

Consolidated Financial Results for the Fiscal Year 2017 (J-GAAP)

May 12, 2017

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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, 2017 (April 1, 2016 – March 31, 2017)

(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	%
FY2017	48,803	5.2	10,273	16.3	10,579	16.5	7,585	27.7
FY2016	46,404	13.4	8,836	41.3	9,081	20.1	5,939	25.7

Note: Comprehensive income: FY2017: ¥7,708 million (69.0%)

FY2016: ¥4,560 million (-30.1%)

	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	%	%	%
FY2017	238.35	—	12.2	14.3	21.1
FY2016	186.62	—	10.3	13.0	19.0

Reference: Investment profit/loss on equity method: FY2017: ¥ – million

FY2016: ¥ – million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2017	77,025	65,356	84.4	2,042.73
FY2016	71,205	59,567	83.2	1,861.85

Reference: Equity capital: FY2017: ¥65,005 million

FY2016: ¥59,251 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
FY2017	7,805	(1,711)	(2,340)	17,547
FY2016	8,715	(6,357)	(2,294)	13,484

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	%	%
FY2016	—	20.00	—	40.00	60.00	1,909	32.2	3.3
FY2017	—	20.00	—	40.00	60.00	1,909	25.2	3.1
FY2018 (forecast)	—	20.00	—	40.00	60.00		23.0	

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, 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	24,404	10.0	5,125	11.9	5,244	22.4	3,743	24.4	117.62
Full year	52,091	6.7	11,050	7.6	11,293	6.7	8,096	6.7	254.41

* 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.: Yes
- 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, 2017:	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 March 31, 2017:	985,653 shares	As of March 31, 2016:	984,762 shares
3) Average number of shares outstanding for the period	FY2017:	31,823,423 shares	FY2016:	31,824,655 shares

(Reference) Summary of Non-consolidated Financial Results

1. Financial Results for the Year Ended March 31, 2017 (April 1, 2016 – March 31, 2017)

(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	%
FY2017	36,030	4.5	7,495	12.4	7,912	12.1	5,541	15.5
FY2016	34,479	10.2	6,669	20.0	7,060	7.1	4,798	11.6

	Net income per share	Fully diluted net income per share
	Yen	Yen
FY2017	174.15	—
FY2016	150.77	—

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
FY2017	73,015	64,271	88.0	2,019.67
FY2016	67,722	59,762	88.2	1,877.90

Reference: Equity capital: FY2017: ¥64,271 million FY2016: ¥59,762 million

2. Forecast of the Non-consolidated Financial Results for the Year Ending March 31, 2018 (April 1, 2017 – March 31, 2018)

(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	18,079	7.0	3,971	16.8	2,738	16.3	86.04
Full year	38,030	5.6	8,354	5.6	5,759	3.9	180.97

* Brief financial reports are outside the scope of the audit.

* 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 FY2017

(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)
FY2017	48,803	10,273	10,579	7,585	238.35
FY2016	46,404	8,836	9,081	5,939	186.62
Growth Rate	5.2%	16.3%	16.5%	27.7%	—

(Non-consolidated business results)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2017	36,030	7,495	7,912	5,541	174.15
FY2016	34,479	6,669	7,060	4,798	150.77
Growth Rate	4.5%	12.4%	12.1%	15.5%	—

The Japanese economy during the fiscal year ended March 31, 2017 had stayed on a recovery trend with improvements in corporate earnings and the employment situation thanks to the stimulus measures by the government. However, amid increasing uncertainty due to Brexit and stock and foreign exchange market volatility after the U.S. presidential election, the future of the Japanese economy remains to be seen.

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 4.5% (¥1,550 million) year on year, to ¥36,030 million, resulting from our steady sales and marketing efforts focusing on a “customer-first” approach.

Net sales of consolidated subsidiaries increased by 7.1% 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 5.2% (¥2,398 million) year on year to ¥48,803 million.

The Company’s operating income grew by 12.4% (¥826 million) year on year, to ¥7,495 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 ¥120 million year on year).

Consolidated operating income increased by 16.3% (¥1,436 million) year on year to ¥10,273 million.

The Company’s ordinary income increased by 12.1% (¥851 million) year on year, to ¥7,912 million. This was mainly attributable to the foreign exchange gains (including loss on valuation of derivatives) of ¥-27 million, marking a ¥12 million decrease from the foreign exchange gains (including gain on valuation of derivatives) of ¥-39 million posted in the previous fiscal year.

Consolidated ordinary income increased by 16.5% (¥1,498 million) year on year to ¥10,579 million.

Net income for the Company grew by 15.5% (¥743 million) year on year to ¥5,541 million.

Net income attributable to shareholders of the parent company increased by 27.7% (¥1,646 million) to ¥7,585 million.

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

(2) Overview of Financial Position for the FY2017

(Assets)

As of March 31, 2017, total current assets were ¥42,754 million. This represents an increase of ¥10,232 million compared to March 31, 2016, mainly due to an increase of ¥8,362 million in cash and deposits, an increase of ¥624 million in notes and accounts receivable - trade and an increase of ¥464 million in merchandise and finished goods. Total non-current assets fell by ¥4,412 million compared to March 31, 2016 to ¥34,271 million, mainly as a result of decrease of ¥4,500 million in long-term time deposits.

Therefore, total assets were ¥77,025 million, an increase of ¥5,819 million compared to March 31, 2016.

(Liabilities)

As of March 31, 2017, total current liabilities were ¥8,207 million, which represents a decrease of ¥153 million compared to March 31, 2016. This was mainly attributable to a decrease of ¥443 million in short-term loans payable. Total non-current liabilities rose to ¥3,461 million, an increase of ¥184 million compared to March 31, 2016. This was mainly owing to an increase of ¥373 million in deferred tax liabilities.

Therefore, total liabilities were ¥11,669 million, an increase of ¥31 million compared to March 31, 2016.

(Net Assets)

As of March 31, 2017, total net assets were ¥65,356 million, representing an increase of ¥5,788 million compared to March 31, 2016. This was mainly due to an increase of ¥7,585 million in net income attributable to shareholders of the parent company and an increase of ¥1,909 million in dividends of surplus.

Therefore, equity ratio was 84.4% (83.2% as of March 31, 2016).

(3) Overview of Cash Flows in the FY2017

Cash and cash equivalents (hereinafter "cash") as of March 31, 2017 was ¥17,547 million, an increase of ¥4,062 million (up 30.1%) compared to March 31, 2016, as a result of an increase in income before income taxes and minority interests to ¥10,914 million (up 18.8% compared to the FY2016), despite outflows including purchase of property, plant and equipment, and payment of cash dividends.

Overview of the respective cash flows and factors that influenced them in the FY 2017 are stated as below.

(Cash flows from operating activities)

Net cash provided by operating activities was ¥7,805 million (a year on year decrease of ¥910 million). While income before income taxes and minority interests increased to ¥10,914 million (a year on year increase of ¥1,725 million) and depreciation of ¥1,933 million was posted, payments for income and other taxes was ¥3,338 million and increases in inventories, and notes and accounts receivable - trade were ¥782 million and ¥763 million, respectively.

(Cash flows from investing activities)

Net cash used in investing activities was an outflow of ¥1,711 million (a year on year decrease in outflow of ¥4,646 million), mainly attributable to capital expenditures of ¥1,977 million (a year on year decrease of ¥295 million) and proceeds of ¥200 million from net decrease in time deposits.

(Cash flows from financing activities)

Net cash used in financing activities was ¥2,340 million (a year on year increase of outflow of ¥46 million). This was mainly attributable to decreases in dividends paid and short-term loans payable of ¥1,909 million and ¥421 million, respectively.

(Reference) Cash Flow Indicators

	FY2013	FY2014	FY2015	FY2016	FY2017
Equity ratio (%)	84.6	83.0	82.7	83.2	84.4
Equity ratio based on fair value (%)	113.6	122.2	192.2	295.0	258.6
Cash flows interest-bearing debts ratio (years)	0.1	0.1	0.1	0.1	0.0
Interest coverage ratio (times)	148.0	343.8	256.5	607.6	1,398.3

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)
FY2018	52,091	11,050	11,293	8,096	254.41
FY2017	48,803	10,273	10,579	7,585	238.35
Growth Rate	6.7%	7.6%	6.7%	6.7%	—

(Forecast for non-consolidated financial results)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
FY2018	38,030	7,912	8,354	5,759	180.97
FY2017	36,030	7,495	7,912	5,541	174.15
Growth Rate	5.6%	5.6%	5.6%	3.9%	

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 FY2017 was ¥36,030 million, an increase of 82.4% compared to the FY2007 (¥19,752 million) and consolidated net sales increased to ¥48,803 million, an improvement of 117.4% from the FY2007 (¥22,449 million). Both sales items have been setting record highs for seven consecutive years.

Our income also has steadily been growing, offsetting the increase in depreciation due to capital expenditures. The Company's net income was ¥5,541 million and net income attributable to shareholders of our parent company was ¥7,585 million in the FY2017, 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 FY2018, consolidated net sales are projected to be ¥52,091 million (up 6.7% compared to the FY2017), operating income ¥11,050 million (up 7.6%), ordinary income ¥11,293 million (up 6.7%) and net income attributable to shareholders of parent company ¥8,096 million (up 6.7%).

We used exchange rates of 1 US dollar = ¥110 and 1 euro = ¥120 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)	
	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	16,184,958	24,547,632
Notes and accounts receivable - trade	9,090,047	9,714,757
Securities	581,368	540,044
Merchandise and finished goods	2,948,959	3,413,451
Work in process	869,936	938,161
Raw materials and supplies	2,165,024	2,295,541
Deferred tax assets	179,019	232,274
Others	507,186	1,077,981
Allowance for doubtful accounts	(4,937)	(5,723)
Total current assets	32,521,565	42,754,120
Non-current assets		
Property, plant and equipment		
Buildings and structures	23,436,294	24,042,603
Accumulated depreciation	(12,185,302)	(12,375,575)
Buildings and structures, net	11,250,991	11,667,027
Machinery, equipment and vehicles	26,517,857	25,683,991
Accumulated depreciation	(20,411,718)	(20,230,945)
Machinery, equipment and vehicles, net	6,106,138	5,453,045
Land	4,727,380	4,534,147
Leased assets	75,112	106,214
Accumulated depreciation	(48,781)	(62,918)
Leased assets, net	26,331	43,296
Construction in progress	1,431,765	900,990
Others	1,044,320	1,052,622
Accumulated depreciation	(898,254)	(906,838)
Others, net	146,066	145,784
Total property, plant and equipment	23,688,673	22,744,291
Intangible assets		
Goodwill	763,894	619,531
Other	141,988	110,440
Total intangible assets	905,883	729,972
Investments and other assets		
Investment securities	*1 8,527,807	*1 9,755,228
Long-term loans receivable	13,491	21,675
Real estate for investment, net	*2 675,494	*2 667,301
Others	4,873,696	353,600
Allowance for doubtful accounts	(821)	(628)
Total investments and other assets	14,089,669	10,797,178
Total non-current assets	38,684,226	34,271,442
Total assets	71,205,791	77,025,563

(Thousands of yen)

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Liabilities		
Current liabilities		
Notes and accounts payable - trade	4,021,163	4,176,482
Short-term loans payable	663,178	219,360
Lease obligations	8,935	12,620
Income taxes payable	1,515,531	1,593,787
Provision for bonuses	218,125	247,076
Provision for directors' bonuses	51,840	51,840
Others	1,882,076	1,906,560
Total current liabilities	8,360,850	8,207,729
Non-current liabilities		
Lease obligations	19,024	33,777
Deferred tax liabilities	1,573,630	1,947,419
Provision for directors' retirement benefits	299,520	117,590
Net defined benefit liability	1,087,615	1,102,228
Others	297,694	260,605
Total non-current liabilities	3,277,484	3,461,621
Total liabilities	11,638,335	11,669,351
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	49,064,479
Treasury shares	(2,074,351)	(2,079,787)
Total shareholders' equity	56,249,729	61,920,131
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,177,309	3,060,042
Foreign currency translation adjustment	993,596	135,823
Remeasurements of defined benefit plans	(169,286)	(110,194)
Total accumulated other comprehensive income	3,001,619	3,085,671
Non-controlling interests	316,107	350,409
Total net assets	59,567,456	65,356,211
Total liabilities and net assets	71,205,791	77,025,563

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

(Consolidated Statements of Income)

	(Thousands of yen)	
	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Net sales	46,404,682	48,803,463
Cost of sales	*1, *3 30,953,804	*1, *3 31,493,767
Gross profit	15,450,878	17,309,696
Selling, general and administrative expenses	*2, *3 6,614,546	*2, *3 7,036,414
Operating income	8,836,332	10,273,281
Non-operating income		
Interest and dividend income	218,253	228,885
Foreign exchange gains	420,928	42,761
House rent income	34,500	34,145
Others	175,335	115,500
Total non-operating income	849,017	421,293
Non-operating expenses		
Interest expenses	14,345	5,563
Loss on valuation of derivatives	505,050	43,345
Cost of lease revenue	17,102	16,604
Loss on retirement of non-current assets	47,487	23,344
Others	20,227	25,805
Total non-operating expenses	604,213	114,662
Ordinary income	9,081,136	10,579,911
Extraordinary income		
Gain on sales of non-current assets	*4 118,459	*4 350,533
Gain on sales of investment securities	4,822	-
Total extraordinary income	123,281	350,533
Extraordinary losses		
Directors' retirement benefits	15,596	-
Loss on retirement of non-current assets	-	16,257
Total extraordinary losses	15,596	16,257
Income before income taxes and minority interests	9,188,821	10,914,187
Income taxes - current	2,799,410	3,326,953
Income taxes - deferred	357,570	(64,641)
Total income taxes	3,156,981	3,262,312
Net income	6,031,840	7,651,875
Net income attributable to non-controlling interests	92,759	66,613
Net income attributable to shareholders of the parent company	5,939,080	7,585,262

(Consolidated Statements of Comprehensive Income)

(Thousands of yen)

	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Net income	6,031,840	7,651,875
Other comprehensive income		
Valuation difference on available-for-sale securities	(468,030)	882,732
Foreign currency translation adjustment	(886,179)	(885,559)
Remeasurements of defined benefit plans	(117,628)	59,091
Total other comprehensive income	(1,471,838)	56,265
Comprehensive income	* 4,560,001	* 7,708,140
Comprehensive income attributable to:		
Comprehensive income attributable to shareholders of the parent company	4,494,517	7,669,314
Comprehensive income attributable to non-controlling interests	65,484	38,826

(3) Consolidated Statements of Changes in Equity

FY2016 (from April 1, 2015 to March 31, 2016)

(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	7,833,869	39,183,311	(2,066,179)	52,046,097
Changes of items during period					
Dividends of surplus			(1,750,386)		(1,750,386)
Net income attributable to shareholders of the parent company			5,939,080		5,939,080
Purchase of treasury shares				(8,172)	(8,172)
Other		6,474	16,635		23,110
Net changes of items other than shareholders' equity					
Total changes of items during period	–	6,474	4,205,330	(8,172)	4,203,631
Balance at end of current period	7,095,096	7,840,343	43,388,641	(2,074,351)	56,249,729

	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	2,645,340	1,852,500	(51,658)	4,446,183	542,167	57,034,447
Changes of items during period						
Dividends of surplus						(1,750,386)
Net income attributable to shareholders of the parent company						5,939,080
Purchase of treasury shares						(8,172)
Other						23,110
Net changes of items other than shareholders' equity	(468,030)	(858,904)	(117,628)	(1,444,563)	(226,059)	(1,670,622)
Total changes of items during period	(468,030)	(858,904)	(117,628)	(1,444,563)	(226,059)	2,533,008
Balance at end of current period	2,177,309	993,596	(169,286)	3,001,619	316,107	59,567,456

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)
Other					
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)
Other						
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

(4) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Cash flows from operating activities		
Income before income taxes and minority interests	9,188,821	10,914,187
Depreciation	2,117,197	1,933,638
Amortization of goodwill	98,567	91,782
Increase (decrease) in allowance for doubtful accounts	97	593
Increase (decrease) in net defined benefit liability	44,493	98,933
Increase (decrease) in provision for directors' retirement benefits	(60,671)	(181,930)
Increase (decrease) in provision for bonuses	15,924	28,951
Increase (decrease) in provision for directors' bonuses	(11,960)	-
Interest and dividend income	(218,253)	(228,885)
Interest expenses	14,345	5,563
Foreign exchange losses (gains)	(465,370)	(15,946)
Loss (gain) on valuation of derivatives	505,050	43,345
Loss (gain) on sales of non-current assets	(118,459)	(350,533)
Loss (gain) on sales and retirement of non-current assets	-	23,344
Loss on retirement of non-current assets	-	16,257
Loss (gain) on sales of investment securities	(4,822)	-
Decrease (increase) in notes and accounts receivable - trade	(1,140,586)	(763,976)
Decrease (increase) in inventories	(435,301)	(782,047)
Increase (decrease) in notes and accounts payable - trade	453,113	52,657
Increase (decrease) in accrued consumption taxes	(169,514)	(50,157)
Decrease (increase) in other assets	68,368	16,344
Increase (decrease) in other liabilities	193,354	70,721
Subtotal	10,074,395	10,922,844
Interest and dividend income received	214,283	225,995
Interest expenses paid	(14,345)	(5,563)
Contribution received	1,057,157	-
Income taxes paid	(2,615,584)	(3,338,126)
Net cash provided by operating activities	8,715,907	7,805,150
Cash flows from investing activities		
Proceeds from sale of securities	1,087,771	587,911
Net decrease (increase) in time deposits	(5,200,000)	200,000
Purchase of property, plant and equipment	(2,272,547)	(1,977,093)
Purchase of intangible assets	(9,329)	(6,362)
Purchase of investment securities	(6,327)	(506,490)
Proceeds from sales of investment securities	41,584	-
Payments of loans receivable	(4,478)	(11,430)
Collection of loans receivable	5,500	2,377
Net cash used in investing activities	(6,357,826)	(1,711,087)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(250,771)	(421,297)
Payments from changes in ownership interests in subsidiaries that do not result in a change in scope of consolidation	(278,382)	-
Purchase of treasury shares	(8,172)	(5,435)
Cash dividends paid	(1,750,372)	(1,909,131)
Dividends paid to non-controlling interests	(6,686)	(4,525)
Net cash used in financing activities	(2,294,386)	(2,340,389)
Effect of exchange rate change on cash and cash equivalents	465,410	309,000
Net increase (decrease) in cash and cash equivalents	529,105	4,062,674
Cash and cash equivalents at beginning of period	12,955,853	13,484,958
Cash and cash equivalents at end of period	*1 13,484,958	*1 17,547,632

(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: 7-50 years

Machines, devices and delivery equipment: 2-10 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.

Finance leased assets that do not transfer ownership and were acquired prior to March 31, 2008 are not capitalized but accounted for by a method similar to that applicable to operating leases.

(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.

(Changes in Accounting Policies)

(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 current consolidated fiscal year. Accordingly, we have changed the depreciation method applied to attached 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.

(Changes in presentation)

(Consolidated balance sheet)

“Long-term time deposits” which, in the previous consolidated fiscal year, were made an independent accounting item in “Investment and other assets” lost quantitative materiality and have, therefore, been included in “Others.” To reflect this change in presentation, the consolidated balance sheet of the previous consolidated fiscal year has been reclassified.

As a result, “Long-term time deposits” in “Investment and other assets” at ¥4,518,420 thousand in the consolidated balance sheet of the previous consolidated fiscal year have been reclassified into “Others.”

(Consolidated Statements of Income)

In the previous consolidated fiscal year, “Loss on retirement of non-current assets” was included in “Others” of “Non-operating expenses.” This consolidated fiscal year, however, loss on retirement of non-current assets exceeded 10% of non-operating expenses and have, therefore, been made an independent accounting item. To reflect this change in presentation, the consolidated statement of income of the previous consolidated fiscal year has been reclassified.

As a result, “Others” in “Non-operating expenses” at ¥67,715 thousand in the consolidated statement of income of the previous consolidated fiscal year have been reclassified into “Loss on retirement of non-current assets” at ¥47,487 thousand and “Others” at ¥20,227 thousand.

(Consolidated Balance Sheets)

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

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
	(Thousands of yen)	(Thousands of yen)
Investment securities (stocks)	1,500	1,500

*2. Accumulated depreciation of investments in real estates

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
	(Thousands of yen)	(Thousands of yen)
Accumulated depreciation of investments in real estates	159,925	168,119

*3. Contingent liabilities

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

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
	(Thousands of yen)	(Thousands of yen)
Ariake Farm Co., Ltd.		
Indebtedness to financial institutions	242,920	185,800
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.

FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
(Thousands of yen)	(Thousands of yen)
(82,710)	(35,878)

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

	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
	(Thousands of yen)	(Thousands of yen)
Salary and bonuses	1,037,405	1,093,660
Packing and transportation expenses	2,591,193	2,719,366
Depreciation	109,374	98,486
Provision for bonuses	52,423	56,668
Provision for directors' bonuses	51,840	51,840
Retirement benefit expenses	27,673	46,239
Provision for directors' retirement benefits	17,308	13,070

*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:

	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
	(Thousands of yen)	(Thousands of yen)
General and administrative expenses	332,383	344,025
Manufacturing cost of the current term	30,069	27,155

*4. Gain on sales of non-current assets

This gain was attributable to the sale of real estate for investment in the previous consolidated fiscal year and to the sale of buildings and land in the current consolidated fiscal year.

(Consolidated Statements of Comprehensive Income)

* Other comprehensive income reclassification adjustments and tax effects

(Thousands of yen)

	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Valuation difference on available-for-sale securities:		
Accrued amount during the period	(750,660)	1,259,607
Reclassification adjustments	(4,822)	–
Before tax effect adjustment	(755,483)	1,259,607
Tax effects	(287,452)	(376,874)
Valuation difference on available-for-sale securities	(468,030)	882,732
Foreign currency translation adjustment:		
Accrued amount during the period	(886,179)	(885,559)
Reclassification adjustments	–	–
Foreign currency translation adjustment	(886,179)	(885,559)
Remeasurements of defined benefit plans:		
Amount recognized during the current fiscal year	(180,392)	35,511
Reclassification adjustments	13,666	48,809
Before tax effect adjustment	(166,725)	84,320
Tax effects	49,097	(25,228)
Remeasurements of defined benefit plans	(117,628)	59,091
Total other comprehensive income	(1,471,838)	56,265

(Consolidated Statements of Changes in Equity)

FY2016 (from April 1, 2015 to March 31, 2016)

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, 2015	Increased number of shares (April 1, 2015 to March 31, 2016)	Decreased number of shares (April 1, 2015 to March 31, 2016)	Number of shares as of March 31, 2016
Outstanding shares				
Common stock	32,808	–	–	32,808
Total	32,808	–	–	32,808
Treasury shares				
Common stock ^(Note)	983	1	–	984
Total	983	1	–	984

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 19, 2015 Annual meeting of shareholders	Common stock	1,113,889	35.0	March 31, 2015	June 22, 2015
November 11, 2015 Board of Directors Meeting	Common stock	636,496	20.0	September 30, 2015	December 7, 2015

(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 17, 2016 Annual meeting of shareholders	Common stock	1,272,956	Retained earnings	40.0	March 31, 2016	June 20, 2016

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 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 23, 2017 Annual meeting of shareholders	Common stock	1,272,921	Retained earnings	40.0	March 31, 2017	June 26, 2017

(Consolidated Statements of Cash Flows)

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

	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
	(Thousands of yen)	(Thousands of yen)
Cash and deposits	16,184,958	24,547,632
Time deposits with maturities longer than 3 months	(2,700,000)	(7,000,000)
Cash and cash equivalents	13,484,958	17,547,632

(Securities)

1. Held-to-maturity securities

FY2016 (as of March 31, 2016)

(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	2,042,400	42,400
	Subtotal	2,000,000	2,042,400	42,400
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	1,000,000	986,650	(13,350)
	Subtotal	1,000,000	986,650	(13,350)
Total		3,000,000	3,029,050	29,050

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

2. Other securities

FY2016 (as of March 31, 2016)

(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	5,712,154	2,597,327	3,114,826
	(2) Bonds			
	1) Government and municipal bonds, etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Others	121,896	120,000	1,896
	(3) Others	—	—	—
	Subtotal	5,834,050	2,717,327	3,116,722
Securities whose carrying amount on the Consolidated Balance Sheets do not exceed acquisition costs	(1) Stocks	41,709	51,540	(9,830)
	(2) Bonds			
	1) Government and municipal bonds etc.	—	—	—
	2) Corporate bonds	—	—	—
	3) Others	—	—	—
	(3) Others	—	—	—
	Subtotal	41,709	51,540	(9,830)
Total		5,875,760	2,768,868	3,106,891

Note: Unlisted equity securities (with a carrying amount of ¥231,915 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.

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.

3. Other securities sold

FY2016 (April 1, 2015 – March 31, 2016)

(Thousands of yen)

Type	Proceeds from sales	Total amount of gains	Total amount of losses
(1) Stocks	41,584	4,822	–
(2) Bonds			
1) Government and municipal bonds etc.	–	–	–
2) Corporate bonds	–	–	–
3) Others	–	–	–
(3) Others	–	–	–
Total	41,584	4,822	–

FY2017 (April 1, 2016 – March 31, 2017)

There is nothing to report.

(Derivative Transactions)

1. Derivative transactions not applied to hedge accounting

(1) Currency-related

FY2016 (as of March 31, 2016)

(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	2,373,600	1,842,880	52,189	52,189
Total		2,373,600	1,842,880	52,189	52,189

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.

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.

(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. Some consolidated subsidiaries adopt defined contribution pension plans as defined contribution retirement plans.

2. Defined benefits system

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

	(Thousands of yen)	
	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Beginning balance of retirement benefits obligations	1,723,567	1,963,222
Employment expenses	119,177	125,631
Interest expenses	18,131	13,965
Amortization of net actuarial gains or losses	168,047	(38,309)
Payment of retirement benefits	(65,702)	(47,661)
Ending balance of retirement benefits obligations	1,963,221	2,016,848

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

	(Thousands of yen)	
	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Beginning balance of pension assets	847,170	875,605
Expected return on plan assets	12,707	13,134
Amortization of net actuarial gains or losses	(12,344)	(2,797)
Employer's contribution	50,009	57,321
Payment of retirement benefits	(21,937)	(28,643)
Ending balance of pension assets	875,605	914,619

(3) 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)	
	FY2016 (as of March 31, 2016)	FY2017 (as of March 31, 2017)
Retirement benefits obligations on the funded scheme	1,252,928	1,277,555
Pension assets	(875,605)	(914,619)
	377,322	362,935
Retirement benefits obligations on the non-funded scheme	710,293	739,293
Net amount of liabilities and assets reported in the Consolidated Balance Sheets	1,087,615	1,102,228
Liabilities concerning retirement benefits	1,087,615	1,102,228
Net amount of liabilities and assets reported in the Consolidated Balance Sheets	1,087,615	1,102,228

(4) Amounts of retirement benefits expenses and their components

	(Thousands of yen)	
	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Employment expenses	119,177	125,631
Interest expenses	18,131	13,965
Expected return on plan assets	(12,707)	(13,134)
Amortization of net actuarial gains or losses	13,666	48,809
Amortization for prior service costs	-	-
Retirement benefits expenses concerning defined benefit system	138,267	175,271

(5) 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)	
	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Prior service costs	-	-
Actuarial gains and losses	(166,725)	84,320
Total	(166,725)	84,320

(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)	
	FY2016 (as of March 31, 2016)	FY2017 (as of March 31, 2017)
Unrecognized prior service costs	-	-
Unrecognized actuarial gains and losses	(241,561)	(157,241)
Total	(241,561)	(157,241)

(7) Matters relating to pension assets

1) Principal components of pension assets

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

	FY2016 (as of March 31, 2016)	FY2017 (as of March 31, 2017)
Bonds	-%	-%
Stocks	-	-
Cash and deposits	-	-
Other	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.

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

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

	FY2016 (as of March 31, 2016)	FY2017 (as of March 31, 2017)
Discount rate	0.6%–0.9%	0.6%–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 ¥12,424 thousand for the previous consolidated fiscal year and ¥14,090 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 natural seasoning 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 natural seasoning 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 natural seasoning 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 natural seasoning business, so information is omitted.

[Related information]

FY2016 (from April 1, 2015 to March 31, 2016)

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
34,827,744	4,408,064	2,865,941	4,302,932	46,404,682

(2) Property, plant and equipment

(Thousands of yen)

Japan	North America	Europe	Asia	Total
12,732,563	4,035,089	3,496,221	3,424,799	23,688,673

3. Information by major client

(Thousands of yen)

Name	Sales	Segment name
Vendor Services Co., Ltd.	6,021,957	Natural seasonings business

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

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

FY2016 (from April 1, 2015 to March 31, 2016)

There is nothing to report.

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

There is nothing to report.

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

FY2016 (from April 1, 2015 to March 31, 2016)

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

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

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

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

FY2016 (from April 1, 2015 to March 31, 2016)

There is nothing to report.

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

There is nothing to report.

(Information on the Related Parties)

Transaction with related parties

(1) Transaction between the Company and related parties

Transaction

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

FY2016 (from April 1, 2015 to March 31, 2016)

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	824,938	Accounts payable - trade	79,035
							Guarantee of liabilities	392,920	-	-

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.

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	75,255
							Guarantee of liabilities	335,800	Advance payments - trade	75,000

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

FY2016 (from April 1, 2015 to March 31, 2016)

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	243,042	Accounts receivable - trade	30,908
							Receiving of facility usage fees	1,200	Advances received	108
	Japan Food Business Co., Ltd.	Shibuya ward, Tokyo	20,000	Management of assets	(Direct) 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.

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) 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

FY2016 (from April 1, 2015 to March 31, 2016)

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)
Director Major shareholder	Kineo Okada	-	-	Representative Director and Chairman of the Board	(Direct) 3.09	Gain on gifts	Gain on gifts	11,179	-	-
Director	Tomoki Tagawa	-	-	Representative Director and Chairman of the Board	(Direct) 0.00	Gain on gifts	Gain on gifts	12,964	-	-

Note: Regarding temporary expenses at consolidated subsidiaries, the Company accepted a proposal to cover such expenses from the Directors.

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

There is nothing to report.

(Per Share Information)

	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Net assets per share	1,861.85	2,042.73
Net income per share	186.62	238.35

(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)

	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Net income attributable to shareholders of the parent company	5,939,080	7,585,262
Amount not attributed to common shareholders	–	–
Net income attributable to shareholders of the parent company with regard to common shares	5,939,080	7,585,262
Average number of shares outstanding during the fiscal years (thousand shares)	31,824	31,823

(Important Subsequent Events)

There is nothing to report.

4. Non-consolidated Financial Statements

(1) Non-consolidated Balance Sheets

	(Thousands of yen)	
	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Assets		
Current assets		
Cash and deposits	12,542,136	21,443,304
Notes receivable - trade	296,870	285,325
Accounts receivable - trade	6,365,288	6,791,577
Securities	581,368	540,044
Merchandise and finished goods	1,918,184	2,116,905
Work in process	522,429	598,061
Raw materials and supplies	1,728,798	1,905,751
Advance payments - trade	164,709	310,945
Prepaid expenses	65,978	76,894
Deferred tax assets	147,051	159,357
Derivatives	52,189	8,844
Other	225,828	43,709
Allowance for doubtful accounts	(3,856)	(4,662)
Total current assets	24,606,975	34,276,059
Non-current assets		
Property, plant and equipment		
Buildings	5,141,750	4,852,251
Structures	229,877	197,713
Machinery and equipment	3,195,877	2,892,415
Vessels	25	20
Vehicles	35,812	38,596
Tools, furniture and fixtures	53,633	54,935
Land	3,974,466	3,957,058
Leased assets	22,905	40,857
Construction in progress	67,972	28,501
Total property, plant and equipment	12,722,321	12,062,350
Intangible assets		
Software	14,467	7,456
Telephone subscription rights	7,139	7,139
Total intangible assets	21,606	14,595
Investments and other assets		
Investment securities	8,526,307	9,753,728
Shares of subsidiaries and associates	14,308,549	14,401,741
Investments in capital of subsidiaries and associates	691,477	691,477
Long-term loans receivable from employees	13,491	21,675
Long-term loans receivable from subsidiaries and associates	1,411,081	905,454
Long-term prepaid expenses	110,956	67,693
Real estate for investment	675,494	667,301
Insurance funds	182,894	198,693
Long-term time deposits	4,500,000	-
Other	31,282	39,026
Allowance for doubtful accounts	(80,321)	(84,628)
Total investments and other assets	30,371,215	26,662,164
Total non-current assets	43,115,143	38,739,110
Total assets	67,722,118	73,015,170

(Thousands of yen)

	FY2016 (As of March 31, 2016)	FY2017 (As of March 31, 2017)
Liabilities		
Current liabilities		
Notes payable - trade	1,111,334	1,257,527
Accounts payable - trade	2,221,872	2,244,700
Lease obligations	8,141	11,871
Accounts payable - other	846,056	978,566
Accrued expenses	164,345	177,614
Income taxes payable	1,252,107	1,324,321
Accrued consumption taxes	253,236	200,093
Deposits received	45,549	50,617
Provision for bonuses	196,810	213,581
Provision for directors' bonuses	51,840	51,840
Other	77,835	171,405
Total current liabilities	6,229,130	6,682,140
Non-current liabilities		
Lease obligations	16,313	32,119
Deferred tax liabilities	568,862	966,313
Provision for retirement benefits	846,053	944,986
Provision for directors' retirement benefits	299,520	117,590
Other	60	60
Total non-current liabilities	1,730,809	2,061,070
Total liabilities	7,959,939	8,743,211
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	103,637	99,495
General reserve	7,820,000	7,820,000
Retained earnings brought forward	36,365,618	40,002,244
Total retained earnings	44,730,256	48,362,739
Treasury shares	(2,074,351)	(2,079,787)
Total shareholders' equity	57,584,869	61,211,917
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,177,309	3,060,042
Total valuation and translation adjustments	2,177,309	3,060,042
Total net assets	59,762,179	64,271,959
Total liabilities and net assets	67,722,118	73,015,170

(2) Non-consolidated Statements of Income

	(Thousands of yen)	
	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Net sales		
Net sales of finished goods	33,247,323	34,773,483
Net sales of goods	1,232,046	1,256,520
Total net sales	34,479,370	36,030,003
Cost of sales	22,997,662	23,317,570
Gross profit	11,481,708	12,712,432
Selling, general and administrative expenses	4,812,687	5,216,819
Operating income	6,669,020	7,495,612
Non-operating income		
Interest income	26,593	30,174
Interest on securities	47,443	41,144
Dividend income	254,198	292,445
Foreign exchange gains	465,370	15,946
House rent income	44,028	43,673
Other	85,634	63,206
Total non-operating income	923,270	486,590
Non-operating expenses		
Cost of lease revenue	17,102	16,604
Loss on retirement of non-current assets	3,519	9,513
Loss on valuation of derivatives	505,050	43,345
Other	5,797	375
Total non-operating expenses	531,470	69,838
Ordinary income	7,060,820	7,912,364
Extraordinary income		
Gain on sales of non-current assets	118,459	-
Gain on sales of investment securities	4,822	-
Total extraordinary income	123,281	-
Extraordinary losses		
Loss on retirement of non-current assets	-	16,257
Directors' retirement benefits	15,596	-
Total extraordinary losses	15,596	16,257
Income before income taxes	7,168,505	7,896,107
Income taxes - current	2,354,000	2,345,928
Income taxes - deferred	16,372	8,270
Total income taxes	2,370,372	2,354,198
Net income	4,798,133	5,541,908

[Breakdown of the Product Cost of Manufacture]

(Thousands of yen)

Account	Notes	FY2016 (from April 1, 2015 to March 31, 2016)		FY2017 (from April 1, 2016 to March 31, 2017)	
		Amount	Ratio (%)	Amount	Ratio (%)
I. Material costs		13,306,921	60.0	13,900,538	61.3
II. Labor costs		2,894,574	13.1	3,064,434	13.5
III. Expenses	*1	5,976,000	26.9	5,706,587	25.2
Total manufacturing cost of the current term		22,177,496	100.0	22,671,561	100.0
Work in process inventory at beginning of term		513,229		522,429	
Total		22,690,726		23,193,990	
Subtract: Work in process inventory at end of term		522,429		598,061	
Subtract: Transfers to other accounts	*2	65,493		70,819	
Product cost of manufacture of the current term		22,102,803		22,525,109	

Cost accounting method

Separate cost accounting per individual lots based on actual cost

Notes

*1. Details are as follows:

(Thousands of yen)

Item	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Depreciation expenses	1,203,642	1,057,318
Subcontract processing expenses	53,464	42,667

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

(Thousands of yen)

Item	FY2016 (from April 1, 2015 to March 31, 2016)	FY2017 (from April 1, 2016 to March 31, 2017)
Advertising expenses	44,877	51,194
Research and development expenses	20,615	19,625
Total	65,493	70,819

(3) Non-consolidated Statements of Changes in Equity

FY2016 (from April 1, 2015 to March 31, 2016)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total 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	114,920	7,820,000	33,306,587	41,682,508
Changes of items during period								
Provision of reserve for special depreciation					9,641		(9,641)	–
Reversal of reserve for special depreciation					(20,923)		20,923	–
Dividends of surplus							(1,750,386)	(1,750,386)
Net income							4,798,133	4,798,133
Purchase of treasury shares								
Net changes of items other than shareholders' equity								
Total changes of items during period	–	–	–	–	(11,282)	–	3,059,030	3,047,747
Balance at end 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

	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	(2,066,179)	54,545,294	2,645,340	2,645,340	57,190,634
Changes of items during period					
Provision of reserve for special depreciation					–
Reversal of reserve for special depreciation					–
Dividends of surplus		(1,750,386)			(1,750,386)
Net income		4,798,133			4,798,133
Purchase of treasury shares	(8,172)	(8,172)			(8,172)
Net changes of items other than shareholders' equity			(468,030)	(468,030)	(468,030)
Total changes of items during period	(8,172)	3,039,574	(468,030)	(468,030)	2,571,544
Balance at end of current period	(2,074,351)	57,584,869	2,177,309	2,177,309	59,762,179

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