

Consolidated Summary Report <under Japanese GAAP>

For the six months ended June 30, 2018

July 31, 2018

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya
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Quarterly securities report issuing date: August 8, 2018
 Supplemental information for financial statements: Available
 Schedule for "investor meeting presentation": Available

Dividend payment date: -

(Amounts of less than one million yen are rounded down.)

1. Consolidated Financial Data for the Six Months Ended June 30, 2018

(1) Operation Results (% represents the change from the same period in the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended								
June 30, 2018	102,386	(1.6)	5,268	(14.8)	5,417	(18.7)	4,647	(2.7)
June 30, 2017	104,095	5.9	6,184	12.4	6,659	18.0	4,776	48.6

(Reference) Comprehensive income June 30, 2018: 1,831 million yen ((59.5) %); June 30, 2017: 4,525 million yen (— %)

	Earnings Per Share	Diluted Earnings per Share
Six months ended	yen	yen
June 30, 2018	52.44	52.39
June 30, 2017	53.93	53.90

(2) Financial Conditions

	Total Assets	Total Net Assets	Net Assets Attributable to KAGOME Shareholders to Total Assets	Total Net Assets per Common Stock
As of	million yen	million yen	%	yen
June 30, 2018	188,181	105,188	53.9	1,143.76
December 31, 2017	195,737	105,853	52.1	1,150.50

(Reference) Shareholders' equity as of June 30, 2018: 101,405 million yen; December 31, 2017: 101,949 million yen

2. Dividends on Common Stock

	Dividends per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended	yen	yen	yen	yen	yen
December 31, 2017	—	—	—	30.00	30.00
December 31, 2018	—	—	—	30.00	30.00
Fiscal year ending					
December 31, 2018(Forecast)	—	—	—	35.00	35.00

(Reference) Revision to dividend forecasts published most recently: None

Fiscal year ending December 31, 2018(Forecast) Ordinary dividend: 30.00 yen; Anniversary dividend: 5.00 yen

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2018

(% represents the change from the same period in the previous fiscal year)

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parent		Earnings Per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
For the year ending									
December 31, 2018	215,000	0.4	13,000	8.6	13,000	3.0	10,000	(1.0)	112.85

(Reference) Revision to financial forecasts published most recently: None

4. Other (For more details, please see “Other information” in page 8)

(1) Changes in significant subsidiaries during the year: None

Note: This section shows whether or not there is a change in Specified Subsidiaries (“*tokutei kogaisha*” in Japanese) that led to the change of the consolidation scope during the year.

(2) Application of special accounting method for preparing quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, procedures, estimates, retrospective restatements, etc.

(A) Changes due to revision of accounting standards: None

(B) Changes due to reasons other than (A): None

(C) Changes in accounting estimates: None

(D) Retrospective restatements: None

(4) Number of shares outstanding (common shares):

(A) Total stocks outstanding

including treasury stocks:

June. 30, 2018	99,616,944shares	Dec. 31, 2017	99,616,944 shares
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(B) Treasury stocks:

June. 30, 2018	10,956,549shares	Dec. 31, 2017	11,003,718 shares
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(C) Total stocks outstanding

excluding treasury stocks:

June. 30, 2018	88,660,395shares	Dec. 31, 2017	88,613,226 shares
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(D) Average outstanding stocks:

6 months ended June. 30, 2018	88,629,127shares	6 months ended June. 30, 2017	88,561,342 shares
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* This “Consolidated Summary Report” (“Tanshin”) is outside the scope of the external audit.

* Notes for using forecasted information etc.

(Caution regarding forward-looking statements)

This financial summary report contains forward-looking statements regarding estimations, forecasts, targets and plans in relation to the results of operations, financial conditions and other overall management of the company and/or the group as a whole (the “forward-looking statements”). The forward-looking statements are made based upon, among other things, the company’s current estimations, perceptions and evaluations. Accordingly, due to various risks and uncertainties, the statements and assumptions are inherently not guarantees of future performance, may be considered differently from alternative perspectives and may result in material differences from the actual result.

(Method for obtaining supplemental information for annual financial statements)

Supplementary information will be published on TD-net for viewing in Japan, and on Kagome’s Website.

5. Qualitative Information Regarding Financial Results for the First Six Months under Review

(1) Explanation of operating results

For the first six months under review (January 1, 2018 to June 30, 2018) on a consolidated basis, the Japanese economy remained on a moderate recovery track thanks to the economic measures implemented by the government and the Bank of Japan, while the employment and income situations continued to improve. The food industry faced an uncertain outlook due to concern over the direction of the global economy and the impact of fluctuations in financial markets, although personal consumption remained solid, reflecting progress in the diversification of values demanded by consumers such as faster and easier use, health, and eating alone.

Under these circumstances, the Company aimed to become a “strong company that can maintain sustainable growth by working on solving social issues through food” under the three-year mid-term management plan starting from the fiscal year ended December 2016. Specifically, the Company is working on the following four priority issues to further enhance the social and economic value of the Company: (1) increasing the value of existing businesses and categories; (2) creating new business models through innovation; (3) promoting globalization; and (4) improving productivity through work style reform.

Despite the sales growth of the mainstay beverage business and direct marketing sales in the domestic business, net sales decreased following the sale of shares of Preferred Brands International, Inc. (hereinafter PBI), a consolidated subsidiary of the Company, in the previous fiscal year, and the accompanying decline in sales of this company in the international business.

Operating income decreased with increases in advertising and logistics expenses, mainly in the domestic business, and following a further deterioration in the market for fresh tomatoes, which had already been struggling in the agriculture business, among other factors.

As a result, for the first six months under review on a consolidated basis, net sales decreased to 102,386 million yen, down 1.6% year on year, operating income decreased to 5,268 million yen, down 14.8% year on year, ordinary income declined to 5,417 million yen, down 18.7% year on year, and net income attributable to owners of parent fell 4,647 million yen, down 2.7% year on year.

The business results by segment are as outlined below.

(Million yen)

Name of segment	Net sales			Operating income		
	First six months of the previous fiscal year	First six months under review	Change	First six months of the previous fiscal year	First six months under review	Change
Beverages	42,823	43,388	565	3,002	2,400	(602)
Food, etc.	31,867	31,782	(84)	2,090	1,862	(227)
Processed food	74,690	75,171	481	5,092	4,262	(830)
Agriculture	6,149	6,344	195	293	16	(276)
Others	8,736	9,191	454	295	434	139
Adjustments	(8,175)	(8,591)	(416)	–	–	–
Domestic business in total	81,401	82,116	715	5,681	4,713	(967)
International business	24,279	23,137	(1,141)	502	555	52
Adjustments	(1,585)	(2,868)	(1,282)	–	–	–
Total	104,095	102,386	(1,708)	6,184	5,268	(915)

<Domestic Business>

Net sales of the domestic business increased to 82,116 million yen, up 0.9% year on year, and operating income decreased to 4,713 million yen, down 17.0% year on year. Net sales by business are as shown below.

① Processed food business

In the processed food business, the Company manufactures and sells beverages, condiments and other products.

Net sales of this business increased to 75,171 million yen, up 0.6% year on year, and operating income decreased to 4,262 million yen, down 16.3% year on year.

[Beverages: Yasai Seikatsu 100 series, tomato juice and others]

In the beverages category, the Company aims to increase the range of products meeting various health needs and suitable for various drinking scenarios and develop versatile and habitual drinking uses including increased functions under the catchphrase “To provide vegetables with ease and a delicious taste,” aiming to offer “Health Beverages for Life” that meet consumers’ expectations for good health.

The tomato juice has been sold as a food with functional claims with the indication “for people who care about blood cholesterol” since February 2016. And from January 2018, the indication “for people with elevated blood pressure” has been added. The tomato juice is sold as a food with two functional claims, and its sales have been strong.

As for the Yasai Seikatsu 100 series, a proposal for a “delicious taste stimulating a preference for vegetables” aimed at families through advertisements and campaigns led to the acquisition of new and repeat consumers of vegetable beverages and an increase in sales. In particular, the Yasai Seikatsu 100 Smoothie series successfully targeted women in their 20s to 40s as healthy beverages suitable for snacks that adequately satisfy the appetite, resulting in growth in beverage areas. Sales remained strong because more dedicated corners were established for the Smoothie in retail stores.

The Yasai Ichinichi Kore Ippon series achieved steady sales as consumption expanded, especially among seniors, given our efforts in stores to spotlight the improvement of lycopene absorption through simultaneous intake with olive oil.

Accordingly, net sales of the beverages category increased to 43,388 million yen, up 1.3% year on year, and operating income decreased to 2,400 million yen, down 20.1% year on year with increases in mainly advertising expenses.

[Food, etc.: tomato ketchup, condiment, sauces, beverages for direct marketing sales/gifts and others]

Sales of tomato ketchup remained steady. For home use, we stepped up the campaign for conveying the value of tomato ketchup and its promotion with the catchphrase “Control salt intake with tomatoes.” For business use, we focused on measures to stimulate demand with a dispenser designed primarily for buffets such as breakfast in hotels.

As for condiments made with tomatoes other than tomato ketchup, we focused on activities to contribute to the resolution of the problem of insufficient vegetable intake by promoting an increase in dishes using vegetables under the catchphrase “Eat more vegetables wisely with a delicious taste.” In particular, the intensified proposal in stores and through advertisements for tomato dishes cooked in 10 minutes using Basic Tomato Sauce attracted support mainly from housewives in their 30s and 40s, resulting in strong sales.

For other products designed as gifts, we focused on sales of products with unique values that only the Company can provide; specifically, health, delicious taste, compassion and exclusivity. In addition, products for direct marketing sales saw strong performance in sales of the core beverage Tsubuyori Yasai.

Thanks to these initiatives, sales of products of our own brands increased; however, due to the significant impacts of a decline in contracted products for business use, net sales in the category of food, etc. decreased to 31,782 million yen, down 0.3% year on year, and operating income decreased to 1,862 million yen, down 10.9% year on year.

② Agriculture business

In the agriculture business, the Company mainly sells fresh tomatoes, mesclun greens, packaged salads, etc.

Net sales of this business increased 3.2% year on year to 6,344 million yen with an operating income decreased to 16 million yen, down 94.4% year on year.

As for fresh tomatoes, our main business, we focused on sales of high value-added products containing abundant lycopene, β -carotene, GABA and other specific nutrition, while increased attention was given to functional vegetables. However, following a further deterioration in the market for fresh tomatoes, which had already been struggling, operating income decreased considerably despite the increased net sales.

In sales of mesclun greens, which we are cultivating as the new mainstay products after fresh tomatoes, Green Vege Bowl baby leaf mix and Green Vege Bowl baby leaf spinach distributed in the capital region around Tokyo, which can be eaten without washing, were popular due to that feature, resulting in increased sales.

③ Other businesses

Other businesses include transportation and warehousing, real estate leasing, contracted service businesses and others. Net sales increased to 9,191 million yen, up 5.2% year on year, and operating income increased to 434 million yen, up 47.0% year on year.

In addition, during the first six months under review on a consolidated basis, five food manufacturers including the Company concluded an agreement to establish an integrated logistics company in April 2019, the purpose of which is to further promote collaborative efforts among food manufacturers, targeting solutions to increasingly serious food logistics challenges such as the sharp rise in costs.

<International Business>

In the international business, we operate the business under a core management strategy according to which vertically integrated business should be established from the development of tomato seeds, firming, product development, processing and sales.

Net sales of the business decreased to 23,137 million yen, down 4.7% year on year, and operating income increased to 555 million yen, up 10.4% year on year.

In addition, due to the disposal by sales of the shares of PBI in November 2017, the net sales of PBI decreased. In comparison to the results, excluding those of PBI, for the first six months of the previous fiscal year on a consolidated basis, net sales increased 10.3% year on year and operating income decreased 5.6% year on year.

Net sales of the major subsidiaries denominated in local currencies are as outlined below.

KAGOME INC. (United States) posted lower income due to the temporary deterioration of production efficiency associated with the introduction of new production equipment, although sales increased following a change in the time of dealing with the Company during the previous consolidated fiscal year, and with steady sales to leading food service customers.

Sales of Holding da Industria Transformadora do Tomate, SGPS S.A. (Portugal) remained on a par with the previous year, although the company posted an operating loss due to the low market price for tomato paste. Kagome Australia Pty Ltd. (Australia) recorded increases in both income and profits due to strong sales to major customers and steady progress in business structure reform for the first six months under review on a consolidated basis after experiencing an operating loss year on year as a result of a significant fall in crop yields of tomatoes due to the record rainfalls during the harvest season on a consolidated basis.

In addition, Kagome Senegal Sarl (the Republic of Senegal), which was established as the base in the previous consolidated fiscal year for the development of the tomato business within the Economic Community of West African States (ECOWAS), where demand is increasing, commenced sales of processed tomatoes in the Republic of Senegal from the fiscal year under review.

(2) Explanation of the financial position

For the first six months under review on a consolidated basis, total assets decreased 7,555 million yen from the end of the previous fiscal year.

Current assets decreased 6,461 million yen from the end of the previous fiscal year.

This decrease was caused by decreases in cash and deposits of 4,465 million yen, mainly due to the repayment of short-term borrowings and reduced inventories (the total of merchandise and finished goods, work in process, and raw materials and supplies) of 3,870 million yen due to seasonal factors, respectively.

Fixed assets decreased 1,094 million yen from the end of the previous fiscal year.

Property, plant and equipment increased 147 million yen from the end of the previous fiscal year.

The main factors contributing to the increase included fixed investments amounting to 4,591 million yen such as the installation and renewal of the Company's new and existing production facilities.

Main factors that offset the increase were depreciation of 2,397 million yen, sales of real estate of 1,015 million yen.

Intangible assets increased 131 million yen from the end of the previous fiscal year. This increase is attributable to an

increase in software of 394 million yen due to additional acquisition and a decrease in goodwill of 255 million yen, mainly due to amortization.

Liabilities decreased 6,890 million yen from the end of the previous fiscal year.

This decrease was caused by decreases in interest-bearing debt (the total of short-term borrowings, current portion of long-term borrowings, long-term borrowings, etc.) of 7,631 million yen as well as income taxes payable of 1,537 million yen, despite increases in notes and accounts payable – trade of 2,306 million yen due to seasonal factors.

Net assets decreased 665 million yen from the end of the previous fiscal year. This decrease was attributable to a decline in accumulated other comprehensive income of 2,647 million yen, mainly due to the continuing strong yen and a fall in the market price of investment securities, although retained earnings increased by 1,978 million yen as a result of an increase of 4,647 million yen due to posting of profit attributable to shareholders of parent and a decrease of 2,668 million yen due to dividends of surplus.

As a result, the ratio of net assets attributable to KAGOME shareholders to total assets is 53.9%, and total net assets per common stock are 1,143.76 yen.

(Explanation of the consolidated cash flow position)

During the first six months under review on a consolidated basis, cash and cash equivalents decreased 4,440 million yen from the end of the previous fiscal year, to 17,109 million yen.

The position of each type of cash flow is as follows.

Net cash received from operating activities stood at 7,427 million yen (compared to net cash received of 12,941 million yen year on year). This was mainly attributable to decreases of 6,805 million yen in profit before income tax, 2,609 million yen in depreciation and 2,974 million yen in inventories, an increase of 2,241 million yen in notes and accounts payable – trade (titles for incoming cash up to here), and the cancelation of non-cash gains and losses such as gains and losses on sale of fixed assets, 1,444 million yen, included in profit before income tax, as well as an increase of 1,245 million yen in accounts receivables and the payment of 3,445 million yen for income taxes and others (titles for outgoing cash up to here)

Net cash used for investing activities stood at 2,607 million yen (compared to net cash used of 3,389 million yen year on year). This was mainly attributable to the payment of 5,125 million yen for the acquisition of fixed assets, which offset an income of 2,493 million yen due to the sale of fixed assets.

Net cash used for financing activities was 9,091 million yen (compared to net cash used of 24,498 million yen year on year). This was attributable to a decline of 6,509 million yen in borrowings, mainly due to repayments and the payment of dividends amounting to 2,649 million yen.

(3) Explanation of the consolidated forecasts and other forward-looking forecasted information

There is no change in the full-year forecast announced in the consolidated summary report for the year ended December 31, 2017 on February 1, 2018.

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1. Other Information

(1) Changes in Significant Subsidiaries

Not applicable.

(2) Application of special accounting method for preparing quarterly consolidated financial statements

Income taxes

Income taxes are calculated using the estimated annual effective tax rate including deferred tax assets and liabilities.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2017	As of June. 30, 2018	As of June. 30, 2018
Assets			
Current assets:			
Cash and deposits	¥ 22,150	¥ 17,684	\$ 160,764
Notes and accounts receivable	36,042	37,039	336,718
Merchandise and finished goods	21,143	20,206	183,691
Work in process	919	821	7,464
Raw material and supplies	19,636	16,801	152,736
Other current assets	10,127	10,992	99,927
Allowance for doubtful accounts	(351)	(339)	(3,082)
Total current assets	<u>109,667</u>	<u>103,206</u>	<u>938,236</u>
Fixed assets:			
Property, plant and equipment:			
Buildings and structures, net	18,824	18,541	168,555
Machinery, equipment and vehicles, net	17,821	17,907	162,791
Tools and furniture, net	942	958	8,709
Land	12,874	11,558	105,073
Lease assets, net	851	846	7,691
Construction in progress	1,935	3,584	32,582
Property, plant and equipment net	<u>53,250</u>	<u>53,397</u>	<u>485,427</u>
Intangible assets:			
Goodwill	503	247	2,245
Software	1,426	1,821	16,555
Other intangible assets	266	259	2,355
Total intangible assets	<u>2,196</u>	<u>2,328</u>	<u>21,164</u>
Investments and other assets:			
Investment securities	22,364	21,688	197,164
Other assets	8,339	7,633	69,391
Allowance for doubtful accounts	(82)	(73)	(664)
Total investments and other assets	<u>30,621</u>	<u>29,248</u>	<u>265,891</u>
Total fixed assets	<u>86,069</u>	<u>84,974</u>	<u>772,491</u>
Total assets	<u>¥ 195,737</u>	<u>¥ 188,181</u>	<u>\$ 1,710,736</u>

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 110 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2018.

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2017	As of June. 30, 2018	As of June. 30, 2018
Liabilities			
Current liabilities:			
Notes and accounts payable	¥ 16,554	¥ 18,861	\$ 171,464
Short-term borrowings	21,218	14,463	131,482
Current portion of long-term borrowings	1,447	756	6,873
Other payable	12,039	12,650	115,000
Income taxes payable	3,918	2,380	21,636
Accrued bonuses for employees	1,251	1,054	9,582
Accrued bonuses for directors	105	30	273
Other current liabilities	3,175	3,318	30,164
Total current liabilities	59,710	53,515	486,500
Long-term liabilities:			
Long-term borrowings	14,154	13,952	126,836
Provision for loss on guarantees	190	188	1,709
Net defined benefit liability	5,045	5,003	45,482
Other	10,782	10,332	93,927
Total long-term liabilities	30,173	29,477	267,973
Total liabilities	89,883	82,993	754,482
Net Assets			
Shareholder's equity:			
Common stock	19,985	19,985	181,682
Capital surplus	22,362	22,362	203,291
Retained earnings	74,303	76,282	693,473
Treasury stock	(26,985)	(26,860)	(244,182)
Total shareholder's equity	89,665	91,769	834,264
Accumulated other comprehensive income :			
Unrealized gain on available-for-sale securities	8,971	8,483	77,118
Deferred gains or losses on derivatives under hedge accounting	2,420	1,195	10,864
Foreign currency translation adjustments	1,754	768	6,982
Remeasurements of defined benefit plans	(864)	(811)	(7,373)
Total accumulated other comprehensive income	12,283	9,636	87,600
Subscription rights to shares	106	152	1,382
Non-controlling interests	3,798	3,630	33,000
Total net assets	105,853	105,188	956,255
Total liabilities and net assets	¥ 195,737	¥ 188,181	\$ 1,710,736

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 110 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2018.

(2) Consolidated Statements of Income and Comprehensive Income

	Millions of Yen		Thousands of U.S. dollars
	Six months ended June. 30, 2017	Six months ended June. 30, 2018	Six months ended June. 30, 2018
Net sales	¥ 104,095	¥ 102,386	\$ 930,782
Cost of sales	57,305	56,511	513,736
Gross profit	46,789	45,874	417,036
Selling, general and administrative expenses	40,604	40,605	369,136
Operating income	6,184	5,268	47,891
Other income			
Interest income	228	126	1,145
Dividend income	227	237	2,155
Share of profit of entities accounted for using equity method	13	25	227
Gain on valuation of derivatives	462	-	-
Other	171	226	2,055
Total other income	1,103	615	5,591
Other expenses			
Interest expenses	277	208	1,891
Foreign exchange losses	175	40	364
Loss on valuation of derivatives	-	31	282
Other	175	186	1,691
Total other expenses	628	466	4,236
Ordinary income	6,659	5,417	49,245
Extraordinary gain			
Gain on sales of fixed assets	316	1,480	13,455
Gain on sales of investment securities	31	-	-
Gain on transfer of business	330	-	-
Total extraordinary gain	678	1,480	13,455
Extraordinary loss			
Loss on disposal of fixed assets	25	35	318
Loss on sales of investment securities	-	56	509
Total extraordinary loss	25	92	836
Profit before income taxes	7,313	6,805	61,864
Income taxes			
Income taxes - current	2,522	2,049	18,627
Income taxes - deferred	(173)	37	336
Total income taxes	2,348	2,086	18,964
Net income	¥ 4,964	¥ 4,718	\$ 42,891
Profit attributable to Shareholders of parent	4,776	4,647	42,245
Profit attributable to non-controlling interests	188	71	645
Other comprehensive income			
Unrealized gain on available- for- sale securities	1,595	(488)	(4,436)
Deferred gains or losses on derivatives under hedge accounting	(1,385)	(1,225)	(11,136)
Foreign currency translation adjustments	(707)	(1,225)	(11,136)
Remeasurements of defined benefit plans	60	53	482
Share of other comprehensive income of an affiliate by the equity method	(2)	-	-
Total other comprehensive income	(438)	(2,886)	(26,236)
Comprehensive income	¥ 4,525	¥ 1,831	\$ 16,645
Comprehensive income attributable to Shareholders of parent	4,295	2,000	18,182
Comprehensive income attributable to non-controlling interests	229	(168)	(1,527)

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 110 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2018.

(3) Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. dollars
	Six months ended June. 30, 2017	Six months ended June. 30, 2018	Six months ended June. 30, 2018
Cash flows from operating activities:			
Profit before income taxes	¥ 7,313	¥ 6,805	\$ 61,864
Depreciation and amortization	2,995	2,609	23,718
Amortization of goodwill	384	229	2,082
Interest and dividend income	(455)	(363)	(3,300)
Interest expense	277	208	1,891
Increase (decrease) in accrued bonuses	(659)	(271)	(2,464)
Increase (decrease) in other provisions	39	(10)	(91)
Increase (decrease) in net defined benefit liability	(20)	37	336
Share of loss (profit) of entities accounted for using equity method	(13)	(1)	(9)
Loss (gain) on sales of investment securities	(31)	56	509
Loss (gain) on sales and disposal of fixed assets- net	(291)	(1,444)	(13,127)
Loss (gain) on transfer of business	(330)	-	-
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(3,081)	(1,245)	(11,318)
Decrease (increase) in inventories	4,092	2,974	27,036
Decrease (increase) in accounts receivable- other	(2,585)	(882)	(8,018)
Increase (decrease) in notes and accounts payable	5,049	2,241	20,373
Increase (decrease) in accounts payable- other	486	280	2,545
Proceeds from lease and guarantee deposits received	614	-	-
Decrease (increase) in other current assets	(510)	(693)	(6,300)
Increase (decrease) in other current liabilities	53	346	3,145
Other- Increase (decrease)- net	(15)	(141)	(1,282)
Subtotal	<u>13,309</u>	<u>10,736</u>	<u>97,600</u>
Cash received from interest and dividend income	435	333	3,027
Cash paid for interest expense	(269)	(197)	(1,791)
Income taxes paid	(534)	(3,445)	(31,318)
Net cash provided by (used in) operating activities	<u>12,941</u>	<u>7,427</u>	<u>67,518</u>
Cash flows from investing activities:			
Disbursement for time deposits	(35)	(11)	(100)
Proceeds from withdrawal of time deposits	10,195	10	91
Purchases of marketable and investment securities	(6)	(6)	(55)
Proceeds from sales and redemption of securities	48	16	145
Collection of loans receivable	31	31	282
Acquisition of fixed assets	(4,916)	(5,125)	(46,591)
Proceeds from sales of fixed assets	1,763	2,493	22,664
Proceeds from transfer of business	868	-	-
Payments for group reorganization	(4,274)	-	-
Purchase of shares of subsidiaries and associates	(48)	-	-
Purchase of shares and capital of subsidiaries resulting in change in scope of consolidation	(90)	-	-
Other- Increase (decrease)- net	(146)	(16)	(145)
Net cash provided by (used in) investing activities	<u>3,389</u>	<u>(2,607)</u>	<u>(23,700)</u>
Cash flows from financing activities:			
Increase (decrease) in short- term borrowings	(16,107)	(5,783)	(52,573)
Proceeds from long- term borrowings	7,195	7,481	68,009
Repayments of long- term borrowings	(13,388)	(8,206)	(74,600)
Repayments of finance lease obligations	(69)	(58)	(527)
Dividends paid	(2,160)	(2,649)	(24,082)
Dividends paid to non-controlling interests	(69)	-	-
Decrease (increase) in treasury shares	101	125	1,136
Net cash provided by (used in) financing activities	<u>(24,498)</u>	<u>(9,091)</u>	<u>(82,645)</u>
Foreign translation adjustment on cash and cash equivalents	222	(169)	(1,536)
Net increase (decrease) in cash and cash equivalents	<u>(7,945)</u>	<u>(4,440)</u>	<u>(40,364)</u>
Cash and cash equivalents at beginning of period	<u>28,313</u>	<u>21,550</u>	<u>195,909</u>
Increase in cash and cash equivalents from newly consolidated subsidiary	96	-	-
Cash and cash equivalents at end of period	<u>¥ 20,465</u>	<u>¥ 17,109</u>	<u>\$ 155,536</u>

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 110 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2018.