

November 1, 2018

Consolidated Financial Results

Kikkoman Corporation Flash Report for First Six Months of Fiscal 2019

Six-month period ended September 30, 2018

Listed company name: **Kikkoman Corporation**
Shares listed: Tokyo (1st Section)
Code No.: 2801
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Scheduled submission date of quarterly accounting report:	November 9, 2018
Scheduled date for cash dividend payments:	December 6, 2018
Supplementary Schedules for quarter:	Yes
Results briefing for quarter:	Yes

Notes:

1. All information has been prepared in accordance with accounting principles and practices generally accepted in Japan.
2. Amounts less than ¥1 million, except for per share amounts, have been omitted in the following tables.

1. Business Performance for the Six-month Period Ended September 30, 2018 (April 1, 2018 to September 30, 2018)

1) Business Performance

(Millions of yen)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)
Apr. 1, 2018 -Sep. 30, 2018	226,099	5.4	20,068	5.2	19,998	6.1	14,333	19.0
Apr. 1, 2017 -Sep. 30, 2017	214,473	9.0	19,070	12.5	18,840	14.6	12,042	(24.8)

(Note) Comprehensive Income

April 1, 2018 to September 30, 2018: ¥ 23,563 million (54.0%)

April 1, 2017 to September 30, 2017: ¥ 15,302 million (— %)

	Earnings per share (yen)	Earnings per share (Assuming full dilution) (yen)
Apr. 1, 2018 -Sep. 30, 2018	74.66	—
Apr. 1, 2017 -Sep. 30, 2017	62.35	—

2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
Sep. 30, 2018	361,290	272,731	74.1%
Mar. 31, 2018	343,929	253,289	72.1%

(Reference) Total shareholders' equity

September 30, 2018: ¥ 267,671 million

March 31, 2018: ¥ 248,072 million

(Note) From the beginning of the first quarter of the consolidated fiscal year under review, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 28, February 16, 2018), etc., have been applied, and therefore the figures for the consolidated financial position as of March 31, 2018 are those after the said standards, etc. are applied retroactively.

2. Cash Dividends

	Cash dividends per share (yen)				
	Three-month period ended	Six-month period ended	Nine-month period ended	Full year ended	Total
Apr. 1, 2017 -Mar. 31, 2018	—	22.00	—	17.00	39.00
Apr. 1, 2018 -Mar. 31, 2019	—	20.00			
Apr. 1, 2018 -Mar. 31, 2019 (Estimated)			—	20.00	40.00

(Note) Revisions to recently announced forecasts of dividends: None

Dividends per share at the end of the six-month period ended September 30, 2017, are 17.00 yen for ordinary dividends and 5.00 yen for commemorative dividends, respectively.

3. Forecasts of Business Performance for the Fiscal Year Ending March 31, 2019 (April 1, 2018 to March 31, 2019)

(Millions of yen)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share (yen)
	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)	
Apr.1, 2018-Mar.31, 2019	450,800	4.7	37,600	3.0	36,200	0.6	25,500	6.9	132.83

(Note) Revisions to recently announced forecasts of business performance: Yes

[Notes]

1) Changes in important subsidiaries during the first six months (Changes in certain specific subsidiaries resulting in a revised scope of consolidation): No

2) Application of special accounting methods in preparation for the consolidated quarterly financial statements: Yes

(Note) For details, please refer to the attachments to this report, Page 16, 2. Consolidated Quarterly Financial Statements and Main Notes, 4) Notes on quarterly consolidated financial statements, (Application of Special Accounting Methods in Preparation for the Consolidated Quarterly Financial Statements).

3) Changes in accounting policy, changes in accounting estimates and restatement of revisions

- ① Changes in accounting policy associated with accounting standard revisions: None
- ② Changes in accounting policy other than those in ① above: None
- ③ Changes in accounting estimates: None
- ④ Restatement of revisions: None

4) Issued and outstanding shares (common stock)

- ① Shares issued and outstanding at end of period (including treasury stock)
September 30, 2018 — 193,883,202 shares March 31, 2018 — 210,383,202 shares
- ② Treasury stock at end of period
September 30, 2018 — 1,903,931 shares March 31, 2018 — 18,403,085 shares
- ③ Shares outstanding during the period (cumulative for period, consolidated)
September 30, 2018 — 191,979,728 shares September 30, 2017 — 193,133,050 shares

* This flash report is not included in the scope of an audit by certified public accountants or the audit corporations.

* Explanation of appropriate use of business forecasts and other special matters.

(Caution Regarding Forward-looking Statements)

Forecasts of business performance and future developments noted in this report are based on assumptions from information available to management at the time of disclosure and deemed reasonable at the present time. Actual results may differ significantly from forecasts. For details of business performance forecasts and guidelines for assumptions, please refer to the attachments to this report, Page 10, 1. Qualitative Information and Consolidated Financial Statements, etc., 3) Explanation of forward-looking statements, including forecasts of consolidated business performance.

(How to obtain business performance presentation materials)

- (1) Kikkoman will publish supplementary schedules to the first half results on TD-net for viewing in Japan, and on its website.
- (2) Kikkoman plans to publish business performance presentation materials on its website.

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1. Qualitative Information and Consolidated Financial Statements, etc.

1) Explanation of business performance

During the first six months under review, the U.S. economy maintained a steady recovery while the European economy also continued to grow moderately. Overall, the global economy remained relatively strong. The Japanese economy, too, continued to revitalize at a modest pace.

In this environment, the overall domestic sales of the Group rose year on year in the Foods-Manufacturing and Sales business due to year-on-year increases in sales of food products and beverages, despite year-on-year decreases in the sales of soy sauce, liquor and wine. Overseas sales climbed year on year, supported by the strong performance of the Foods-Manufacturing and Sales business and the Foods-Wholesale business.

As a result, consolidated operating results for the first six months of fiscal 2019 were as follows.

<Consolidated Financial Statements>

(Millions of yen, %)

(millions of yen, %)

	FY2018 1st half		FY2019 1st half		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
	4.1.2017 – 9.30.2017		4.1.2018 – 9.30.2018							
	Amount	%	Amount	%	Amount	YoY	%		Amount	YoY
Net Sales	214,473	100.0	226,099	100.0	11,625	105.4	—	(1,200)	12,826	106.0
Operating Profit	19,070	8.9	20,068	8.9	998	105.2	(0.0)	(65)	1,063	105.6
Ordinary Profit	18,840	8.8	19,998	8.8	1,158	106.1	0.0	(64)	1,222	106.5
Profit attributable to owners of parent	12,042	5.6	14,333	6.3	2,291	119.0	0.7	(51)	2,342	119.5
Exchange Rate (¥/US\$)	111.42		110.07		(1.35)					
(¥/EUR)	126.63		129.88		3.25					

<Reporting Segments>

(Millions of yen, %)

(millions of yen, %)

		FY2018 1st half		FY2019 1st half		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
		4.1.2017 – 9.30.2017		4.1.2018 – 9.30.2018							
		Amount	%	Amount	%	Amount	YoY	%		Amount	YoY
Domestic Foods-Manufacturing and Sales	Net Sales	87,797	100.0	89,325	100.0	1,527	101.7	—	—	1,527	101.7
	Operating Profit	5,908	6.7	6,214	7.0	305	105.2	0.3	—	305	105.2
Domestic Others	Net Sales	10,696	100.0	10,789	100.0	92	100.9	—	—	92	100.9
	Operating Profit	727	6.8	884	8.2	157	121.6	1.4	—	157	121.6
Overseas Foods-Manufacturing and Sales	Net Sales	44,387	100.0	46,544	100.0	2,157	104.9	—	(180)	2,338	105.3
	Operating Profit	9,199	20.7	9,558	20.5	358	103.9	(0.2)	(44)	403	104.4
Overseas Foods-Wholesale	Net Sales	85,075	100.0	93,506	100.0	8,430	109.9	—	(1,037)	9,468	111.1
	Operating Profit	3,758	4.4	3,808	4.1	50	101.3	(0.3)	(19)	70	101.9
Adjustments	Net Sales	(13,483)	100.0	(14,066)	100.0	(582)	—	—	17	(600)	—
	Operating Profit	(524)	—	(398)	—	126	—	—	(1)	127	—
Consolidated Total	Net Sales	214,473	100.0	226,099	100.0	11,625	105.4	—	(1,200)	12,826	106.0
	Operating Profit	19,070	8.9	20,068	8.9	998	105.2	(0.0)	(65)	1,063	105.6
Exchange Rate (¥/US\$)		111.42		110.07		(1.35)					
(¥/EUR)		126.63		129.88		3.25					

Performance in each reporting segment is outlined as follows.

【Domestic】

Sales in Japan were as follows.

Foods—Manufacturing and Sales

This business segment comprises manufacturing and sales in Japan of products from the Soy Sauce Division and the Food Products Division, which includes *tsuyu* (soy sauce soup base), *tare* (dipping and marinade sauces), and Del Monte seasonings, as well as the Beverages Division, which includes soy milk beverages and Del Monte beverages, and the Liquor and Wine Division, which includes *mirin* (sweet sake for cooking) and wines. Sales for each division were as follows.

■Soy Sauce Division

Sales of the *Itsudemo Shinsen* (always fresh) series of soy sauce continued to increase in the home-use sector of the Soy Sauce Division with the increased understanding of its added values, such as the flavor of raw soy sauce and the easy-to-use bottles that keep the contents fresh, in the market attributable to the thorough execution of marketing measures, including TV advertising. In the meantime, sales fell year on year for products in plastic bottles such as *Koikuchi Shoyu*. Sales were also down year on year in the industrial-use and foodservice-use sectors. As a result, sales decreased year on year for the Soy Sauce Division overall.

■Food Products Division

Among *tsuyu* products in the home-use sector, the *Gumen* series, a straight type that does not need to be diluted, sold well, while among condensed *tsuyu* products, sales rose year on year for *Koidashi Hon Tsuyu*. As a result, overall *tsuyu* products rose year on year. Among *tare* products, the mainstay *Wagaya wa Yakinikuyasan* series performed strongly. Sales also grew for *Steak Shoyu* and products for industrial-use and foodservice-use. As a result, *tare* sales rose year on year overall. Sales decreased year on year for the *Uchi No Gohan* series (handy Japanese-style seasoning mixes). Sales grew year on year for Del Monte seasonings with the strong performance of high value-added products, including *Lycopene-Rich*. As a result, sales rose year on year for the Food Products Division.

■Beverages Division

Among soy milk beverages, with the rising health awareness, sales grew for products designated as Food for Specified Health Use, Chocolate-Mint among other soy milk beverages and Non-adjusted Soy Milk. Increasing numbers of consumers using soy milk not only as a beverage, but also as a cooking ingredient are supporting higher sales of soy milk beverages year on year.

Sales rose year on year for Del Monte beverages given the strong performance of *Lycopene-Rich* tomato beverages, salt-free tomato juice and salt-free vegetable juice. As a result, sales grew year on year for the Beverages Division.

■Liquor and Wine Division

Sales decreased year on year for *Hon Mirin*. In the home-use sector, *Noko Jukusei Hon Mirin*, a new product, was introduced and sales rose for high value-added products such as *Komekoji Kodawari-jikomi Hon Mirin*. However, sales failed to grow for *Houjun Hon Mirin*. In the industrial-use sector, sales also fell year on year because of a year-on-year decrease posted for products in large containers. Sales dropped year on year for domestic wines, attributable to a subpar performance in the home-use sector. Sales declined for imported wines reflecting factors such as the effects of the sales termination for products handled by Kikkoman Food Products Company.

As a result of the above, the Foods-Manufacturing and Sales segment recorded higher sales and higher profit, with net sales increasing 1.7% year on year to ¥89,325 million, and operating profit increasing 5.2% year on year to ¥6,214 million.

Others

This segment includes production and sales of clinical diagnostic reagents, hygiene inspection agents, processing enzymes and chemical products such as hyaluronic acid as well as real estate rental, logistics, back-office functions for the Kikkoman Group and other businesses.

Sales remained strong for clinical diagnostic reagents, hygiene inspection agents and hyaluronic acid products. Sales rose year on year for the logistics business. As a result, sales increased year on year for the Others Division.

As a result of the above, the Others segment recorded higher sales and higher profit, with net sales increasing 0.9% year on year to ¥10,789 million and operating profit increasing 21.6% year on year to ¥884 million.

【Overseas】

Sales overseas were as follows.

Foods—Manufacturing and Sales

This business comprises overseas manufacturing and sales of products from the Soy Sauce Division, Del Monte Division, and the Other Foods Division, including health foods. Sales for each division were as follows.

■Soy Sauce Division

In the North American market, the division did its business making use of the Kikkoman brand by continuing efforts to enhance the lineup of mainstay soy sauce products, soy sauce-based seasonings and other products for the home-use sector. In addition, the division worked to expand businesses in the industrial- and foodservice-use sectors, dealing with customer needs attentively. As a result, sales in the market rose year on year.

In the European market, sales increased year on year, reflecting a strong performance in key markets such as Britain and France.

In the Asia and Oceania market, sales rose in China. Sales also grew in the Philippines and Thailand. As a result, sales grew year on year in the Asia and Oceania market.

As a result, aggregate sales in this division rose year on year.

■Del Monte Division

This division manufactures and sells canned fruits, canned corn, tomato ketchup and other products in the Asia and Oceania region.

Sales grew in China and Hong Kong. As a result, sales for the Del Monte Division increased year on year.

■Other Foods Division

This division manufactures and sells health foods, mainly in the North American region.

Sales through medical doctors remained strong, but sales through general retailers failed to grow. As a result, sales fell year on year for the Other Foods Division.

As a result of the above, the Foods-Manufacturing and Sales segment recorded higher sales and higher profit, with net sales increasing 4.9% year on year to ¥46,544 million and operating profit increasing 3.9% year on year to ¥9,558 million.

Foods—Wholesale

This segment procures and sells oriental foods in Japan and overseas.

Sales grew in North America as a result of efforts to penetrate not only Asian markets but also local markets in general. Moreover, markets continued to grow in Europe and Asia and Oceania, leading to good growth in sales in each region. As a result, sales increased year on year for the segment.

As a result of the above, the Foods-Wholesale segment recorded higher sales and higher profit, with net sales increasing 9.9% year on year to ¥93,506 million and operating profit increasing 1.3% year on year to ¥3,808 million.

As a result of the aforementioned segment results, the Company reported consolidated net sales for the first Six months of fiscal 2019 of ¥226,099 million increasing 5.4% year on year, operating profit of ¥20,068 million increasing 5.2%, ordinary profit of ¥19,998 million increasing 6.1%, and profit attributable to owners of parent of ¥14,333 million increasing 19.0%.

2) Explanation of financial position

1. Total Assets, Total Liabilities and Net Assets

(Assets)

Current assets as of September 30, 2018 were ¥152,591 million, up ¥8,743 million from March 31, 2018. This was mainly due to increases in notes and accounts receivable-trade as well as cash and deposits. Noncurrent assets were ¥208,698 million, up ¥8,617 million. This was largely attributable to increases in construction in progress, machinery, equipment and vehicles, net, as well as buildings and structures, net. As a result, total assets increased ¥17,361 million from March 31, 2018 to ¥361,290 million.

(Liabilities)

Current liabilities were ¥54,424 million, down ¥3,057 million from March 31, 2018. This was mainly owing to decreases in other current liabilities. Noncurrent liabilities were ¥34,135 million, up ¥977 million. This was largely due to an increase in deferred tax liabilities as well as provision for environmental measures. As a result, total liabilities declined ¥2,080 million from March 31, 2018 to ¥88,559 million.

(Net Assets)

Net assets were ¥272,731 million, up ¥19,441 million from March 31, 2018, due to increases in profit attributable to owners of parent and foreign currency translation adjustment, despite decreases in retained earnings and treasury stock due to the cancellation of treasury stock. As a result, the equity ratio was 74.1% (up from 72.1% on March 31, 2018).

Effective from the beginning of the first quarter of the consolidated fiscal year, “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, February 16, 2018), etc. are applied and comparisons are made with figures as of March 31, 2018 that were retroactively recalculated.

2. Cash Flows

Cash and cash equivalents as of September 30, 2018 were ¥23,991 million. This reflected an increase in cash and cash equivalents of ¥1,205 million from March 31, 2018.

Cash flows for each activity and the reasons are as follows.

(Cash Flows from Operating Activities)

During the six-month period ended September 30, 2018, operating activities provided net cash of ¥16,885 million, a decrease of ¥616 million from the previous year. The main contributing factor was an increase in the payment of corporate income taxes.

(Cash Flows from Investing Activities)

Investing activities used net cash of ¥13,351 million, primarily due to expenditures for the purchase of property, plant and equipment.

(Cash Flows from Financing Activities)

Financing activities used net cash of ¥3,341 million. This was primarily due to the payment of cash dividends.

3) Explanation of forward-looking statements, including forecasts of consolidated business performance

Based on the progress made during the first six months, the Company has revised the full-year forecasts of business performance after reviewing the following matters. The Company changed the assumed annual average exchange rate from 105.0 yen to 110.0 yen to the US dollar, taking into consideration the developments during the first six months. Sales were revised upward from the previous forecast, mainly reflecting an increase in overseas sales attributable to the results of currency translations in association with changes in assumed exchange rates and higher-than-expected overseas sales in the first six months. There were no changes to operating profit, ordinary profit and profit attributable to owners of parent, although the Company expects favorable results such as an increase in profits from overseas businesses due to the effects of currency translations and a rise in profits thanks to improved sales, which may be offset mainly by the effects of increased costs due to a surge in raw material prices and others.

There are no significant changes to business risks that might affect business performance from the disclosures in the latest securities report (submitted on June 26, 2018).

Differences from the full year forecasts for consolidated business performance announced on April 26, 2018 are as follows.

(Full year)

(Millions of yen)

	Net sales	Operating Profit	Ordinary Profit	Profit attributable to owners of parent	Earnings per share (yen)
Previously Issued Forecast (A)	442,000	37,600	36,200	25,500	132.83
Current Revised Forecast (B)	450,800	37,600	36,200	25,500	132.83
Difference (B－A)	8,800	—	—	—	—
Percent Change (%)	2.0	—	—	—	—
Results from Previous Fiscal Year	430,602	36,502	35,985	23,846	123.71

Note: Assumed foreign currency exchange rates:

Previously announced forecast: US\$ = ¥105.0 EUR = ¥130.0

Forecast as of this announcement: US\$ = ¥110.0 EUR = ¥130.0

2. Consolidated Quarterly Financial Statements and Main Notes

1) Consolidated Quarterly Balance Sheets

	(Millions of yen)	
	As of March 31, 2018	As of September 30, 2018
Assets		
Current assets		
Cash and deposits	22,196	25,733
Notes and accounts receivable-trade	58,452	62,007
Short-term investment securities	2,892	562
Merchandise and finished goods	37,760	40,862
Work in process	10,894	10,860
Raw materials and supplies	4,991	5,174
Other	7,159	8,077
Allowance for doubtful accounts	(499)	(688)
Total current assets	143,847	152,591
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	41,240	42,629
Machinery, equipment and vehicles, net	36,768	39,251
Land	20,779	21,010
Lease assets, net	213	229
Construction in progress	7,264	11,305
Other, net	3,856	3,831
Total property, plant and equipment	110,121	118,258
Intangible assets		
Goodwill	5,081	5,370
Other	5,440	5,587
Total intangible assets	10,522	10,958
Investments and other assets		
Investment securities	65,151	64,621
Long-term loans receivable	773	1,120
Net defined benefit asset	7,371	7,584
Deferred tax assets	2,863	2,735
Other	4,303	4,381
Allowance for doubtful accounts	(1,027)	(962)
Total investments and other assets	79,437	79,481
Total noncurrent assets	200,081	208,698
Total assets	343,929	361,290

	(Millions of yen)	
	As of March 31, 2018	As of September 30, 2018
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,535	22,572
Short-term loans payable	3,692	3,719
Lease obligations	33	43
Accounts payable-other	17,737	15,953
Income taxes payable	3,433	3,645
Provision for bonuses	2,497	2,896
Provision for directors' bonuses	115	61
Other	8,436	5,530
Total current liabilities	57,481	54,424
Noncurrent liabilities		
Long-term loans payable	13,000	13,202
Lease obligations	40	61
Deferred tax liabilities	7,309	7,611
Provision for directors' retirement benefits	712	700
Provision for environmental measures	124	373
Net defined benefit liability	4,783	4,832
Other	7,187	7,353
Total noncurrent liabilities	33,157	34,135
Total liabilities	90,639	88,559
Net assets		
Shareholders' equity		
Capital stock	11,599	11,599
Capital surplus	13,915	13,695
Retained earnings	238,660	218,017
Treasury stock	(35,616)	(3,622)
Total shareholders' equity	228,558	239,690
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,956	21,427
Deferred gains or losses on hedges	(38)	0
Foreign currency translation adjustment	(2,050)	5,905
Remeasurements of defined benefit plans	647	646
Total accumulated other comprehensive income	19,514	27,980
Non-controlling interests	5,216	5,060
Total net assets	253,289	272,731
Total liabilities and net assets	343,929	361,290

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

(Consolidated Quarterly Statements of Income) (During the first six months of fiscal 2019)

	(Millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Net sales	214,473	226,099
Cost of sales	128,773	137,528
Gross profit	85,699	88,570
Selling, general and administrative expenses	66,629	68,502
Operating profit	19,070	20,068
Non-operating income		
Interest income	137	113
Dividends income	598	689
Equity in earnings of affiliates	106	93
Rent income	357	341
Gain on valuation of derivatives	881	3,805
Other	955	1,363
Total non-operating income	3,037	6,407
Non-operating expenses		
Interest expenses	247	59
Foreign exchange losses	767	3,777
Other	2,251	2,640
Total non-operating expenses	3,266	6,477
Ordinary profit	18,840	19,998
Extraordinary income		
Gain on sales of property, plant and equipment	5	382
Gain on sales of investment securities	1,917	—
Total extraordinary income	1,922	382
Extraordinary loss		
Loss on retirement of noncurrent assets	106	65
Loss on valuation of investment securities	607	—
Loss on bond retirement	1,668	—
Provision for environmental measures	—	259
Total extraordinary loss	2,382	324
Profit before income taxes	18,380	20,056
Income taxes	6,140	5,493
Profit	12,240	14,563
Profit attributable to non-controlling interests	197	229
Profit attributable to owners of parent	12,042	14,333

(Consolidated Quarterly Statements of Comprehensive Income)
(During the first six months of fiscal 2019)

	(Millions of yen)	
	Six months ended September 30, 2017	Six months ended September 30, 2018
Profit	12,240	14,563
Other comprehensive income		
Valuation difference on available-for-sale securities	47	455
Deferred gains or losses on hedges	17	39
Foreign currency translation adjustment	2,784	8,491
Remeasurements of defined benefit plans, net of tax	269	3
Share of other comprehensive income of associates accounted for using equity method	(55)	9
Total other comprehensive income	3,062	9,000
Comprehensive income	15,302	23,563
Total comprehensive income attributable to:		
Owners of parent	15,128	23,473
Non-controlling interests	174	89

3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2017	Six months ended September 30, 2018
Cash flows from operating activities		
Income before income taxes	18,380	20,056
Depreciation and amortization	6,380	6,459
Increase (decrease) in provision for directors' retirement benefits	(59)	(12)
Increase (decrease) in net defined benefit liability	106	(194)
Interest and dividends income	(735)	(803)
Interest expenses	247	59
Equity in (earnings) losses of affiliates	(106)	(93)
Loss (gain) on sales of property, plant and equipment	(10)	(384)
Loss (gain) on sales of investment securities	(1,917)	(5)
Loss on retirement of property, plant and equipment	295	212
Loss (gain) on valuation of investment securities	607	—
Decrease (increase) in notes and accounts receivable-trade	(4,101)	(1,780)
Decrease (increase) in inventories	(3,428)	(1,601)
Increase (decrease) in notes and accounts payable-trade	(471)	176
Other, net	2,807	(42)
Subtotal	17,994	22,046
Interest and dividends received	746	901
Interest expenses paid	(370)	(64)
Income taxes paid	(869)	(5,999)
Net cash provided by (used in) operating activities	17,501	16,885
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,978)	(13,173)
Proceeds from sales of property, plant and equipment	16	505
Purchase of intangible assets	(302)	(514)
Purchase of investment securities	(2,316)	(590)
Proceeds from sales of investment securities	775	36
Payments of loans receivable	(529)	(1,114)
Collection of loans receivable	143	394
Other, net	184	1,103
Net cash provided by (used in) investing activities	(9,007)	(13,351)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	6,025	(4)
Proceeds from long-term loans payable	—	202
Redemption of bonds	(31,668)	—
Purchase of treasury stock	(18)	(9)
Cash dividends paid	(3,477)	(3,264)
Dividends paid to non-controlling interests	(27)	(243)
Other, net	(27)	(21)
Net cash provided by (used in) financing activities	(29,193)	(3,341)
Effect of exchange rate change on cash and cash equivalents	39	816
Net increase (decrease) in cash and cash equivalents	(20,659)	1,008
Cash and cash equivalents at beginning of the period	44,205	22,785
Increase (decrease) in cash and cash equivalents resulting from changes in the fiscal year-end of consolidated subsidiaries	—	(6)
Increase in cash and cash equivalents from newly consolidated subsidiary	132	204
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(87)	—
Cash and cash equivalents at end of period	23,591	23,991

4) Notes on quarterly consolidated financial statements (Notes Regarding Going Concern)

No applicable items.

(Notes Regarding Significant Changes in Shareholders' Equity)

Based on the resolution made at the Board of Directors' meeting held on April 26, 2018, 16,500,000 shares of treasury stock were cancelled on May 15, 2018. As a result, capital surplus declined by ¥220 million to ¥13,695 million, retained earnings by ¥31,779 million to ¥218,017 million, and treasury stock by ¥31,999 million to ¥3,622 million as of September 30, 2018.

(Application of Special Accounting Methods in Preparation for the Consolidated Quarterly Financial Statements)

Calculation of tax expenses

The effective tax rate after application of deferred tax accounting to profit before income taxes and non-controlling interests for the consolidated fiscal year, including the first six months under review, is reasonably estimated, and the tax expenses are calculated by multiplying this estimated effective tax rate by profit before income taxes and non-controlling interests.

(Additional Information)

(Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

From the beginning of the first quarter of the consolidated fiscal year, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018), etc. have been applied, and therefore deferred tax assets are stated under investments and other assets, and deferred tax liabilities are stated under noncurrent liabilities.

(Segment Information, etc.)

I. First six months of fiscal 2018 (April 1, 2017 to September 30, 2017)

Sales, Profit, and Losses by Reporting Segment

(Millions of yen)

	Reporting Segment					Adjustments (Note 1)	Consoli- dated Total (Note 2)
	Domestic Foods – Manufacturing and Sales	Domestic Others	Overseas Foods – Manufacturing and Sales	Overseas Foods – Wholesale	Total		
Sales							
Sales to third parties	87,066	3,833	38,676	84,898	214,473	—	214,473
Intragroup sales or transfers	731	6,863	5,711	177	13,483	(13,483)	—
Total sales	87,797	10,696	44,387	85,075	227,956	(13,483)	214,473
Operating profit	5,908	727	9,199	3,758	19,595	(524)	19,070

(Notes)

1. Adjustments of ¥ (524) million in segment operating profit consist mainly of difference in the allocation of corporate expenses.
2. Segment operating profits are adjusted to the operating profits recorded in the consolidated statements of income.

II. First six months of fiscal 2019 (April 1, 2018 to September 30, 2018)

Sales, Profit, and Losses by Reporting Segment

(Millions of yen)

	Reporting Segment					Adjustments (Note 1)	Consoli- dated Total (Note 2)
	Domestic Foods – Manufacturing and Sales	Domestic Others	Overseas Foods – Manufacturing and Sales	Overseas Foods – Wholesale	Total		
Sales							
Sales to third parties	88,497	3,928	40,384	93,288	226,099	—	226,099
Intragroup sales or transfers	827	6,861	6,160	217	14,066	(14,066)	—
Total sales	89,325	10,789	46,544	93,506	240,165	(14,066)	226,099
Operating profit	6,214	884	9,558	3,808	20,466	(398)	20,068

(Notes)

1. Adjustments of ¥ (398) million in segment operating profit consist mainly of difference in the allocation of corporate expenses.
2. Segment operating profits are adjusted to the operating profits recorded in the consolidated statements of income.