

February 4, 2021

Consolidated Financial Results

Kikkoman Corporation Flash Report for Fiscal 2021 3Q

Nine-month period ended December 31, 2020

Listed company name: **Kikkoman Corporation**
Shares listed: Tokyo (1st Section)
Code No.: 2801
URL: <https://www.kikkoman.com>
Representative: Noriaki Horikiri, President and Chief Executive Officer
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Scheduled submission date of quarterly accounting report: February 12, 2021
Scheduled date for cash dividend payments: —
Supplementary Schedules for quarter: Yes
Results briefing for quarter: None

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 Nine-month Period Ended December 31, 2020 (April 1, 2020 to December 31, 2020)

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, 2020 - Dec. 31, 2020	348,263	(2.0)	33,804	3.7	33,751	0.4	23,603	0.8
Apr. 1, 2019 - Dec. 31, 2019	355,496	3.5	32,612	5.7	33,607	7.6	23,407	4.8

(Note) Comprehensive Income

April 1, 2020 to December 31, 2020: ¥ 19,906 million ((6.1) %)

April 1, 2019 to December 31, 2019: ¥ 21,195 million ((7.7) %)

	Earnings per share (yen)	Earnings per share (Assuming full dilution) (yen)
Apr. 1, 2020 - Dec. 31, 2020	122.95	—
Apr. 1, 2019 - Dec. 31, 2019	121.93	—

2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
Dec. 31, 2020	401,648	289,391	70.7%
Mar. 31, 2020	387,329	277,757	70.3%

(Reference) Total shareholders' equity

December 31, 2020: ¥ 284,008 million

March 31, 2020: ¥ 272,434 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, 2019 -Mar. 31, 2020	—	21.00	—	21.00	42.00
Apr. 1, 2020 -Mar. 31, 2021	—	21.00	—		
Apr. 1, 2020 -Mar. 31, 2021 (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, 2021
 (April 1, 2020 to March 31, 2021)

(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, 2020- Mar. 31, 2021	463,800	(1.0)	39,500	(0.8)	39,100	0.1	26,600	0.0	138.56

(Note) Revisions to recently announced forecasts of business performance: None

[Notes]

1) Changes in important subsidiaries during the first nine 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 14, 2. Consolidated Quarterly Financial Statements and Main Notes, 3) 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)

December 31, 2020 — 193,883,202 shares March 31, 2020 — 193,883,202 shares

② Treasury stock at end of period

December 31, 2020 — 1,910,870 shares March 31, 2020 — 1,908,731 shares

③ Shares outstanding during the period (cumulative for period, consolidated)

December 31, 2020 — 191,973,625 shares December 31, 2019 — 191,976,348 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 9, 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)

Kikkoman will publish supplementary schedules to the first nine months results on TD-net for viewing in Japan, and on its website.

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1. Qualitative Information and Consolidated Financial Statements, etc.

1) Explanation of business performance

During the first nine months under review, the global economy remained severe due to the impact of the COVID-19 pandemic.

The Group was also affected by the pandemic in the range of geographic areas where it operates. Overall domestic sales of the Group fell year on year in the Foods—Manufacturing and Sales business given year-on-year decreases in sales of soy sauce, food products, beverages, as well as liquor and wine. Looking overseas, sales increased year on year in the Foods—Manufacturing and Sales business, although they fell short of the year-ago level in the Foods—Wholesale business.

As a result, consolidated operating results for the first nine months of fiscal 2021 were as follows.

<Consolidated Financial Statements>

(Millions of yen, %)

	FY2020 3Q		FY2021 3Q		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
	4.1.2019 – 12.31.2019		4.1.2020 – 12.31.2020		Amount	YoY	%		Amount	YoY
	Amount	%	Amount	%						
Net sales	355,496	100.0	348,263	100.0	(7,233)	98.0	—	(5,189)	(2,043)	99.4
Operating profit	32,612	9.2	33,804	9.7	1,191	103.7	0.5	(586)	1,778	105.5
Ordinary profit	33,607	9.5	33,751	9.7	144	100.4	0.2	(552)	696	102.1
Profit attributable to owners of parent	23,407	6.6	23,603	6.8	196	100.8	0.2	(412)	608	102.6
Exchange rate (¥/US\$)	109.10		105.87		(3.23)					
(¥/EUR)	121.46		122.30		0.84					

<Reporting Segments>

(Millions of yen, %)

		FY2020 3Q		FY2021 3Q		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
		4.1.2019 – 12.31.2019		4.1.2020 – 12.31.2020		Amount	YoY	%		Amount	YoY
		Amount	%	Amount	%				Amount		
Domestic Foods— Manufacturing and Sales	Net sales	139,360	100.0	136,411	100.0	(2,949)	97.9	—	—	(2,949)	97.9
	Operating profit	10,585	7.6	9,603	7.0	(982)	90.7	(0.6)	—	(982)	90.7
Domestic Others	Net sales	16,056	100.0	15,980	100.0	(76)	99.5	—	—	(76)	99.5
	Operating profit	1,373	8.6	1,307	8.2	(65)	95.2	(0.4)	—	(65)	95.2
Overseas Foods— Manufacturing and Sales	Net sales	71,477	100.0	74,955	100.0	3,477	104.9	—	(1,675)	5,153	107.2
	Operating profit	14,669	20.5	16,120	21.5	1,451	109.9	1.0	(319)	1,770	112.1
Overseas Foods— Wholesale	Net sales	150,662	100.0	143,114	100.0	(7,547)	95.0	—	(3,711)	(3,836)	97.5
	Operating profit	6,946	4.6	7,476	5.2	529	107.6	0.6	(231)	760	111.0
Adjustments	Net sales	(22,060)	100.0	(22,198)	100.0	(137)	—	—	197	(334)	—
	Operating profit	(963)	—	(703)	—	259	—	—	(35)	295	—
Consolidated Total	Net sales	355,496	100.0	348,263	100.0	(7,233)	98.0	—	(5,189)	(2,043)	99.4
	Operating profit	32,612	9.2	33,804	9.7	1,191	103.7	0.5	(586)	1,778	105.5
Exchange Rate (¥/US\$)		109.10		105.87		(3.23)					
		(¥/EUR)	121.46	122.30		0.84					

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.

During the three-month period under review, home-use demand increased due to the impact of COVID-19. However, demand declined in the industrial- and foodservice-use sectors, reflecting the sharp deterioration of the restaurant industry.

■ Soy Sauce Division

Sales of the *Itsudemo Shinsen* (always fresh) series continued to increase in the home-use sector, mainly due to marketing measures aimed at communicating products' added value, including TV advertisements, while products in conventional plastic bottles such as *Tokusen Marudaizu Shoyu* also rose year on year. Sales were down year on year in the industrial- and foodservice-use sectors.

As a result, overall sales decreased year on year for the Soy Sauce Division.

■ Food Products Division

Overall sales of *tsuyu* products increased year on year due to the strong performance of *Koidashi Hontsuyu* in particular. Sales of *tare* products declined year on year, reflecting slow sales in the industrial- and foodservice-use sectors, although the mainstay *Wagaya wa Yakinikuyasan* series remained strong. Sales of the *Uchi no Gohan* series (handy Japanese-style seasoning mixes) were lower than the year-ago level. Sales declined year on year for Del Monte seasonings due to lower sales in the industrial- and foodservice-use sectors despite growth in the home-use sector.

As a result, sales decreased year on year for the Food Products Division due to a decline in sales in the industrial- and foodservice-use sectors.

■ Beverages Division

Sales of soy milk beverages increased year on year, reflecting the growth of unprocessed soy milk with rising health awareness, the resulting increase in the number of consumers who use soy milk not only as a beverage but also as a cooking ingredient, coupled with a rise in sales of soy milk in one-liter containers in particular due to a rise in home-use demand.

Sales decreased year on year for Del Monte beverages due to lackluster sales of tomato juice and fruit juice, although sales of vegetable juice remained strong.

As a result, overall sales decreased year on year for the Beverages Division.

■ Liquor and Wine Division

Sales decreased year on year for *Hon Mirin*. In the home-use sector, sales grew for high value-added products such as *Komekoji Kodawari-jikomi Hon Mirin* and *Nokojukusei Hon Mirin* with a rise in home-use demand, which was offset by a decline in sales for products in large containers in the industrial- and foodservice-use sectors.

Sales fell year on year for wine, reflecting a decline in sales in the industrial- and foodservice-use sectors due to lower demand from hotels and restaurants.

As a result, overall sales decreased year on year for the Liquor and Wine Division.

As a result of the above, the Foods—Manufacturing and Sales segment recorded lower sales and lower profit, with net sales decreasing 2.1% year on year, to ¥136,411 million, and operating profit decreasing 9.3% year on year, to ¥9,603 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 of biochemical business rose year on year due to the growth of hygiene inspection agents although sales of clinical diagnostic reagents were lower than the year-ago level. Sales for logistics business decreased year on year. As a result, overall sales decreased year on year for the Other Division.

As a result of the above, the Others segment recorded lower sales and lower profit, with net sales decreasing 0.5% year on year, to ¥15,980 million, and operating profit decreasing 4.8% year on year, to ¥1,307 million.

【Overseas】

Sales overseas were as follows.

In the home-use sector, home-use demand increased overseas as well due to the impact of COVID-19. On the other hand, foodservice-use demand declined in the foodservice-use sector due to the sharp deterioration of the restaurant industry.

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 continued to enhance the lineup of soy sauce-based seasonings and other products, as well as mainstay soy sauce products, with a focus on home-use demand, while at the same time expanding business by leveraging the Kikkoman brand. As a result, sales increased year on year in this market as a whole.

In the European market, sales increased year on year, reflecting growth in sales in main markets such as the U.K. and Germany.

In the Asia and Oceania market, sales declined year on year. Sales increased in Southeast Asia and Australia on a local currency basis, although sales declined in China due to the spread of COVID-19.

As a result, overall sales for the Soy Sauce 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 increased year on year for the Del Monte Division.

■ Other Foods Division

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

Sales increased year on year for the Other Foods Division on a local currency basis.

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 ¥74,955 million, and operating profit increasing 9.9% year on year, to ¥16,120 million.

Foods—Wholesale

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

Sales decreased year on year in North America because the restaurant industry suffered a sharp decline in sales mainly due to voluntary restraint on outings.

Sales also declined in Europe for the same reason.

Sales increased year on year in Asia and Oceania because a group company in Taiwan was included in the scope of consolidation, starting with the second quarter of fiscal 2021.

As a result, overall sales decreased year on year for the Foods—Wholesale segment.

As a result of the above, the Foods—Wholesale segment recorded lower sales and higher profit, with net sales decreasing 5.0% year on year, to ¥143,114 million, and operating profit increasing 7.6% year on year, to ¥7,476 million.

As a result of the aforementioned segment results, the Company reported consolidated net sales for the first nine months of fiscal 2021 of ¥348,263 million decreasing 2.0% year on year, operating profit of ¥33,804 million increasing 3.7%, ordinary profit of ¥33,751 million increasing 0.4%, and profit attributable to owners of parent of ¥23,603 million increasing 0.8%.

2) Explanation of financial position

(Assets)

Current assets as of December 31, 2020 were ¥177,875 million, up ¥18,335 million from March 31, 2020. This was mainly due to an increase in cash and deposits and notes and accounts receivable-trade. Non-current assets were ¥223,772 million, down ¥4,016 million. This was largely attributable to decreases in machinery, equipment and vehicles, net, buildings and structures, net, and lease assets, net. As a result, total assets increased ¥14,319 million from March 31, 2020, to ¥401,648 million.

(Liabilities)

Current liabilities as of December 31, 2020 were ¥67,642 million, up ¥5,851 million from March 31, 2020. This was mainly due to an increase in short-term loans payable. Non-current liabilities were ¥44,614 million, down ¥3,166 million from March 31, 2020. This was largely due to decreases in net defined benefit liability and lease obligations. As a result, total liabilities increased ¥2,685 million from March 31, 2020, to ¥112,257 million.

(Net Assets)

Net assets were ¥289,391 million, up ¥11,634 million from March 31, 2020. This was largely attributable to an increase in retained earnings, despite a decrease in foreign currency translation adjustment. As a result, the equity ratio was 70.7% (up from 70.3% on March 31, 2020).

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

Consolidated earnings forecasts for the year ending March 31, 2021, remain unchanged from the forecasts accompanying the Flash Report for First Six Months of Fiscal 2021, disclosed on November 5, 2020. There are no significant changes to business risks that might affect business performance from the disclosures in the latest securities report (submitted on June 23, 2020).

2. Consolidated Quarterly Financial Statements and Main Notes

1) Consolidated Quarterly Balance Sheets

	(Millions of yen)	
	As of March 31, 2020	As of December 31, 2020
Assets		
Current assets		
Cash and deposits	30,088	45,795
Notes and accounts receivable-trade	61,145	64,574
Short-term investment securities	—	193
Merchandise and finished goods	43,255	42,274
Work in process	11,798	11,331
Raw materials and supplies	5,901	5,878
Other	8,543	8,819
Allowance for doubtful accounts	(1,192)	(992)
Total current assets	159,540	177,875
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	55,200	53,893
Machinery, equipment and vehicles, net	44,751	42,713
Land	20,900	20,669
Lease assets, net	15,841	14,625
Construction in progress	7,705	9,325
Other, net	4,669	4,305
Total property, plant and equipment	149,067	145,533
Intangible assets		
Goodwill	4,164	3,725
Other	5,004	4,843
Total intangible assets	9,168	8,569
Investments and other assets		
Investment securities	57,672	57,142
Long-term loans receivable	1,881	1,923
Net defined benefit asset	4,934	6,063
Deferred tax assets	3,416	3,516
Other	3,799	3,207
Allowance for doubtful accounts	(2,153)	(2,184)
Total investments and other assets	69,552	69,670
Total non-current assets	227,788	223,772
Total assets	387,329	401,648

	(Millions of yen)	
	As of March 31, 2020	As of December 31, 2020
Liabilities		
Current liabilities		
Notes and accounts payable-trade	23,414	22,940
Short-term loans payable	5,311	11,422
Lease obligations	2,437	2,462
Accounts payable-other	19,249	16,221
Income taxes payable	3,297	4,567
Provision for bonuses	2,662	980
Provision for directors' bonuses	129	90
Other	5,288	8,956
Total current liabilities	61,791	67,642
Non-current liabilities		
Long-term loans payable	13,602	13,400
Lease obligations	13,997	13,138
Deferred tax liabilities	6,847	6,542
Provision for directors' retirement benefits	732	702
Provision for environmental measures	31	3
Net defined benefit liability	7,243	5,524
Other	5,326	5,303
Total non-current liabilities	47,780	44,614
Total liabilities	109,571	112,257
Net assets		
Shareholders' equity		
Capital stock	11,599	11,599
Capital surplus	13,695	13,695
Retained earnings	244,044	259,582
Treasury stock	(3,641)	(3,654)
Total shareholders' equity	265,697	281,223
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	14,012	12,943
Deferred gains or losses on hedges	(0)	(4)
Foreign currency translation adjustment	(4,376)	(8,828)
Remeasurements of defined benefit plans	(2,898)	(1,325)
Total Accumulated other comprehensive income	6,736	2,784
Non-controlling interests	5,322	5,383
Total net assets	277,757	289,391
Total liabilities and net assets	387,329	401,648

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

(Consolidated Quarterly Statements of Income) (During the first nine months of fiscal 2021)

	(Millions of yen)	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Net sales	355,496	348,263
Cost of sales	216,478	210,363
Gross profit	139,018	137,900
Selling, general and administrative expenses	106,406	104,095
Operating profit	32,612	33,804
Non-operating income		
Interest income	199	115
Dividends income	914	941
Equity in earnings of affiliates	225	188
Rent income	532	550
Foreign exchange gains	874	2,662
Gain on valuation of derivatives	765	37
Other	1,359	1,375
Total non-operating income	4,870	5,871
Non-operating expenses		
Interest expenses	371	379
Foreign exchange losses	127	173
Loss on valuation of derivatives	20	1,544
Other	3,356	3,826
Total non-operating expenses	3,876	5,924
Ordinary profit	33,607	33,751
Extraordinary income		
Gain on sales of property, plant and equipment	15	51
Gain on sales of investment securities	148	836
Total extraordinary income	164	887
Extraordinary loss		
Impairment loss on non-current assets	—	1,170
Loss on retirement of non-current assets	638	35
Loss on valuation of investment securities	20	22
Loss on valuation of golf club membership	16	—
Total extraordinary loss	675	1,228
Profit before income taxes	33,095	33,410
Income taxes	9,331	9,430
Profit	23,764	23,980
Profit attributable to non-controlling interests	357	376
Profit attributable to owners of parent	23,407	23,603

(Consolidated Quarterly Statements of Comprehensive Income)
(During the first nine months of fiscal 2021)

	(Millions of yen)	
	Nine months ended December 31, 2019	Nine months ended December 31, 2020
Profit	23,764	23,980
Other comprehensive income		
Valuation difference on available-for-sale securities	(131)	(1,140)
Deferred gains or losses on hedges	11	(3)
Foreign currency translation adjustment	(2,373)	(4,570)
Remeasurements of defined benefit plans, net of tax	(116)	1,582
Share of other comprehensive income of associates accounted for using equity method	41	58
Total other comprehensive income	(2,569)	(4,073)
Comprehensive income	21,195	19,906
Total comprehensive income attributable to:		
Owners of parent	20,941	19,657
Non-controlling interests	254	248

3) 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 nine 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 “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System”

The Company and some of its domestic consolidated subsidiaries have not applied the provisions of paragraph 44 of “Implementation Guidance on Tax Effect Accounting” (ASBJ Guidance No. 28 issued February 16, 2018) in accordance with the treatment set forth in paragraph 3 of “Practical Solution on the Treatment of Tax Effect Accounting for the Transition from the Consolidated Taxation System to the Group Tax Sharing System” (PITF No. 39 issued March 31, 2020) to the items for which the non-consolidated taxation system was revised in line with the shift from the consolidated taxation system to the group tax sharing system, which was created under “Act on Partial Revision of the Income Tax Act, etc.” (Act No. 8 of 2020), and posted the amounts of deferred tax assets and deferred tax liabilities based on the provisions of tax laws before the revision.

(Segment Information)

 I. First nine months of fiscal 2020 (April 1, 2019 to December 31, 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	137,714	5,231	62,222	150,328	355,496	—	355,496
Intragroup sales or transfers	1,646	10,825	9,254	334	22,060	(22,060)	—
Total sales	139,360	16,056	71,477	150,662	377,557	(22,060)	355,496
Operating profit	10,585	1,373	14,669	6,946	33,575	(963)	32,612

(Notes)

1. Adjustments of ¥ (963) 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 nine months of fiscal 2021 (April 1, 2020 to December 31, 2020)
 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	134,244	5,518	65,736	142,764	348,263	—	348,263
Intragroup sales or transfers	2,167	10,462	9,219	349	22,198	(22,198)	—
Total sales	136,411	15,980	74,955	143,114	370,461	(22,198)	348,263
Operating profit	9,603	1,307	16,120	7,476	34,507	(703)	33,804

(Notes)

1. Adjustments of ¥ (703) 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.