserve for special depreciation					–
Dividends of surplus		(1,909,367)			(1,909,367)
Net income		5,926,673			5,926,673
Purchase of treasury shares	(8,617)	(8,617)			(8,617)
Net changes of items other than shareholders' equity			1,590,850	1,590,850	1,590,850
Total changes of items during period	(8,617)	4,008,688	1,590,850	1,590,850	5,599,538
Balance at end of current period	(2,088,405)	65,220,605	4,650,893	4,650,893	69,871,498

5. Other

(1) Changes in Directors

(i) Changes in Representative Directors

There is nothing to report.

(ii) Changes in Other Directors

- New director candidate

Koji Iwaki, Director (Current Executive Officer and General Manager of the General Affairs Department)

(iii) Scheduled Date for Assuming Office

June 22, 2018