

November 1, 2019

Consolidated Financial Results

Kikkoman Corporation Flash Report for Fiscal 2020 2Q

Six-month period ended September 30, 2019

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 12, 2019
Scheduled date for cash dividend payments: December 6, 2019
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, 2019 (April 1, 2019 to September 30, 2019)

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, 2019 - Sep. 30, 2019	231,624	2.4	20,986	4.6	21,554	7.8	15,289	6.7
Apr. 1, 2018 - Sep. 30, 2018	226,099	5.4	20,068	5.2	19,998	6.1	14,333	19.0

(Note) Comprehensive Income

April 1, 2019 to September 30, 2019: ¥ 7,859 million ((66.6)%)

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

	Earnings per share (yen)	Earnings per share (Assuming full dilution) (yen)
Apr. 1, 2019 - Sep. 30, 2019	79.64	—
Apr. 1, 2018 - Sep. 30, 2018	74.66	—

2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
Sep. 30, 2019	377,171	273,804	71.2%
Mar. 31, 2019	362,119	270,451	73.3%

(Reference) Total shareholders' equity

September 30, 2019: ¥ 268,697 million

March 31, 2019: ¥ 265,428 million

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, 2018 -Mar. 31, 2019	—	20.00	—	21.00	41.00
Apr. 1, 2019 -Mar. 31, 2020	—	21.00			
Apr. 1, 2019 -Mar. 31, 2020 (Estimated)			—	21.00	42.00

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

3. Forecasts of Business Performance for the Fiscal Year Ending March 31, 2020 (April 1, 2019 to March 31, 2020)

(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, 2019- Mar. 31, 2020	465,200	2.6	39,120	1.8	38,400	1.3	26,590	2.3	138.51

(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): None

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: Yes
- 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, 2019 — 193,883,202 shares March 31, 2019 — 193,883,202 shares
- ② Treasury stock at end of period
 September 30, 2019 — 1,907,898 shares March 31, 2019 — 1,905,508 shares
- ③ Shares outstanding during the period (cumulative for period, consolidated)
 September 30, 2019 — 191,976,914 shares September 30, 2018 — 191,979,728 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 and the European economy also continued to expand moderately. Overall, the global economy remained solid in general. The Japanese economy, too, remained on a path to revitalization at a moderate 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 soy sauce, food products and beverages, despite year-on-year decreases in the sales of 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 2020 were as follows.

<Consolidated Financial Statements>

(Millions of yen, %)

(millions of yen, %)

	FY2019 2Q		FY2020 2Q		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
	4.1.2018 – 9.30.2018		4.1.2019 – 9.30.2019							
	Amount	%	Amount	%	Amount	YoY	%		Amount	YoY
Net Sales	226,099	100.0	231,624	100.0	5,525	102.4	—	(3,202)	8,728	103.9
Operating Profit	20,068	8.9	20,986	9.1	917	104.6	0.2	(150)	1,068	105.3
Ordinary Profit	19,998	8.8	21,554	9.3	1,555	107.8	0.5	(112)	1,668	108.3
Profit attributable to owners of parent	14,333	6.3	15,289	6.6	955	106.7	0.3	(73)	1,028	107.2
Exchange Rate (¥/US\$)	110.07		109.00		(1.07)					
(¥/EUR)	129.88		121.43		(8.45)					

<Reporting Segments>

(Millions of yen, %)

(millions of yen, %)

		FY2019 2Q		FY2020 2Q		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
		4.1.2018 – 9.30.2018		4.1.2019 – 9.30.2019							
		Amount	%	Amount	%	Amount	YoY	%		Amount	YoY
Domestic Foods—Manufacturing and Sales	Net Sales	89,325	100.0	91,600	100.0	2,275	102.5	—	—	2,275	102.5
	Operating Profit	6,214	7.0	6,577	7.2	363	105.8	0.2	—	363	105.8
Domestic Others	Net Sales	10,789	100.0	10,635	100.0	(154)	98.6	—	—	(154)	98.6
	Operating Profit	884	8.2	916	8.6	31	103.6	0.4	—	31	103.6
Overseas Foods—Manufacturing and Sales	Net Sales	46,544	100.0	47,525	100.0	981	102.1	—	(1,087)	2,068	104.4
	Operating Profit	9,558	20.5	9,759	20.5	201	102.1	(0.0)	(136)	337	103.5
Overseas Foods—Wholesale	Net Sales	93,506	100.0	96,463	100.0	2,957	103.2	—	(2,248)	5,206	105.6
	Operating Profit	3,808	4.1	4,495	4.7	686	118.0	0.6	(14)	700	118.4
Adjustments	Net Sales	(14,066)	100.0	(14,601)	100.0	(535)	—	—	133	(669)	—
	Operating Profit	(398)	—	(762)	—	(364)	—	—	0	(364)	—
Consolidated Total	Net Sales	226,099	100.0	231,624	100.0	5,525	102.4	—	(3,202)	8,728	103.9
	Operating Profit	20,068	8.9	20,986	9.1	917	104.6	0.2	(150)	1,068	105.3
Exchange Rate (¥/US\$)		110.07		109.00		(1.07)					
(¥/EUR)		129.88		121.43		(8.45)					

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* and wines. Sales for each division were as follows.

■Soy Sauce Division

Sales of the *Itsudemo Shinsen* (always fresh) series of soy sauce increased 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 conventional plastic bottles such as *Koikuchi Shoyu*. Sales were also down year on year in the industrial- and foodservice-use sectors. As a result, sales increased year on year for the Soy Sauce Division.

■Food Products Division

Sales of *tsuyu* products decreased year on year, however in the home-use sector the *Gumen* series — a straight type *tsuyu* that does not need to be diluted — performed well while sales for other straight type *tsuyu* are weak. Sales of *tare* products rose year on year, reflecting the strong performance of the mainstay *Wagaya wa Yakinikuyasan* series and increased sales of products for industrial- and foodservice-use. Sales of the *Uchi no Gohan* series (handy Japanese-style seasoning mixes) surpassed the year-ago level due to the strong performance of the new *Kyabetsu no Garibatashoyuitame* as well as the growth of sales in the *Mazegohan no Moto* series. Sales grew year on year for Del Monte seasonings due to 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

Sales of soy milk beverages rose year on year, with rising health awareness, due to the growth of products designated as Food for Specified Health Use and unprocessed soy milk, as well as an increase in the number of consumers who use soy milk, not only as a beverage but also as a cooking ingredient. Soy Milk *Okara* (soy pulp) Powder, launched in the previous year, introduced on the TV programs, also contributed to the sales growth in the sector.

Sales fell year on year for Del Monte beverages due to lackluster sales of vegetable juice and juice gifts, despite solid sales of tomato juice such as Lycopene-Rich and salt-free tomato 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, the adverse effect of a change in pricing structure resulting from a replacement of the main *mirin* product offset a rise in sales for high value-added products such as *Komekoji Kodawari-jikomi Hon Mirin*. In the industrial sector, meanwhile, sales for products in large containers fell year on year. Sales increased year on year for wine due to increased sales of the products for foodservice-use. As a result, sales decreased year on year for the Liquor and Wine Division.

As a result of the above, the Foods—Manufacturing and Sales segment recorded higher sales and higher profit, with net sales increasing 2.5% year on year, to ¥91,600 million, and operating profit increasing 5.8% year on year, to ¥6,577 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.

The overall sales of the Others Division were below the year-ago level, reflecting lackluster sales of clinical diagnostic reagents and the impact of withdrawal from the alginic acid business despite strong sales of hyaluronic acid.

As a result of the above, the Others segment recorded lower sales and higher profit, with net sales decreasing 1.4% year on year, to ¥10,635 million, and operating profit increasing 3.6% year on year, to ¥916 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 on a local currency basis, reflecting steady sales growth in key markets such as France, Netherlands and Germany.

In the Asia and Oceania market, sales rose in China. Sales also grew in other Asian markets such as Thailand and Indonesia. Therefore, sales on a local currency basis were higher than the year-ago level.

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, and sales on a local currency basis rose year on year.

■ Other Foods Division

This division manufactures and sells health foods, mainly in the North American region, and sales on a local currency basis remained the year-ago level.

As a result of the above, the Foods—Manufacturing and Sales segment recorded higher sales and higher profit, with net sales increasing 2.1% year on year, to ¥47,525 million, and operating profit increasing 2.1% year on year, to ¥9,759 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 3.2% year on year, to ¥96,463 million, and operating profit increasing 18.0% year on year, to ¥4,495 million.

As a result of the aforementioned segment results, the Company reported consolidated net sales for the first six months of fiscal 2020 of ¥231,624 million increasing 2.4% year on year, operating profit of ¥20,986 million increasing 4.6%, ordinary profit of ¥21,554 million increasing 7.8%, and profit attributable to owners of parent of ¥15,289 million increasing 6.7%.

2) Explanation of financial position

1. Total Assets, Total Liabilities and Net Assets

(Assets)

Current assets as of September 30, 2019 were ¥152,512 million, down ¥4,005 million from March 31, 2019. This was mainly due to a decrease in cash and deposits. Noncurrent assets were ¥224,659 million, up ¥19,058 million. This was largely attributable to an increase in lease assets, net as a result of application of IFRS 16 “Leases” and ASU 2016-02 “Leases” at overseas subsidiaries.

As a result, total assets increased ¥15,052 million from March 31, 2019, to ¥377,171 million.

(Liabilities)

Current liabilities as of September 30, 2019 were ¥56,747 million, up ¥507 million from March 31, 2019. This was mainly owing to an increase in lease liabilities as a result of application of IFRS “Leases” and ASU 2016-02 “Leases” at overseas subsidiaries and an increase in other current liabilities, which offset a decrease in accounts payable-other. Noncurrent liabilities were ¥46,619 million, up ¥11,191 million from March 31, 2019. This was largely due to an increase in lease liabilities as a result of application of IFRS 16 “Leases” and ASU 2016-02 “Leases” at overseas subsidiaries.

As a result, total liabilities increased ¥11,699 million from March 31, 2019, to ¥103,367 million.

(Net Assets)

Net assets were ¥273,804 million, up ¥3,353 million from March 31, 2019. This was largely attributable to an increase in retained earnings, despite decreases in foreign currency translation adjustment and valuation difference on available-for-sale securities.

As a result, the equity ratio was 71.2% (down from 73.3% on March 31, 2019).

2. Cash Flows

Cash and cash equivalents as of September 30, 2019 were ¥23,432 million. This reflected a decrease in cash and cash equivalents of ¥4,077 million from March 31, 2019.

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

(Cash Flows from Operating Activities)

During the six-month period ended September 30, 2019, operating activities provided net cash of ¥19,275 million, an increase of ¥2,390 million from the previous year. This was mainly because cash provided by operating activities, comprising the sum of profit before income taxes, and non-cash items such as depreciation and amortization increased.

(Cash Flows from Investing Activities)

Investing activities used net cash of ¥17,222 million, primarily due to expenditures for the purchase of property, plant and equipment.

(Cash Flows from Financing Activities)

Financing activities used net cash of ¥5,582 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 has changed the assumed yen/dollar exchange rate and yen/euro exchange rate for the second six months to 107.0 yen to the US dollar and 118.0 yen to the euro, respectively. As a result, the assumed annual average exchange rates have been changed to 108.0 yen to the US dollar and 119.9 yen to the euro. The sales forecast has been revised downward from the previously announced forecast, mainly because of a fall in overseas sales attributable to the results of currency translations in association with the changes in assumed exchange rates and lower-than-expected domestic sales and overseas sales in the first six months. Forecasts for operating profit, ordinary profit and profit attributable to owners of parent have been revised downward, reflecting the effects of the changes in assumed exchange rates. There are no significant changes to business risks that might affect business performance from the disclosures in the latest securities report (submitted on June 25, 2019).

Differences from the full year forecasts for consolidated business performance announced on April 24, 2019 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)	473,500	39,700	38,900	26,900	140.12
Current Revised Forecast (B)	465,200	39,120	38,400	26,590	138.51
Difference (B－A)	(8,300)	(580)	(500)	(310)	—
Percent Change (%)	(1.8)	(1.5)	(1.3)	(1.2)	—
Results from Previous Fiscal Year	453,565	38,417	37,925	25,992	135.39

Note: Assumed foreign currency exchange rates:

Previously announced forecast: US\$ = ¥110.0 EUR = ¥125.0

Forecast as of this announcement: US\$ = ¥108.0 EUR = ¥119.9

2. Consolidated Quarterly Financial Statements and Main Notes

1) Consolidated Quarterly Balance Sheets

	(Millions of yen)	
	As of March 31, 2019	As of September 30, 2019
Assets		
Current assets		
Cash and deposits	30,162	25,739
Notes and accounts receivable-trade	60,719	58,679
Short-term investment securities	—	96
Merchandise and finished goods	42,513	41,972
Work in process	10,997	11,534
Raw materials and supplies	5,330	5,490
Other	7,512	9,669
Allowance for doubtful accounts	(717)	(669)
Total current assets	156,518	152,512
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	42,862	42,092
Machinery, equipment and vehicles, net	40,879	40,621
Land	20,936	20,829
Lease assets, net	254	15,667
Construction in progress	14,080	18,898
Other, net	4,376	4,213
Total property, plant and equipment	123,390	142,322
Intangible assets		
Goodwill	4,969	4,564
Other	5,339	5,334
Total intangible assets	10,308	9,899
Investments and other assets		
Investment securities	59,207	59,920
Long-term loans receivable	1,491	1,669
Net defined benefit asset	5,936	6,137
Deferred tax assets	3,053	3,084
Other	3,940	3,504
Allowance for doubtful accounts	(1,726)	(1,878)
Total investments and other assets	71,902	72,437
Total noncurrent assets	205,601	224,659
Total assets	362,119	377,171

	(Millions of yen)	
	As of March 31, 2019	As of September 30, 2019
Liabilities		
Current liabilities		
Notes and accounts payable-trade	22,383	21,732
Short-term loans payable	3,487	3,304
Lease obligations	50	2,277
Accounts payable-other	18,872	15,568
Income taxes payable	3,230	3,735
Provision for bonuses	2,592	2,985
Provision for directors' bonuses	125	61
Other	5,497	7,081
Total current liabilities	56,240	56,747
Noncurrent liabilities		
Long-term loans payable	13,602	13,602
Lease obligations	90	14,058
Deferred tax liabilities	7,934	7,263
Provision for directors' retirement benefits	711	723
Provision for environmental measures	31	31
Net defined benefit liability	5,511	5,235
Other	7,546	5,702
Total noncurrent liabilities	35,427	46,619
Total liabilities	91,667	103,367
Net assets		
Shareholders' equity		
Capital stock	11,599	11,599
Capital surplus	13,695	13,695
Retained earnings	225,835	236,769
Treasury stock	(3,631)	(3,637)
Total shareholders' equity	247,498	258,426
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	17,521	15,778
Deferred gains or losses on hedges	(4)	2
Foreign currency translation adjustment	1,081	(4,781)
Remeasurements of defined benefit plans	(667)	(729)
Total Accumulated other comprehensive income	17,930	10,270
Non-controlling interests	5,022	5,107
Total net assets	270,451	273,804
Total liabilities and net assets	362,119	377,171

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 2020)

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	226,099	231,624
Cost of sales	137,528	140,083
Gross profit	88,570	91,541
Selling, general and administrative expenses	68,502	70,554
Operating profit	20,068	20,986
Non-operating income		
Interest income	113	141
Dividends income	689	548
Equity in earnings of affiliates	93	111
Rent income	341	354
Foreign exchange gains	138	1,986
Gain on valuation of derivatives	3,805	6
Other	1,225	966
Total non-operating income	6,407	4,115
Non-operating expenses		
Interest expenses	59	246
Foreign exchange losses	3,777	124
Loss on valuation of derivatives	82	910
Other	2,558	2,265
Total non-operating expenses	6,477	3,547
Ordinary profit	19,998	21,554
Extraordinary income		
Gain on sales of property, plant and equipment	382	—
Gain on sales of investment securities	—	148
Total extraordinary income	382	148
Extraordinary loss		
Loss on retirement of noncurrent assets	65	162
Provision for environmental measures	259	—
Total extraordinary loss	324	162
Profit before income taxes	20,056	21,540
Income taxes	5,493	6,012
Profit	14,563	15,528
Profit attributable to non-controlling interests	229	239
Profit attributable to owners of parent	14,333	15,289

(Consolidated Quarterly Statements of Comprehensive Income)
(During the first six months of fiscal 2020)

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	14,563	15,528
Other comprehensive income		
Valuation difference on available-for-sale securities	455	(1,731)
Deferred gains or losses on hedges	39	7
Foreign currency translation adjustment	8,491	(5,878)
Remeasurements of defined benefit plans, net of tax	3	(54)
Share of other comprehensive income of associates accounted for using equity method	9	(11)
Total other comprehensive income	9,000	(7,668)
Comprehensive income	23,563	7,859
Total comprehensive income attributable to:		
Owners of parent	23,473	7,629
Non-controlling interests	89	230

3) Consolidated Quarterly Statements of Cash Flows

	(Millions of yen)	
	Six months ended September 30, 2018	Six months ended September 30, 2019
Cash flows from operating activities		
Income before income taxes	20,056	21,540
Depreciation and amortization	6,459	8,079
Increase (decrease) in provision for directors' retirement benefits	(12)	12
Increase (decrease) in net defined benefit liability	(194)	(599)
Interest and dividends income	(803)	(690)
Interest expenses	59	246
Equity in (earnings) losses of affiliates	(93)	(111)
Loss (gain) on sales of property, plant and equipment	(384)	(15)
Loss (gain) on sales of investment securities	(5)	(148)
Loss on retirement of property, plant and equipment	212	278
Decrease (increase) in notes and accounts receivable-trade	(1,780)	921
Decrease (increase) in inventories	(1,601)	(1,460)
Increase (decrease) in notes and accounts payable-trade	176	133
Other, net	(42)	(3,196)
Subtotal	22,046	24,989
Interest and dividends received	901	717
Interest expenses paid	(64)	(248)
Income taxes paid	(5,999)	(6,183)
Net cash provided by (used in) operating activities	16,885	19,275
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,173)	(13,819)
Proceeds from sales of property, plant and equipment	505	21
Purchase of intangible assets	(514)	(532)
Purchase of investment securities	(590)	(3,293)
Proceeds from sales of investment securities	36	150
Payments of loans receivable	(1,114)	(547)
Collection of loans receivable	394	321
Other, net	1,103	477
Net cash provided by (used in) investing activities	(13,351)	(17,222)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(4)	(54)
Proceeds from long-term loans payable	202	—
Repayments of lease obligations	(22)	(1,261)
Purchase of treasury stock	(9)	(6)
Cash dividends paid	(3,264)	(4,032)
Dividends paid to non-controlling interests	(243)	(224)
Other, net	0	(1)
Net cash provided by (used in) financing activities	(3,341)	(5,582)
Effect of exchange rate change on cash and cash equivalents	816	(683)
Net increase (decrease) in cash and cash equivalents	1,008	(4,212)
Cash and cash equivalents at beginning of the period	22,785	27,509
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	204	135
Cash and cash equivalents at end of period	23,991	23,432

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

No applicable items.

(Notes Regarding Significant Changes in Shareholders' Equity)

No applicable items.

(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.

(Changes in accounting policies)

(Adoption of ASU2014-09 "Revenue from Contracts with Customers")

Certain overseas subsidiaries which apply U.S. GAAP have been adopted ASU 2014-09 "Revenue from Contracts with Customers." from the first quarter of fiscal 2020.

With the adoption, the entity recognizes revenue upon the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in the exchange for those goods or services.

In adopting the accounting standard, retained earnings has been adjusted for the cumulative effects of the application at the beginning of the first quarter of fiscal 2020 in line with the transitional treatment of the standard.

The effect of this change on retained earnings at the beginning of the first quarter of fiscal 2020 and operating profit, ordinary profit, profit before income taxes, and profit for the first six months of fiscal 2020 was immaterial.

(Application of IFRS 16 "Leases" and ASU 2016-02 "Leases")

IFRS 16 "Leases" and ASU 2016-02 "Leases" have been applied at overseas subsidiaries from the first quarter of fiscal 2020. With this application, lessees, in principle, record all leases as assets and liabilities on the balance sheets.

In applying the accounting standards, retained earnings has been adjusted for the cumulative effects of the application at the beginning of the first quarter of fiscal 2020 in line with the transitional treatment of the standards.

As a result, "lease assets, net" in noncurrent assets, "lease obligations" in current liabilities and "lease obligations" in noncurrent liabilities were ¥15,373 million, ¥2,324 million, and ¥13,817 million greater, respectively, than if the former accounting standards were applied. The effect of this adjustment on operating profit, ordinary profit, profit before income taxes, and profit for the first six months of fiscal 2020 was immaterial.

(Segment Information, etc.)

I. 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.

II. First six months of fiscal 2020 (April 1, 2019 to September 30, 2019)

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	90,560	3,521	41,297	96,244	231,624	—	231,624
Intragroup sales or transfers	1,039	7,113	6,228	219	14,601	(14,601)	—
Total sales	91,600	10,635	47,525	96,463	246,225	(14,601)	231,624
Operating profit	6,577	916	9,759	4,495	21,749	(762)	20,986

(Notes)

1. Adjustments of ¥ (762) 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.