

November 2, 2017

Consolidated Financial Results

Kikkoman Corporation Flash Report for First Six Months of Fiscal 2018

Six-month period ended September 30, 2017

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 10, 2017
Scheduled date for cash dividend payments: December 6, 2017
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, 2017 (April 1, 2017 to September 30, 2017)

1) Business Performance

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)
Apr. 1, 2017 -Sep. 30, 2017	214,473	9.0	19,070	12.5	18,840	14.6	12,042	(24.8)
Apr. 1, 2016 -Sep. 30, 2016	196,783	(3.0)	16,944	0.0	16,435	3.0	16,013	52.7

(Note) Comprehensive Income

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

April 1, 2016 to September 30, 2016: ¥ (471) million (- %)

	Net income per share (yen)	Net income per share (Assuming full dilution) (yen)
Apr. 1, 2017 -Sep. 30, 2017	62.35	-
Apr. 1, 2016 -Sep. 30, 2016	82.91	-

2) Financial Position

(Millions of yen)

	Total assets	Net assets	Shareholders' equity ratio
Sep. 30, 2017	349,165	256,579	72.1%
Mar. 31, 2017	361,248	244,437	66.4%

(Note) Total shareholders' equity

September 30, 2017: ¥ 251,639 million

March 31, 2017: ¥ 240,009 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, 2016 -Mar. 31, 2017	-	16.00	-	18.00	34.00
Apr. 1, 2017 -Mar. 31, 2018	-	22.00	/	/	/
Apr. 1, 2017 -Mar. 31, 2018 (Estimated)	/	/	-	17.00	39.00

(Note) Revisions to dividend forecasts this quarter: 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, 2018 (April 1, 2017 to March 31, 2018)

(Millions of yen)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share (yen)
	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)	Amount	Y o Y (%)	
Apr.1, 2017- Mar.31, 2018	429,800	6.9	36,000	9.6	35,000	9.2	22,300	(6.3)	115.71

(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): Yes

Newly consolidated companies: KUNSHAN PRESIDENT KIKKOMAN BIOTECHNOLOGY CO., LTD.
Newly unconsolidated companies: None

(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, (Changes in Important Subsidiaries during the First Six Months).

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

Changes in accounting policy associated with accounting standard revisions: None
Changes in accounting policy other than those in above: None
Changes in accounting estimates: None
Restatement of revisions: None

4) Issued and outstanding shares (common stock)

Shares issued and outstanding at end of period (including treasury stock)
September 30, 2017 - 210,383,202 shares March 31, 2017 - 210,383,202 shares
Treasury stock at end of period
September 30, 2017 - 17,250,584 shares March 31, 2017 - 17,249,765 shares
Shares outstanding during the period (cumulative for period, consolidated)
September 30, 2017 - 193,133,050 shares September 30, 2016 - 193,148,585 shares

- * This quarterly flash report is not subject to a quarterly review.
- * 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.

Table of Contents of Attachments

1. Qualitative Information and Consolidated Financial Statements, etc.	5
1) Explanation of business performance	5
2) Explanation of financial position	9
3) Explanation of forward-looking statements, including forecasts of consolidated business performance	10
2. Consolidated Quarterly Financial Statements and Main Notes	11
1) Consolidated Quarterly Balance Sheets	11
2) Consolidated Quarterly Statements of Income and Consolidated Quarterly Statements of Comprehensive Income	13
Consolidated Quarterly Statements of Income	
(During the first six months of fiscal 2018)	13
Consolidated Quarterly Statements of Comprehensive Income	
(During the first six months of fiscal 2018)	14
3) Consolidated Quarterly Statements of Cash Flows	15
4) Notes on quarterly consolidated financial statements	
(Notes Regarding Going Concern)	16
(Notes Regarding Significant Changes in Shareholders' Equity)	16
(Changes in Important Subsidiaries during the First Six Months)	16
(Application of Special Accounting Methods in Preparation for the Consolidated Quarterly Financial Statements)	16
(Segment Information, etc.)	17
(Material Subsequent Events)	17

1. Qualitative Information and Consolidated Financial Statements, etc.

1) Explanation of business performance

During the first half of the fiscal year ending March 2018, there were signs of weakness in the European economy, but the U.S. economy recovered steadily. Overall, the global economy continued to recover moderately.

The Japanese economy remained on a moderate recovery trend. There were signs of recovery in domestic demand on consumer spending and capital expenditure.

In this environment, domestic sales in the Foods-Manufacturing and Sales segment rose year on year, with sales of soy sauce and food products increasing from the year-ago level and sales of beverages performing well, although sales of liquor and wine fell short of the year-ago level.

Overseas sales also climbed year on year, with the Foods-Manufacturing and Sales business and the Foods-Wholesale business performing well.

As a result, consolidated operating results for the first half of fiscal 2018 were as follows.

<Consolidated Financial Statements>

(Millions of yen, %)

	FY2017 1st half		FY2018 1st half		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
	4.1.2016 – 9.30.2016		4.1.2017 – 9.30.2017		Amount	YoY	%		Amount	YoY
	Amount	%	Amount	%						
Net Sales	196,783	100.0	214,473	100.0	17,689	109.0	-	5,029	12,660	106.4
Operating Income	16,944	8.6	19,070	8.9	2,125	112.5	0.3	346	1,778	110.5
Ordinary Income	16,435	8.4	18,840	8.8	2,404	114.6	0.4	295	2,109	112.8
Net income attributable to owners of parent	16,013	8.1	12,042	5.6	(3,970)	75.2	(2.5)	190	(4,160)	74.0
Exchange Rate (¥/US\$)	106.43		111.42		4.99					
(¥/EUR)	119.12		126.63		7.51					

<Reporting Segments>

(Millions of yen, %)

		FY2017 1st half		FY2018 1st half		Increase /Decrease			Translation difference	Increase /Decrease except translation difference	
		4.1.2016 – 9.30.2016		4.1.2017 – 9.30.2017						Amount	
		Amount	%	Amount	%	Amount	YoY	%	Amount	YoY	
Domestic Foods-Manufacturing and Sales	Net Sales	84,180	100.0	87,797	100.0	3,616	104.3	-	-	3,616	104.3
	Operating Income	4,652	5.5	5,908	6.7	1,256	127.0	1.2	-	1,256	127.0
Domestic Others	Net Sales	10,756	100.0	10,696	100.0	(59)	99.4	-	-	(59)	99.4
	Operating Income	682	6.3	727	6.8	45	106.7	0.5	-	45	106.7
Overseas Foods-Manufacturing and Sales	Net Sales	39,639	100.0	44,387	100.0	4,747	112.0	-	1,569	3,178	108.0
	Operating Income	8,275	20.9	9,199	20.7	923	111.2	(0.2)	301	622	107.5
Overseas Foods-Wholesale	Net Sales	74,558	100.0	85,075	100.0	10,516	114.1	-	3,736	6,779	109.1
	Operating Income	3,710	5.0	3,758	4.4	47	101.3	(0.6)	41	6	100.2
Adjustments	Net Sales	(12,351)	100.0	(13,483)	100.0	(1,131)	-	-	(275)	(855)	-
	Operating Income	(375)	-	(524)	-	(148)	-	-	4	(153)	-
Consolidated Total	Net Sales	196,783	100.0	214,473	100.0	17,689	109.0	-	5,029	12,660	106.4
	Operating Income	16,944	8.6	19,070	8.9	2,125	112.5	0.3	346	1,778	110.5
Exchange Rate	(¥/US\$)	106.43		111.42		4.99					
	(¥/EUR)	119.12		126.63		7.51					

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 in the home-use sector of the Soy Sauce Division continued to increase, thanks to the market penetration of its value-added “great taste of fresh *nama shoyu* (raw soy sauce),” “maintaining freshness,” and “ease of use.” Sales promotions in stores were stepped up, and TV advertising increased. Sales of products for foodservice use fell year on year. Sales of products for industrial-use were favorable. As a result, the Soy Sauce Division as a whole enjoyed an increase from a year earlier.

Food Products Division

Among *tsuyu* products in the home-use sector, the *Gumen* series, a straight type, sold well. Sales of condensed *tsuyu* products rose year on year, with sales of *Koidashi Hon Tsuyu*, which was renewed in the previous year, climbing. In tare, sales of the mainstay *Wagaya wa Yakinikuyasan* series were strong, and sales of Steak Shoyu and products for foodservice-use increased. As a result, overall tare sales rose from a year earlier. Sales of the *Uchi No Gohan* series (handy Japanese-style seasoning mixes) rose year on year partly due to TV advertising and sales promotion campaigns. Sales of Del Monte seasonings declined from a year ago. Although sales of high value-added products, including Lycopene-Rich, were strong, overall sales decreased due to the price system change. Aggregate sales in the Food Products Division rose from the same period of the previous fiscal year.

Beverages Division

In soy milk beverages, sales of products designated as Food for Specified Health Use increased, with the rising health awareness. Increasing numbers of consumers are using soy milk not only as a beverage, but also as a cooking ingredient. As a result, sales of soy milk beverages increased year on year.

Sales of the Del Monte beverages rose from a year ago as sales of tomato juice climbed significantly with the expansion of the market and sales of vegetable juices were strong. As a result, the overall sales of the Beverages Division increased year on year.

Liquor and Wine Division

Sales of *Hon Mirin* fell from a year ago. Although sales of *Komekoji Kodawari-jikomi Hon Mirin* in a new bottle were strong, sales of *Houjun Hon Mirin* were weak. Sales of domestic wines declined year on year, reflecting weak sales of wine in large containers for foodservice-use, despite strong sales of Japanese wines, such as *Koshu Kobo No Awa*. Sales of imported wine were strong. As a result, overall sales in the Liquor and Wine Division decreased year on year.

As a result of the above, the Foods-Manufacturing and Sales segment recorded higher sales and higher income, with net sales increasing 4.3% year on year, to ¥87,797 million, and operating income increasing 27.0% year on year, to ¥5,908 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 clinical diagnostic reagents were strong, but sales of chemical products such as hyaluronic acid declined from a year ago. As a result, the aggregate division sales decreased year on year.

As a result of the above, the Others segment recorded lower sales and higher income, with net sales falling 0.6% year on year, to ¥10,696 million, and operating income increasing 6.7% year on year, to ¥727 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 harnessed Kikkoman's brand power to expand its business by continuing to enhance the lineup of mainstay soy sauce products, soy sauce-based seasonings, and other products for the home-use sector. In the industrial- and foodservice-use sectors, the division worked attentively to meet consumer needs, and both sectors exhibited good performance. As a result, sales increased from the same period of the previous fiscal year.

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

In the Asia and Oceania market, sales rose in Indonesia and Philippines, among other countries. Results at a manufacturing company in China have been added from the fourth quarter of the previous fiscal year. Overall, sales in this market rose significantly from a year earlier.

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.

The supply of canned tropical fruits did not recover sufficiently, and sales in the key markets of South Korea, Hong Kong, and Singapore declined year on year.

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

Other Foods Division

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

The division sales decreased year on year as a result of weak sales through general retailers despite strong sales through medical doctors.

As a result of the above, the Foods-Manufacturing and Sales segment recorded higher sales and higher income, with net sales increasing 12.0% year on year, to ¥44,387 million, and operating income increasing 11.2% year on year, to ¥9,199 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 consequence, aggregate division sales rose year on year.

As a result of the above, the Foods-Wholesale segment recorded higher sales and higher income, with net sales increasing 14.1% year on year, to ¥85,075 million, and operating income increasing 1.3% year on year, to ¥3,758 million.

As a result of the aforementioned segment results, the Company reported consolidated net sales for the first six months of fiscal 2018 of ¥214,473 million (up 9.0% year on year), operating income of ¥19,070 million (up 12.5%), ordinary income of ¥18,840 million (up 14.6%), and net income attributable to owners of parent of ¥12,042 million (down 24.8%).

2) Explanation of financial position

1. Total Assets, Total Liabilities and Net Assets

(Assets)

Current assets as of September 30, 2017, were ¥152,079 million, a decrease of ¥14,878 million from March 31, 2017. This was primarily due to a decrease in cash and deposits, despite an increase in notes and accounts receivable-trade. Noncurrent assets increased by ¥2,795 million to ¥197,086 million, mainly because of increases in machinery, equipment and vehicles and investment securities.

As a result, total assets decreased by ¥12,082 million from March 31, 2017, to ¥349,165 million.

(Liabilities)

Current liabilities were ¥57,887 million, an increase of ¥6,011 million from March 31, 2017. This was primarily due to an increase in short-term loans payable. Noncurrent liabilities decreased by ¥30,236 million to ¥34,699 million, mainly because of a decrease in bonds.

As a result, total liabilities decreased by ¥24,225 million from March 31, 2017, to ¥92,586 million.

(Net Assets)

Net assets stood at ¥256,579 million, up ¥12,142 million from March 31, 2017. This was primarily due to increases in retained earnings and foreign currency translation adjustment.

As a result, the equity ratio was 72.1%, compared with 66.4% on March 31, 2017.

2. Cash Flows

Cash and cash equivalents as of September 30, 2017 were ¥23,591 million. This reflected a decrease in cash and cash equivalents of ¥20,614 million from March 31, 2017.

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

(Cash Flows from Operating Activities)

During the six-month period ended September 30, 2017, operating activities provided net cash of ¥17,501 million, an increase of ¥7,612 million from the previous year. The main contributing factor was a decrease in the payment of corporate income taxes.

(Cash Flows from Investing Activities)

Investing activities used net cash of ¥9,007 million, primarily due to expenditures for the purchase of tangible non-current assets.

(Cash Flows from Financing Activities)

Financing activities used net cash of ¥29,193 million. This was primarily due to the redemption of bonds and the payment of cash dividends.

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

With respect to the consolidated results for the full fiscal year, in consideration of the progress of business performance until the second quarter of the current fiscal year, the Company has conducted a review as outlined in the following paragraphs and made revisions to net sales, operating income, ordinary income, and net income attributable to owners of parent.

The assumption of average exchange rates has been changed from 105 yen to 110.8 yen to the U.S. dollar, to reflect the situation until the second quarter of the current fiscal year. Accordingly, the Company expects that overseas business performance will be better than the previous forecast due to foreign currency exchange rates.

The full-year forecast for the consolidated business performance also reflects the impact of an increase in sales and profit attributable to higher-than-expected sales for the first six months as reported by the Beverage Division of the Domestic Foods-Manufacturing and Sales segment.

There are no significant changes to business risks that might affect business performance from the disclosures in the latest securities report (submitted on June 27, 2017).

Differences from the full-year consolidated forecasts of business performance announced in the flash report published on April 27, 2017, are as shown below.

(Full year)

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share (yen)
Previously Issued Forecast (A)	413,800	34,500	33,000	21,500	111.32
Current Revised Forecast (B)	429,800	36,000	35,000	22,300	115.71
Difference (B - A)	16,000	1,500	2,000	800	-
Percent Change (%)	3.9	4.3	6.1	3.7	-
Results from Previous Fiscal Year	402,174	32,842	32,037	23,810	123.28

Note: Assumed foreign currency exchange rates:

Previously announced forecast: US\$ = ¥105.0 EUR = ¥115.0

Forecast as of this announcement: US\$ = ¥110.8 EUR = ¥128.2

2. Consolidated Quarterly Financial Statements and Main Notes

1) Consolidated Quarterly Balance Sheets

	(Millions of yen)	
	As of March 31, 2017	As of September 30, 2017
Assets		
Current assets		
Cash and deposits	45,297	24,057
Notes and accounts receivable-trade	54,930	59,991
Short-term investment securities	1,184	1,537
Merchandise and finished goods	34,120	37,640
Work in process	10,855	11,038
Raw materials and supplies	4,640	5,445
Deferred tax assets	4,534	4,708
Other	11,877	8,199
Allowance for doubtful accounts	(483)	(541)
Total current assets	166,958	152,079
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	42,449	42,574
Machinery, equipment and vehicles, net	33,987	35,890
Land	22,273	22,320
Lease assets, net	234	227
Construction in progress	3,592	2,997
Other, net	3,807	3,932
Total property, plant and equipment	106,344	107,942
Intangible assets		
Goodwill	5,826	5,484
Other	5,769	5,481
Total intangible assets	11,595	10,966
Investments and other assets		
Investment securities	63,180	64,958
Long-term loans receivable	919	817
Net defined benefit asset	6,523	6,617
Deferred tax assets	2,442	2,237
Other	4,045	4,306
Allowance for doubtful accounts	(762)	(758)
Total investments and other assets	76,350	78,178
Total noncurrent assets	194,290	197,086
Total assets	361,248	349,165

	(Millions of yen)	
	As of March 31, 2017	As of September 30, 2017
Liabilities		
Current liabilities		
Notes and accounts payable-trade	21,196	21,467
Short-term loans payable	2,820	8,910
Lease obligations	44	39
Accounts payable-other	16,771	14,807
Income taxes payable	1,888	3,120
Provision for bonuses	2,383	2,767
Provision for directors' bonuses	101	54
Other	6,668	6,719
Total current liabilities	51,875	57,887
Noncurrent liabilities		
Bonds payable	30,000	-
Long-term loans payable	13,300	13,300
Lease obligations	54	48
Deferred tax liabilities	9,048	9,004
Provision for directors' retirement benefits	786	726
Provision for environmental measures	349	347
Net defined benefit liability	4,521	4,372
Other	6,877	6,899
Total noncurrent liabilities	64,936	34,699
Total liabilities	116,811	92,586
Net assets		
Shareholders' equity		
Capital stock	11,599	11,599
Capital surplus	13,914	13,914
Retained earnings	222,614	231,149
Treasury stock	(30,600)	(30,603)
Total shareholders' equity	217,528	226,060
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,306	20,386
Deferred gains or losses on hedges	(3)	13
Foreign currency translation adjustment	2,652	5,385
Remeasurements of defined benefit plans	(473)	(206)
Total Accumulated other comprehensive income	22,481	25,579
Non-controlling interests	4,427	4,940
Total net assets	244,437	256,579
Total liabilities and net assets	361,248	349,165

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 2018)

	(Millions of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Net sales	196,783	214,473
Cost of sales	117,594	128,773
Gross profit	79,189	85,699
Selling, general and administrative expenses	62,244	66,629
Operating income	16,944	19,070
Non-operating income		
Interest income	62	137
Dividends income	1,003	598
Equity in earnings of affiliates	64	106
Rent income	352	357
Foreign exchange gains	5,398	168
Gain on valuation of derivatives	11	881
Other	728	787
Total non-operating income	7,620	3,037
Non-operating expenses		
Interest expenses	518	247
Foreign exchange losses	161	767
Other	7,450	2,251
Total non-operating expenses	8,129	3,266
Ordinary income	16,435	18,840
Extraordinary income		
Gain on sales of property, plant and equipment	-	5
Gain on sales of investment securities	146	1,917
Total extraordinary income	146	1,922
Extraordinary loss		
Loss on retirement of noncurrent assets	-	106
Loss on valuation of investment securities	-	607
Loss on sales of shares of subsidiaries and associates	377	-
Loss on valuation of golf club membership	15	-
Loss on bond retirement	432	1,668
Total extraordinary loss	825	2,382
Income before income taxes	15,756	18,380
Income taxes	(379)	6,140
Net income	16,135	12,240
Net income attributable to non-controlling interests	121	197
Net income attributable to owners of parent	16,013	12,042

(Consolidated Quarterly Statements of Comprehensive Income)
 (During the first six months of fiscal 2018)

	(Millions of yen)	
	Six months ended September 30, 2016	Six months ended September 30, 2017
Net income	16,135	12,240
Other comprehensive income		
Valuation difference on available-for-sale securities	318	47
Deferred gains or losses on hedges	(13)	17
Foreign currency translation adjustment	(15,836)	2,784
Remeasurements of defined benefit plans, net of tax	458	269
Share of other comprehensive income of associates accounted for using equity method	(1,533)	(55)
Total other comprehensive income	(16,606)	3,062
Comprehensive income	(471)	15,302
Total comprehensive income attributable to:		
Owners of parent	(491)	15,128
Non-controlling interests	19	174

3) Consolidated Quarterly Statements of Cash Flows

(Millions of yen)

	Six months ended September 30, 2016	Six months ended September 30, 2017
Cash flows from operating activities		
Income before income taxes	15,756	18,380
Depreciation and amortization	5,952	6,380
Increase (decrease) in provision for directors' retirement benefits	(23)	(59)
Increase (decrease) in net defined benefit liability	(253)	106
Interest and dividends income	(1,065)	(735)
Interest expenses	518	247
Equity in (earnings) losses of affiliates	(64)	(106)
Loss (gain) on sales of property, plant and equipment	(5)	(10)
Loss (gain) on sales of investment securities	230	(1,917)
Loss on retirement of property, plant and equipment	73	295
Loss (gain) on valuation of investment securities	-	607
Decrease (increase) in notes and accounts receivable-trade	(1,661)	(4,101)
Decrease (increase) in inventories	(957)	(3,428)
Increase (decrease) in notes and accounts payable-trade	1,050	(471)
Other, net	2	2,807
Subtotal	19,552	17,994
Interest and dividends received	851	746
Interest expenses paid	(682)	(370)
Income taxes paid	(9,831)	(869)
Net cash provided by (used in) operating activities	9,889	17,501
Cash flows from investing activities		
Purchase of property, plant and equipment	(5,200)	(6,978)
Proceeds from sales of property, plant and equipment	15	16
Purchase of intangible assets	(305)	(302)
Purchase of investment securities	(320)	(2,316)
Proceeds from sales of investment securities	23,347	775
Payments of loans receivable	(145)	(529)
Collection of loans receivable	95	143
Other, net	461	184
Net cash provided by (used in) investing activities	17,947	(9,007)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(317)	6,025
Redemption of bonds	(20,432)	(31,668)
Purchase of treasury stock	(54)	(18)
Cash dividends paid	(6,182)	(3,477)
Dividends paid to non-controlling interests	(105)	(27)
Other, net	(54)	(27)
Net cash provided by (used in) financing activities	(27,147)	(29,193)
Effect of exchange rate change on cash and cash equivalents	(2,072)	39
Net increase (decrease) in cash and cash equivalents	(1,383)	(20,659)
Cash and cash equivalents at beginning of the period	35,150	44,205
Increase in cash and cash equivalents from newly consolidated subsidiary	57	132
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	-	(87)
Cash and cash equivalents at end of period	33,824	23,591

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

No applicable items.

(Notes Regarding Significant Changes in Shareholders' Equity)

No applicable items.

(Changes in Important Subsidiaries during the First Six Months)

Changes in certain specific subsidiaries resulting in a revised scope of consolidation

Consolidation (new)	KUNSHAN PRESIDENT KIKKOMAN BIOTECHNOLOGY CO., LTD. (Changed from an associated company (an equity method affiliate) in accordance with effective control standards)
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Changes in subsidiaries outside of specific subsidiaries

Consolidation (new)	JFC NEW ZEALAND LIMITED (Changes to a consolidated subsidiary from non-consolidated subsidiary based on the viewpoint of significance)
	JFC NORDEN (SWEDEN) AB (Changes to a consolidated subsidiary from non-consolidated subsidiary based on the viewpoint of significance)
	JFC HOLLAND B.V. (Changes to a consolidated subsidiary from non-consolidated subsidiary based on the viewpoint of significance)
	JFC ITALIA S.r.l. (Changes to a consolidated subsidiary from non-consolidated subsidiary based on the viewpoint of significance)

Consolidation (exclusion)	Edogawa Foods Company (Merger with Kikkoman Foodtech Company)
	JFC Restaurant GmbH (Changes to a non-consolidated subsidiary from consolidated subsidiary based on the viewpoint of significance)

(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 income 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 income before income taxes and non-controlling interests.

(Segment Information, etc.)

 I. First six months of fiscal 2017 (April 1, 2016 to September 30, 2016)
 Sales, Income, 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	83,491	4,118	34,778	74,395	196,783	-	196,783
Intragroup sales or transfers	689	6,637	4,861	163	12,351	(12,351)	-
Total sales	84,180	10,756	39,639	74,558	209,135	(12,351)	196,783
Operating income	4,652	682	8,275	3,710	17,320	(375)	16,944

(Notes)

- Adjustments of ¥ (375) million in segment operating income consist mainly of difference in the allocation of corporate expenses.
- Segment operating incomes are adjusted to the operating incomes recorded in the consolidated statements of income.

 II. First six months of fiscal 2018 (April 1, 2017 to September 30, 2017)
 Sales, Income, 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 income	5,908	727	9,199	3,758	19,595	(524)	19,070

(Notes)

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

(Material Subsequent Events)

Acquisition of Own shares

At a meeting of the Board of Directors held on October 20, 2017, the Company resolved to acquire its own shares under Article 156 of the Companies Act of Japan, applied pursuant to Article 165-3 of the said Act.

1. Reason for the acquisition of own shares

To promote an expeditious financial strategy according to changes in the business environment.

2. Details of the acquisition

- Class of shares to be acquired: Common shares of the Company
- Total number of shares to be acquired: 1,800,000 shares (maximum)
(Equivalent to 0.93% of outstanding shares (excluding treasury shares))
- Total acquisition price: 5,000,000,000 yen (maximum)
- Acquisition period: From November 6, 2017 to January 31, 2018
- Acquisition method: Market transactions on the Tokyo Stock Exchange