

Consolidated Summary Report <under IFRS>

For the six months ended June 30, 2019

August 6, 2019

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya
 Code number : 2811 URL <http://www.kagome.co.jp>
 Representative : Naoyuki Terada, Representative Director & President
 For inquiry : Takeshi Saeki, General Manager, Finance & Accounting Department

TEL +81-3-5623-8503

Quarterly securities report issuing date: August 14, 2019
 Supplemental information for financial statements: Available
 Schedule for "investor meeting presentation": Scheduled

Dividend payment date: -

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

1. Consolidated Financial Data for the six months ended June 30, 2019

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

	Revenue		Core Operating Income		Operating Income		Net Income Attributable to Shareholders of Parent		Comprehensive Income	
	million yen	%	million yen	%	million yen	%	million yen	%	million yen	%
Six months ended										
June 30, 2019	88,519	(2.0)	5,429	5.3	7,179	8.9	5,459	23.0	4,991	122.9
June 30, 2018	90,328	—	5,155	—	6,593	—	4,440	—	2,239	—

	Earnings Per Share		Diluted Earnings per Share	
	yen		yen	
Six months ended				
June 30, 2019	61.53		61.46	
June 30, 2018	50.10		50.06	

(Reference) Core Operating Income is the profit index which measures constant business performance by deducting cost of sales and selling, general and administrative expenses from revenue plus share of loss (profit) of entities accounted for using equity method.

(2) Financial Conditions

	Total Assets		Total Net Assets		Net Assets Attributable to KAGOME Shareholders		Net Assets Attributable to KAGOME Shareholders to Total Net Assets	
	million yen	%	million yen	%	million yen	%	%	
As of								
June 30, 2019	194,234		104,940		101,988		52.5	
December 31, 2018	199,826		103,363		100,261		50.2	

2. Dividends on Common Stock

	Dividends per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended					
December 31, 2018	—	—	—	40.00	40.00
December 31, 2019	—	—	—	—	—
Fiscal year ending					
December 31, 2019(Forecast)	—	—	—	35.00	35.00

(Reference) Correction from the dividend forecast, which is published in the most recent: None

(Reference) Fiscal year ended December 31, 2018: Ordinary dividend: 30.00yen; Anniversary dividend: 10.00yen

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2019

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

	Revenue		Core Operating Income		Operating 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, 2019	189,000	2.4	12,600	1.6	13,600	11.2	9,500	5.6	107.10

(Reference) Correction from the consolidated forecast, which is published in the most recent: None

	Revenue		Core Operating Income		Operating Income		Net Income Attributable to Shareholders of Parent		Earnings Per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
For the year ended									
December 31, 2018	184,595	—	12,400	—	12,228	—	8,998	—	101.50

(Reference) This is actual result of fiscal year ended December 31, 2018 under IFRS.

4. Other

(1) Changes in significant subsidiaries during the year: Yes

New companies: None Excluded companies: 1 (Kagome Distribution Service Co., Ltd)

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.

The Company and four other food manufacturers established an integrated physical distribution company on April 1st 2019.

In this process, Kagome Distribution Service Co., Ltd has been no longer one of our consolidated subsidiaries because of the merger that defines AJINOMOTO Logistics Co., LTD as merging company.

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

(A) Changes due to applying IFRS: None

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

(C) Changes in accounting estimates: None

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

(A) Total stocks outstanding

including treasury stocks:

Jun. 30, 2019	99,616,944 shares	Dec. 31, 2018	99,616,944 shares
Jun. 30, 2019	10,841,108 shares	Dec. 31, 2018	10,910,869 shares
Jun. 30, 2019	88,775,836 shares	Dec. 31, 2018	88,706,075 shares
6 months ended Jun. 30, 2019	88,737,752 shares	6 months ended Jun.30, 2018	88,629,127 shares

(B) Treasury stocks:

(C) Total stocks outstanding

excluding treasury stocks:

(D) Average outstanding stocks:

At the board meeting which was held at August 6th, 2019, the Company decided cancellation of 5,250,000 shares that is expected at August 30th, 2019 based on article 178 of the Companies Act.

* This “Consolidated Summary Report” (“Tanshin”) is outside the scope of the external audit.

* Notes for using forecasted information etc.

(Applying IFRS)

Our group has applied IFRS from the first quarter of fiscal year ending December 31, 2019. Therefore, numerical values of previous fiscal year in this financial summary report are based upon IFRS as a whole.

(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 financial statements)

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

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

The Group adopted IFRS from the first three months under review on a consolidated basis, and makes comparative analysis with numerical values for the first six months of the previous fiscal year and the previous consolidated fiscal year by changing them to IFRS.

(1) Explanation of operating results

The Company aims to become a “strong company that can maintain sustainable growth by resolving social issues through food” under the three-year mid-term management plan starting from the fiscal year ending December 2019. The Company makes efforts to further enhance its corporate value by working on the basic strategies in the mid-term management plan, namely (1) continuous enhancement of earnings power and (2) growth by tackling new businesses and new domains.

For the first six months under review (January 1, 2019 to June 30, 2019) on a consolidated basis, revenue* declined year on year particularly in the agriculture business. Meanwhile, core operating income* increased, mainly due to the efficient allocation of advertising expenses in the domestic business. The Company also posted a 1,692 million yen gain on transfer of business as other income when Kagome Distribution Service Co., Ltd., a physical distribution subsidiary, was integrated with a new physical distribution company, F-LINE Corporation.

As a result, for the first six months under review on a consolidated basis, revenue decreased to 88,519 million yen, down 2.0% year on year, core operating income increased to 5,429 million yen, up 5.3% year on year, operating income rose to 7,179 million yen, up 8.9% year on year, and net income attributable to shareholders of parent increased to 5,459 million yen, up 23.0% year on year.

* Revenue is presented by directly deducting sales rebates, which were presented in selling, general and administrative expenses in the past. Core Operating Income is the profit index which measures recurring business performance by deducting cost of sales and selling, general and administrative expenses from revenue plus share of profit (loss) of entities accounted for using the equity method.

The business results by segment are as outlined below.

(Million yen)

Name of segment	Revenue			Core operating income (loss)		
	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	35,446	35,267	(179)	2,201	2,573	371
Food, etc.	27,891	27,646	(245)	1,807	2,091	283
Processed food in total	63,337	62,913	(424)	4,009	4,664	655
Agriculture	6,195	5,170	(1,024)	54	0	(53)
Others	8,252	3,505	(4,746)	344	170	(174)
Elimination adjustments (Note 1)	(7,652)	(2,884)	4,768	–	–	–
Domestic business in total	70,132	68,706	(1,426)	4,408	4,835	427
International business	23,063	23,122	58	747	593	(153)
Elimination adjustments (Note 2)	(2,868)	(3,308)	(440)	–	–	–
Total	90,328	88,519	(1,808)	5,155	5,429	273

(Notes) 1. Revenue between segments within the domestic business is eliminated.

2. Revenue between the domestic business and the international business is eliminated.

<Domestic Business>

Revenue of the domestic business decreased to 68,706 million yen, down 2.0% year on year, and core operating income increased to 4,835 million yen, up 9.7% year on year. Operating performance by business is as shown below.

(1) Processed food business

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

Revenue of this business decreased to 62,913 million yen, down 0.7% year on year, and core operating income rose to 4,664 million yen, up 16.3% year on year.

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

The Yasai Seikatsu 100 series posted revenue on par with a year-ago level due to the launch of new products with clear targets, such as Yasai Seikatsu 100 Apple Salad, amid the intensified competition in the category of healthy beverages.

As for the tomato juice, sales remained firm thanks to progress in the trend of making it a habitual drink with functional claims as a clear reason for drinking it.

As a result, revenue of the beverages category decreased to 35,267 million yen, down 0.5% year on year, but core operating income increased to 2,573 million yen, up 16.9% year on year, due to activities to reduce costs and the efficient allocation of advertising expenses.

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

Tomato ketchup showed steady sales as we conducted integrated promotion activities beyond the categories of consumer use and institutional and industrial use, such as the Omelet rice Stadium held in May 2019.

In the category of institutional and industrial use, sales of products for home-meal replacements for volume retailers increased, but sales of products produced under contracts for convenience stores decreased.

In products for direct marketing sales, both potage by which the taste of vegetables is savored as well as supplements as foods with function claims have seen strong performance, in addition to sales of the core beverage Tsubuyori Yasai.

Accordingly, revenue in the category of food, etc. decreased to 27,646 million yen, down 0.9% year on year. Core operating income rose to 2,091 million yen, up 15.7% year on year.

(2) Agriculture business

In the agriculture business, the Company mainly produces and sells fresh tomatoes, mesclun greens, etc.

In the first three months, losses expanded because the supply volume of fresh tomatoes declined more than expected due to lack of sunshine. In the first six months, however, income increased because we were able to address this situation by decreasing the supply volume in a planned manner under the market condition that fresh tomatoes were sluggish at a record low level in May and June.

As a result, revenue of this business decreased to 5,170 million yen, down 16.5% year on year, and the core operating income was 0 million yen, down 99.3% year on year.

(3) Other businesses

Other businesses include transportation and warehousing (*), real estate leasing, contracted service businesses and others.

Revenue declined to 3,505 million yen, down 57.5% year on year, and the core operating income was 170 million yen, down 50.5% year on year.

* In April 2019, the Company and four other food manufacturers established an integrated physical distribution company for the purpose of promoting collaborative initiatives among food manufacturers toward the resolution of worsening problems with the physical distribution of food, including a sharp rise in logistics expenses.

Because Kagome Distribution Service Co., Ltd., a physical distribution subsidiary, was integrated with F-LINE Corporation, associated with this reorganization of the distribution business, Kagome Distribution Service Co., Ltd. was excluded from the scope of consolidation. Therefore, the results of Kagome Distribution Service Co., Ltd. for three months from January 2019 to March 2019 were consolidated in the first six months of fiscal 2019.

<International Business>

Our international business encompasses the development of tomato seeds, firming, product development, processing and sales.

The operating performance of the major subsidiaries in local currencies is as outlined below.

KAGOME INC. (United States) saw growth in sales but a decline in income due to a rise in personnel expenses, although sales of tomato paste and other products to the Group increased. Holding da Industria Transformadora do Tomate, SGPS S.A. (Portugal) enjoyed a rise in sales and income as the company strengthened profitability management by customer. Kagome Australia Pty Ltd. (Australia) saw growth in both sales and income because the company improved its business structure to able to stably generate general income as a result of progress in income structural reforms. United Genetics Holdings LLC (United States) posted higher sales and income thanks to the operation of new facilities to raise seedlings.

Accordingly, revenue of this business rose to 23,122 million yen, up 0.3% year on year, and core operating income fell to 593 million yen, down 20.5% year on year.

(2) Explanation of the financial position

For the second quarter under review on a consolidated basis, total assets decreased by 5,592 million yen from the end of the previous fiscal year.

Current assets decreased by 10,942 million yen from the end of the previous fiscal year.

This decrease was caused by decreases in cash and cash equivalents of 8,764 million yen mainly due to the payment of dividends and income taxes and the repayment of interest-bearing debt, in inventories of 1,799 million yen due to seasonal factors and in assets held for sale associated with the reorganization of the distribution business, although trade and other receivables increased 1,786 million yen due to seasonal factors.

Non-current assets increased by 5,349 million yen from the end of the previous fiscal year.

This was mainly due to an increase in investments accounted for using the equity method of 3,980 million yen, primarily as a result of acquiring shares of subsidiaries and associates along with the reorganization of the distribution business and an increase in property, plant and equipment of 846 million yen because of the new construction and renewal of production equipment.

Liabilities declined by 7,168 million yen from the end of the previous fiscal year.

This decline was caused by decreases in borrowings and long-term borrowings of 6,555 million yen due to repayments, in income taxes payable of 1,726 million yen as a result of payments and in liabilities related to assets held for sale of 1,617 million yen associated with the reorganization of the distribution business, although trade and other payables increased 2,620 million yen due to seasonal factors.

Equity increased by 1,576 million yen from the end of the previous fiscal year. This increase was attributable to a rise of 1,933 million yen in retained earnings as a result of an increase of 5,459 million yen due to net income attributable to shareholders of parent and a decrease of 3,558 million yen due to dividends of surplus.

As a result, the ratio of equity attributable to shareholders of the parent was 52.5%, and equity attributable to shareholders of the parent per share was 1,148.83 yen.

(Qualitative information regarding the state of consolidated cash flow)

Cash and cash equivalents for the first six months under review on a consolidated basis were 20,643 million yen, with a decrease of 8,764 million yen from the end of the previous fiscal year.

The state of each cash flow is as explained below.

Cash flow from operating activities resulted in net cash of 6,764 million yen provided by operating activities (net cash of 7,622 million yen provided by operating activities a year earlier). The main factors were profit before income taxes of 7,179 million yen, and depreciation and amortization of 3,045 million yen (net cash provided by operating activities), as well as cash used in the payment of income taxes of 2,898 million yen (net cash used in operating activities).

Cash flow from investing activities resulted in net cash of 6,023 million yen used in investing activities (net cash of 2,607 million yen used in investing activities a year earlier). The main factor was cash used in the acquisition of property, plant and equipment and intangible assets (including investment real estate) of 6,316 million yen.

Cash flow from financing activities resulted in net cash of 9,405 million yen used in financing activities (net cash of 9,284 million yen used in financing activities a year earlier). The main factors were cash used in the repayment of borrowings (5,779 million yen) and the payment of dividends (3,533 million yen).

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

No revision is made to the forecasted information for the full year of the current consolidated fiscal year announced on January 31, 2019.

Contents of Appendix

- 1. Consolidated Financial Statements
 - (1) Consolidated Balance Sheets..... 8
 - (2) Consolidated Statements of Income..... 9
 - (3) Consolidated Statements of Comprehensive Income 11
 - (4) Consolidated Statements of Changes in Net Assets 13
 - (5) Consolidated Statements of Cash Flows..... 14

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of Yen			Thousands of U.S. dollars
	As of Jan. 1, 2018	As of Dec. 31, 2018	As of Jun. 30, 2019	As of Jun. 30, 2019
Assets				
Current assets:				
Cash and cash equivalents	¥ 21,550	¥ 29,408	¥ 20,643	\$ 192,925
Trade and other receivables	40,524	41,329	43,115	402,944
Inventories	42,263	42,007	40,207	375,766
Income taxes receivable	288	572	-	-
Other financial assets	3,168	674	483	4,514
Other current assets	2,065	2,339	2,206	20,617
Assets held for sale	-	1,266	-	-
Total current assets	109,861	117,598	106,656	996,785
Non-current assets:				
Property, plant and equipment	49,596	53,541	54,388	508,299
Intangible assets	2,188	2,597	3,054	28,542
Other financial assets	26,517	13,291	13,503	126,196
Investments accounted for using the equity method	4,231	4,142	8,123	75,916
Other non-current assets	7,663	6,422	6,371	59,542
Deferred tax assets	231	2,232	2,136	19,963
Total non-current assets	90,428	82,227	87,577	818,477
Total assets	¥ 200,290	¥ 199,826	¥ 194,234	\$ 1,815,271
Liabilities				
Current liabilities:				
Trade and other payables	¥ 31,353	¥ 31,725	¥ 34,345	\$ 320,981
Borrowings	22,665	24,026	18,300	171,028
Income taxes payable	3,916	3,616	1,889	17,654
Other financial liabilities	89	91	103	963
Other current liabilities	7,080	7,114	7,362	68,804
Liabilities related to assets held for sale	-	1,617	-	-
Total current liabilities	65,105	68,191	62,002	579,458
Non-current liabilities:				
Long-term debt	14,154	12,910	12,080	112,897
Other financial liabilities	4,703	4,315	4,229	39,523
Retirement benefit liability	5,045	5,291	5,261	49,168
Provisions	1,683	1,340	1,412	13,196
Other non-current liabilities	741	1,051	1,073	10,028
Deferred tax liabilities	5,043	3,360	3,232	30,206
Total non-current liabilities	31,371	28,271	27,291	255,056
Net Assets:				
Share capital	19,985	19,985	19,985	186,776
Capital surplus	22,467	22,563	22,611	211,318
Treasury shares	(26,985)	(26,739)	(26,553)	(248,159)
Other components of equity	11,892	2,693	2,251	21,037
Retained earnings	72,530	81,759	83,692	782,168
Equity attributable to owners of parent	99,889	100,261	101,988	953,159
Non-controlling interests	3,923	3,102	2,952	27,589
Total net assets	103,813	103,363	104,940	980,748
Total liabilities and net assets	¥ 200,290	¥ 199,826	¥ 194,234	\$ 1,815,271

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 107 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2019.

(2) Consolidated Statements of Income (6 months)

	Millions of Yen		Thousands of
	Six months ended Jun. 30, 2018	Six months ended Jun. 30, 2019	U.S. dollars Six months ended Jun. 30, 2019
Revenue	¥ 90,328	¥ 88,519	\$ 827,280
Cost of sales	58,331	57,208	534,654
Gross profit	31,996	31,310	292,617
Selling, general and administrative expenses	26,906	25,931	242,346
Equity gains of affiliated companies	66	49	458
Core Operating income	5,155	5,429	50,738
Other income	1,689	1,864	17,421
Other expenses	251	113	1,056
Operating income	6,593	7,179	67,093
Finance income	366	312	2,916
Finance costs	307	311	2,907
Profit before income taxes	6,652	7,179	67,093
Income taxes	2,050	1,718	16,056
Net income	4,601	5,461	51,037
Net income attributable to:			
Owners of parent	4,440	5,459	51,019
Non-controlling interests	161	2	19
Total	¥ 4,601	¥ 5,461	\$ 51,037
Amounts per share of common stock:			
Net income	¥ 50.10	¥ 61.53	\$ 575
Diluted net income	¥ 50.06	¥ 61.46	\$ 574

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 107 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2019.

(2) Consolidated Statements of Income (3 months)

	Millions of Yen		Thousands of U.S. dollars
	Three months ended Jun. 30, 2018	Three months ended Jun. 30, 2019	Three months ended Jun. 30, 2019
Revenue	¥ 48,712	¥ 48,698	\$ 455,121
Cost of sales	31,269	31,180	291,402
Gross profit	17,443	17,517	163,710
Selling, general and administrative expenses	14,197	13,742	128,430
Equity gains of affiliated companies	59	59	551
Core Operating income	3,305	3,833	35,822
Other income	893	1,765	16,495
Other expenses	132	58	542
Operating income	4,065	5,540	51,776
Finance income	122	130	1,215
Finance costs	74	154	1,439
Profit before income taxes	4,112	5,516	51,551
Income taxes	1,273	1,166	10,897
Net income	2,839	4,350	40,654
Net income attributable to:			
Owners of parent	2,675	4,325	40,421
Non-controlling interests	163	25	234
Total	¥ 2,839	¥ 4,350	\$ 40,654
Amounts per share of common stock:			
Net income	¥ 30.19	¥ 48.73	\$ 455
Diluted net income	¥ 30.16	¥ 48.68	\$ 455

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 107 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2019.

(3) Consolidated Statements of Comprehensive Income (6 months)

	Millions of Yen		Thousands of U.S. dollars
	Six months ended Jun. 30, 2018	Six months ended Jun. 30, 2019	Six months ended Jun. 30, 2019
Net income	¥ 4,601	¥ 5,461	\$ 51,037
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	-	-	-
Financial assets measured at fair value through other comprehensive income	(543)	587	5,486
Share of other comprehensive income of investments accounted for using equity method, net of tax	-	-	-
Total	<u>(543)</u>	<u>587</u>	<u>5,486</u>
Items that may be reclassified subsequently to profit or loss			
Effective portion of cash flow hedges	(492)	(726)	(6,785)
Cash flow hedges costs	(81)	598	5,589
Exchange differences on translation of foreign operations	(1,244)	(928)	(8,673)
Share of other comprehensive income of investments accounted for using equity method, net of tax	-	(0)	(0)
Total	<u>(1,818)</u>	<u>(1,057)</u>	<u>(9,879)</u>
Other comprehensive income	<u>(2,362)</u>	<u>(470)</u>	<u>(4,393)</u>
Comprehensive income	<u>2,239</u>	<u>4,991</u>	<u>46,645</u>
Comprehensive income attributable to:			
Owners of parent	2,326	5,141	48,047
Non-controlling interests	<u>(87)</u>	<u>(150)</u>	<u>(1,402)</u>
Total	<u>¥ 2,239</u>	<u>¥ 4,991</u>	<u>\$ 46,645</u>

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 107 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2019.

(3) Consolidated Statements of Comprehensive Income (3 months)

	Millions of Yen		Thousands of
	Three months ended Jun. 30, 2018	Three months ended Jun. 30, 2019	U.S. dollars
Net income	¥ 2,839	¥ 4,350	\$ 40,654
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans	-	-	-
Financial assets measured at fair value through other comprehensive income	410	(428)	(4,000)
Share of other comprehensive income of investments accounted for using equity method, net of tax	-	-	-
Total	<u>410</u>	<u>(428)</u>	<u>(4,000)</u>
Items that may be reclassified subsequently to profit or loss			
Effective portion of cash flow hedges	542	(750)	(7,009)
Cash flow hedges costs	(105)	323	3,019
Exchange differences on translation of foreign operations	310	(808)	(7,551)
Share of other comprehensive income of investments accounted for using equity method, net of tax	-	(0)	(0)
Total	<u>748</u>	<u>(1,237)</u>	<u>(11,561)</u>
Other comprehensive income	<u>1,159</u>	<u>(1,665)</u>	<u>(15,561)</u>
Comprehensive income	<u>3,998</u>	<u>2,684</u>	<u>25,084</u>
Comprehensive income attributable to:			
Owners of parent	3,918	2,763	25,822
Non-controlling interests	<u>80</u>	<u>(79)</u>	<u>(738)</u>
Total	<u>¥ 3,998</u>	<u>¥ 2,684</u>	<u>\$ 25,084</u>

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 107 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2019.

(4) Consolidated Statements of Changes in Net Assets

Millions of Yen

	Interests attributable to shareholders of parent											Non-controlling interests	Total Net Assets	
	Common stock	Capital surplus	Treasury stock	Other components of equity					Retained earnings	Total				
				Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedges	Cash flow hedges costs	Exchange differences on translation of foreign operations			Total			
Balance, January 1, 2018	¥ 19,985	¥ 22,467	¥ (26,985)		¥ 9,499	¥ 2,201	¥ 191			¥ 11,892	¥ 72,530	¥ 99,889	¥ 3,923	¥ 103,813
Net income											4,440	4,440	161	4,601
Other comprehensive income					(543)	(492)	(81)	(995)		(2,113)		(2,113)	(249)	(2,362)
Comprehensive income					(543)	(492)	(81)	(995)		(2,113)	4,440	2,326	(87)	2,239
Transfer to non-financial assets						(608)				(608)		(608)		(608)
Repurchase of treasury stock			(0)									(0)		(0)
Disposal of treasury stock			126									126		126
Cash dividends											(2,668)	(2,668)		(2,668)
Transactions with non-controlling shareholders													0	0
Share-based compensation		47										47		47
Transfer to retained earnings					62				62		(62)			
Other increases or decreases														
Total transactions with shareholders		47	125		62				62		(2,731)	(2,496)	0	(2,496)
Balance, June 30, 2018	¥ 19,985	¥ 22,514	¥ (26,860)		¥ 9,018	¥ 1,100	¥ 109	¥ (995)	¥ 9,233	¥ 74,239	¥ 99,112	¥ 3,836	¥ 102,948	

Balance, January 1, 2019	¥ 19,985	¥ 22,563	¥ (26,739)		¥ 3,381	¥ 527	¥ (73)	¥ (1,141)	¥ 2,693	¥ 81,759	¥ 100,261	¥ 3,102	¥ 103,363
Net income										5,459	5,459	2	5,461
Other comprehensive income					587	(726)	598	(777)	(317)		(317)	(152)	(470)
Comprehensive income					587	(726)	598	(777)	(317)	5,459	5,141	(150)	4,991
Transfer to non-financial assets						(91)			(91)		(91)		(91)
Repurchase of treasury stock			(2)									(2)	(2)
Disposal of treasury stock		(0)	187									187	187
Cash dividends										(3,558)	(3,558)		(3,558)
Transactions with non-controlling shareholders													
Share-based compensation		48									48		48
Transfer to retained earnings					(32)				(32)	32			
Other increases or decreases													
Total transactions with shareholders		48	185		(32)				(32)	(3,526)	(3,324)		(3,324)
Balance, June 30, 2019	¥ 19,985	¥ 22,611	¥ (26,553)		¥ 3,937	¥ (290)	¥ 524	¥ (1,919)	¥ 2,251	¥ 83,692	¥ 101,988	¥ 2,952	¥ 104,940

Thousands of U.S. Dollars

	Interests attributable to shareholders of parent											Non-controlling interests	Total Net Assets
	Common stock	Capital surplus	Treasury stock	Other components of equity					Retained earnings	Total			
				Remeasurements of defined benefit plans	Financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedges	Cash flow hedges costs	Exchange differences on translation of foreign operations			Total		
Balance, January 1, 2019	\$ 186,776	\$ 210,869	\$ (249,897)		\$ 31,598	\$ 4,925	\$ (682)	\$ (10,664)	\$ 25,168	\$ 764,103	\$ 937,019	\$ 28,991	\$ 966,009
Net income										51,019	51,019	19	51,037
Other comprehensive income					5,486	(6,785)	5,589	(7,262)	(2,963)		(2,963)	(1,421)	(4,393)
Comprehensive income					5,486	(6,785)	5,589	(7,262)	(2,963)	51,019	48,047	(1,402)	46,645
Transfer to non-financial assets						(850)			(850)		(850)		(850)
Repurchase of treasury stock			(19)									(19)	(19)
Disposal of treasury stock		(0)	1,748									1,748	1,748
Cash dividends										(33,252)	(33,252)		(33,252)
Transactions with non-controlling shareholders													
Share-based compensation		449									449		449
Transfer to retained earnings					(299)				(299)	299			
Other increases or decreases													
Total transactions with shareholders		449	1,729		(299)				(299)	(32,953)	(31,065)		(31,065)
Balance, June 30, 2019	\$ 186,776	\$ 211,318	\$ (248,159)		\$ 36,794	\$ (2,710)	\$ 4,897	\$ (17,935)	\$ 21,037	\$ 782,168	\$ 953,159	\$ 27,589	\$ 980,748

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 107yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2019.

(5) Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. dollars
	Six months ended Jun. 30, 2018	Six months ended Jun. 30, 2019	Six months ended Jun. 30, 2019
Cash flows from operating activities:			
Profit before income taxes	¥ 6,652	¥ 7,179	\$ 67,093
Depreciation and amortization	2,848	3,045	28,458
Gain on business transfer	-	(1,692)	(15,813)
Interest and dividend income	(363)	(304)	(2,841)
Interest expenses	208	224	2,093
Share of (profit) loss of investments accounted for using the equity method	(42)	(49)	(458)
(Gains) losses on sale and retirement of property, plant and equipment, and intangible assets	(1,423)	30	280
(Increase) decrease in trade and other receivables	(1,839)	(2,257)	(21,093)
(Increase) decrease in inventories	3,054	1,177	11,000
Increase (decrease) in trade and other payables	2,945	2,015	18,832
Other	(866)	150	1,402
Subtotal	11,173	9,520	88,972
Interest and dividends received	333	366	3,421
Interest paid	(197)	(224)	(2,093)
Income taxes paid	(3,687)	(2,898)	(27,084)
Cash flows from operating activities	7,622	6,764	63,215
Cash flows from investing activities:			
Purchase of property, plant and equipment, and intangible assets, including investment property	(5,125)	(6,316)	(59,028)
Proceeds from sales of property, plant and equipment, including investment property	2,493	31	290
Purchase of other financial assets	(14)	(15)	(140)
Gain on available-for-sale financial assets	67	281	2,626
Other	(28)	(3)	(28)
Cash flows from investing activities	(2,607)	(6,023)	(56,290)
Cash flows from financing activities:			
Net increase (decrease) in short-term borrowings	(5,783)	(5,068)	(47,364)
Proceeds from long-term borrowings	7,481	544	5,084
Repayments of long-term borrowings	(8,206)	(1,255)	(11,729)
Repayments of lease obligations	(248)	(277)	(2,589)
Dividends paid	(2,649)	(3,533)	(33,019)
Other	122	185	1,729
Cash flows from financing activities	(9,284)	(9,405)	(87,897)
Net increase (decrease) in cash and cash equivalents	(4,270)	(8,664)	(80,972)
Cash and cash equivalents at beginning of period	21,550	29,408	274,841
Net increase (decrease) in cash and cash equivalents due to transfer to assets held for sale	(1,139)	-	-
Foreign translation adjustment on cash and cash equivalents	(169)	(100)	(935)
Cash and cash equivalents at end of period	¥ 15,970	¥ 20,643	\$ 192,925

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 107 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2019.