kikkoman
seasoning your life

Kikkoman Group Corporate Report 2019

Financial Section

Note: Fiscal years in this report are April to March.
Example: FY2019 = April 2018–March 2019

Management's Discussion and Analysis

OPERATING RESULTS

In FY2019, ended March 31, 2019, the Kikkoman Group's domestic sales rose year on year thanks to strong sales of beverages and higher sales of food products, despite declines in sales of soy sauce and liquor and wine. Overseas sales also increased year on year, supported by growth in soy sauce sales in North America, Europe, and Asia/Oceania and a strong performance by the Foods—Wholesale segment.

As a result, on a consolidated basis, net sales increased 5.3% year on year to ¥453,565 million, operating profit rose 5.2% to ¥38,417 million, and profit attributable to owners of parent increased 9.0% to ¥25,992 million.

Net Sales

Millions of yen

	2019	2018	Change	
Domestic Foods—Manufacturing and Sales	¥174,654	¥172,437	¥ 2,217	1.3%
Domestic Others	21,427	21,149	277	1.3%
Overseas Foods—Manufacturing and Sales	93,510	89,453	4,056	4.5%
Overseas Foods—Wholesale	192,109	174,457	17,651	10.1%
Adjustments	(28,136)	(26,895)	(1,240)	—
Consolidated	¥453,565	¥430,602	¥22,962	5.3%

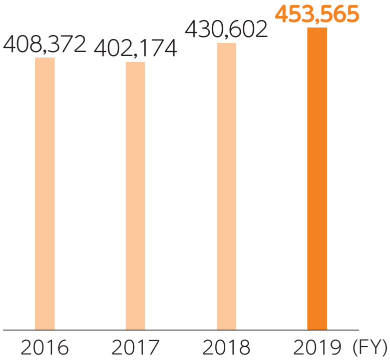
Operating Profit

Millions of yen

	2019	2018	Change	
Domestic Foods—Manufacturing and Sales	¥10,597	¥10,385	¥ 211	2.0%
Domestic Others	1,773	1,465	308	21.0%
Overseas Foods—Manufacturing and Sales	18,745	17,791	953	5.4%
Overseas Foods—Wholesale	8,597	8,166	431	5.3%
Adjustments	(1,296)	(1,307)	11	—
Consolidated	¥38,417	¥36,502	¥1,915	5.2%

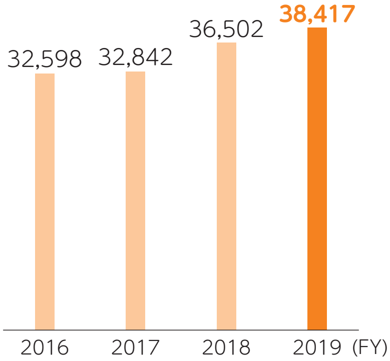
Net Sales

(Millions of yen)



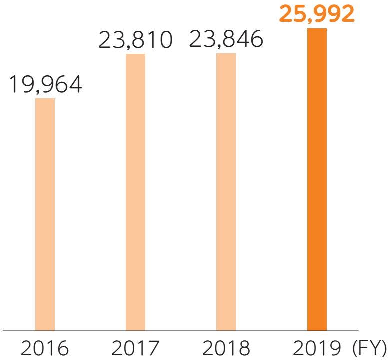
Operating Profit

(Millions of yen)



Profit Attributable to Owners of Parent

(Millions of yen)



SEGMENT INFORMATION

DOMESTIC

Foods—Manufacturing and Sales

Sales in this segment rose 1.3% to ¥174,654 million and operating profit increased 2.0% to ¥10,597 million, with sales and profits both rising year on year.

Soy Sauce Division

In soy sauce for the home-use sector, sales of the *Itsudemo Shinsen* series of fresh raw soy sauce continued to rise steadily, reflecting growing recognition in the market of the product's added value, such as the flavor of raw soy sauce and the easy-to-use bottles that keep the contents fresh. Thorough marketing efforts such as TV advertising contributed to sales growth. Meanwhile, sales of products in conventional plastic bottles such as *Koikuchi* Soy Sauce fell year on year. In the industrial-use and food service-use sectors, sales fell year on year. As a result, sales in the Soy Sauce Division declined compared with the previous fiscal year.

Food Products Division

Among *tsuyu* (soy sauce soup base) products in the home-use sector, the *Gumen* series, a straight type that does not need to be diluted, sold well. Sales of condensed *tsuyu* products rose year on year, with sales of *Koidashi Hon Tsuyu* growing strongly. In *tare* (dipping and marinade sauces), sales of the mainstay *Wagaya wa Yakinikuyasan* series were strong, and sales of newly launched *Cho Shogayaki no Tare* and products for industrial-use and food service-use also increased. As a result, overall *tare* sales rose from a year earlier.

Sales of the *Uchi no Gohan* series (handy Japanese-style seasoning mixes) declined from a year earlier. Sales of Del Monte seasonings rose from a year ago due to strong sales of high value-added products such as the *Lycopene-Rich* series. Total sales in the Food Products Division rose from the previous fiscal year.

Beverages Division

In soy milk beverages, amid rising interest in healthy lifestyles, sales of foods for specified health uses (FOSHU products), flavored soy milk such as mint chocolate and plain soy milk increased. A growing number of consumers are using soy milk as a cooking ingredient, as well as a beverage, supporting higher sales of soy milk beverages year on year.

In Del Monte beverages, sales increased year on year due to strong sales of unsalted tomato juice, unsalted vegetable juice, and *Lycopene-Rich* tomato beverages. As a result, sales in the Beverages Division increased compared with the previous fiscal year.

Liquor and Wine Division

Sales of *Hon Mirin* declined year on year. In the home-use sector, although *Noko Jukusei Hon Mirin*

Domestic

Foods—Manufacturing and Sales

This business segment manufactures and sells the products listed below in the domestic market.

Division	Main Products
Soy Sauce Division	• Soy sauce
Food Products Division	• *Tsuyu* (soy sauce soup base) • *Tare* (dipping and marinade sauces) • Handy seasoning mixes • Del Monte seasonings
Beverages Division	• Soy milk beverages • Del Monte beverages
Liquor and Wine Division	• *Mirin* (sweet *sake* for cooking) • Wines

Others

This business segment covers the production and sale of clinical diagnostic reagents, hygiene inspection agents, processing enzymes and chemical products such as hyaluronic acid, as well as real estate rental, logistics and back-office support for the Kikkoman Group, and other businesses.

Overseas

Foods—Manufacturing and Sales

This business segment manufactures and sells the products listed below in overseas markets.

Division	Main Products	Main Region
Soy Sauce Division	• Soy sauce • *Teriyaki* sauce	North America, Europe, Asia/Oceania
Del Monte Division	• Canned fruits • Canned corn • Tomato ketchup	Asia/Oceania (Excluding the Philippines)
Other Foods Division	• Health foods	North America

Foods—Wholesale

This business segment purchases and sells oriental food products in Japan and overseas.

was launched and sales of high value-added products such as *Komekoji Kodawari-jikomi Hon Mirin* (premium sweet *sake* for cooking) were strong, sales of *Houjun Hon Mirin* were weak. In the industrial-use sector, products in large containers decreased. Sales of wines declined year on year as Kikkoman Food Products Co. ended selling imported wines. As a result, sales in the Liquor and Wine Division declined compared with the previous fiscal year.

Others

Sales in this segment rose 1.3% to ¥21,427 million and operating profit increased 21.0% to ¥1,773 million, with sales and profits both increasing year on year.

Sales of clinical diagnostic reagents, hygiene inspection agents, and hyaluronic acid were strong. Sales in the logistics business rose year on year, supporting growth in segment sales overall.

OVERSEAS

Foods—Manufacturing and Sales

Sales in this segment rose 4.5% to ¥93,510 million and operating profit increased 5.4% to ¥18,745 million, with sales and profits both increasing year on year.

Soy Sauce Division

In the North American market, the division worked to expand its business by leveraging the power of the Kikkoman brand by continuing efforts to enhance the lineup of mainstay soy sauce products and soy sauce-based seasonings and other products for the home-use sector. In the industrial- and food service-use sectors, the division worked to accurately address customer needs to expand its business. As a result, sales in North America increased from the previous fiscal year.

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

In Asia/Oceania, sales rose in China. Sales in Thailand and the Philippines also increased, which led to year-on-year sales growth overall. As a result, sales in the overseas Soy Sauce Division increased compared with the previous fiscal year.

Del Monte Division

The Del Monte Division manufactures and sells products such as canned fruits/corn items and tomato ketchup in Asia/Oceania.

Sales in this division rose year on year in China, including Hong Kong. As a result, sales in the Del Monte Division increased compared with the previous fiscal year.

Other Foods Division

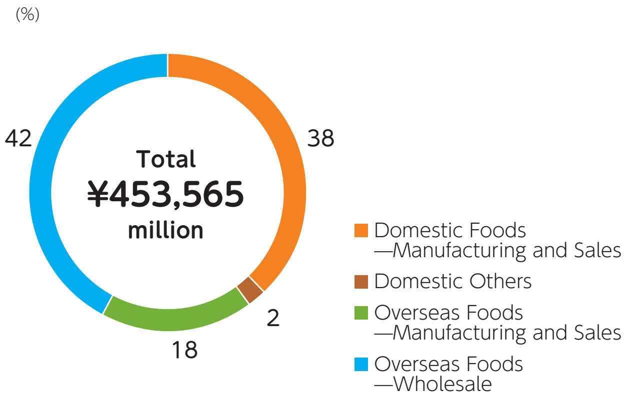
This division manufactures and sells health foods mainly in North America. Despite firm sales through medical clinics, sales declined overall due to weak sales through general stores.

Foods—Wholesale

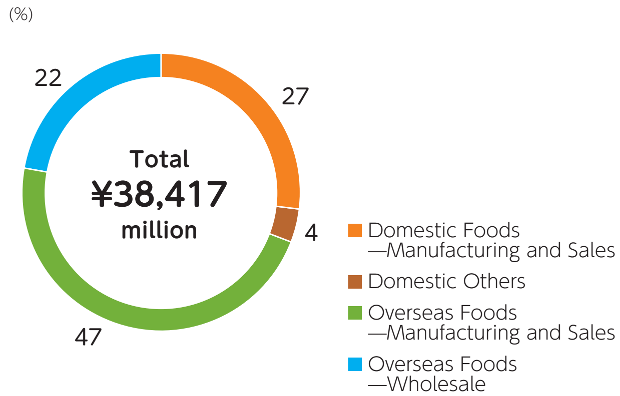
Sales in this segment rose 10.1% to ¥192,109 million and operating profit increased 5.3% to ¥8,597 million, with sales and profits both rising year on year.

Sales in North America increased, supported by efforts to build a stronger presence in the wider local market, in addition to the Asian American market. Also, the Japanese food market continued to grow in Europe and Asia/Oceania, contributing to steady sales in each region. As a result, sales in this segment increased compared with the previous fiscal year.

Net Sales Composition (FY2019)



Operating Profit Composition (FY2019)



* The figures are after elimination of inter-segment transactions.

FINANCIAL POSITION

ASSETS

Current assets as of March 31, 2019 increased ¥12,670 million from the end of the previous fiscal year, mainly reflecting increases in cash and deposits, and merchandise and finished goods. Property, plant and equipment, at cost and investments and other assets increased ¥5,519 million from the end of the previous fiscal year, mainly due to rises in construction in progress and machinery, equipment and vehicles, despite a drop in investment securities. As a result, total assets were ¥362,119 million, an increase of ¥18,190 million from the end of the previous fiscal year.

LIABILITIES

Current liabilities as of March 31, 2019 decreased ¥1,241 million from the end of the previous fiscal year. This was mainly attributable to a decrease in other current liabilities, despite an increase in other accounts payable. Non-current liabilities increased ¥2,270 million from the end of the previous fiscal year, mainly attributable to increases in net defined benefit liability, deferred tax liabilities, and long-term debt. As a result, total liabilities were ¥91,667 million, an increase of ¥1,028 million from the end of the previous fiscal year.

NET ASSETS

Although both retained earnings and treasury stock, at cost decreased mainly due to the retirement of treasury stock, total net assets as of March 31, 2019 increased mainly due to the booking of profit attributable to owners of parent. As a result, net assets totaled ¥270,451 million and the equity ratio rose 1.2 percentage points to 73.3%. Net assets per share increased ¥90.42 to ¥1,382.60.

Effective from the beginning of FY2019, "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018), etc. are applied and comparisons are made with figures as of March 31, 2018 that were retroactively recalculated.

CASH FLOWS

Cash and cash equivalents were ¥27,509 million as of March 31, 2019, an increase of ¥4,723 million compared with the end of the previous fiscal year.

Details of cash flow positions in each type of activity and the major contributing factors during the fiscal year under review are described below.

Cash Flows from Operating Activities

Net cash provided by operating activities was ¥37,023 million, a decline of ¥622 million from the previous fiscal year, mainly due to an increase in cash used for income taxes paid.

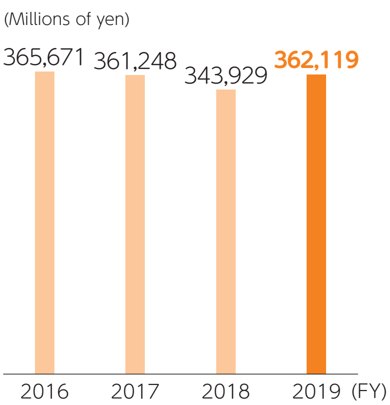
Cash Flows from Investing Activities

Net cash used in investing activities was ¥25,698 million, mainly reflecting cash used for the acquisition of property, plant and equipment.

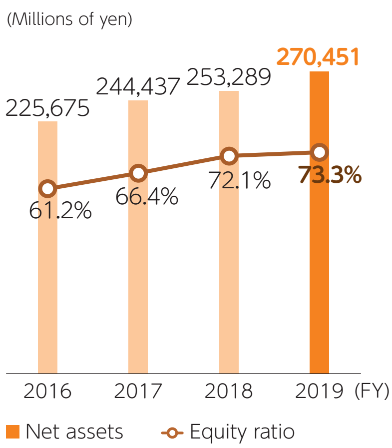
Cash Flows from Financing Activities

Net cash used in financing activities was ¥7,041 million, mainly reflecting cash used for cash dividends paid.

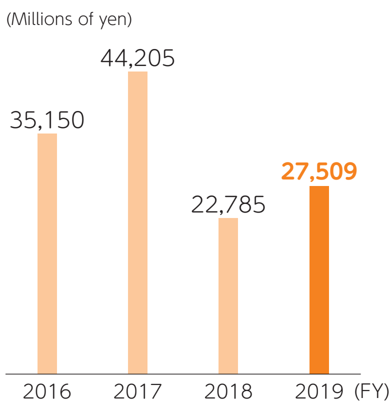
Total Assets



Net Assets/Equity Ratio



Cash and Cash Equivalents



RISK FACTORS

Listed below are the major risks faced by the Kikkoman Group in its business activities that could have a significant impact on the decisions of investors.

CHANGES IN THE MARKET ENVIRONMENT

The Kikkoman Group is developing business in various countries and regions worldwide, including Japan, North America, Europe and Asia, and aims for sustained business development. A decline in demand for the products and services that the Group provides, due to worsening economic conditions in particular countries where the Kikkoman Group is doing business, a change in consumers' tastes or values held in regard to products, the emergence of new business competitors, or other factors, could result in lower sales and earnings and thus adversely affect the Kikkoman Group's business results and financial position.

CHANGES IN THE SOCIAL ENVIRONMENT

Should any disruption in business activity arise in the countries where the Group does business, due to unexpected events such as war, terrorism or changes in politics or society, it could adversely affect the Group's business results and financial position.

NATURAL DISASTERS, EPIDEMICS AND ACCIDENTS

Should any emergency situation beyond expectation arise, such as an earthquake or other natural disaster, a disaster caused by climate change, the wide-scale spread of an epidemic, or a major accident, resulting in damage to manufacturing, logistics, or other facilities; difficulties in the procurement of raw materials or energy; or complications in securing the required personnel, such events could reduce the Group's manufacturing and sales capabilities, and could thus lower sales and earnings. In addition, cost increases including expenses incurred to restore facilities and the procurement cost of raw materials, energy and other resources, could adversely affect the Group's business results and financial position.

EXCHANGE RATE FLUCTUATIONS

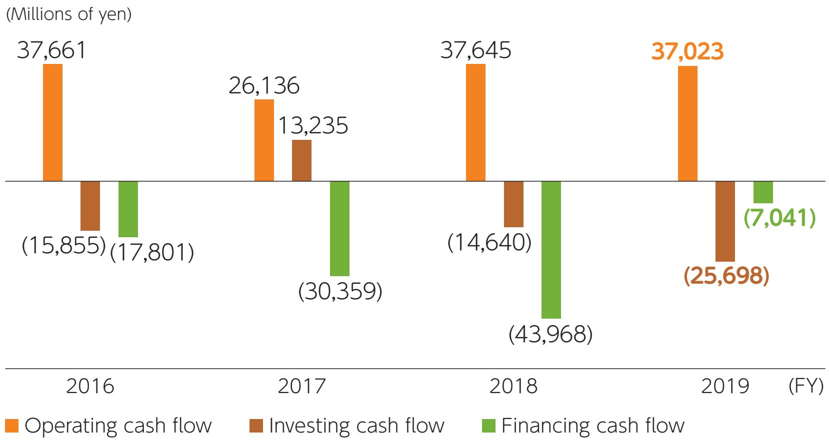
Kikkoman converts the financial statements of its overseas subsidiaries and other foreign domiciled entities into Japanese yen for preparing its consolidated financial statements. The line items in the financial statements of these subsidiaries and other entities are thus subject to foreign currency exchange rate fluctuations when converted into Japanese yen. In particular, where there is an appreciation of the yen against other currencies, the converted amount in yen will be lower.

Furthermore, exchange rate fluctuations could affect the provision price of products and services denominated in foreign currencies and the procurement cost of raw materials and products purchased by the Kikkoman Group. The Kikkoman Group uses various techniques to mitigate and avoid foreign currency exchange risk, but changes in currency markets could adversely affect its business results and financial position.

FLUCTUATIONS IN RAW MATERIAL PRICES

Some raw materials used by the Kikkoman Group are subject to the effects of commodities market conditions. The soybeans, soybean meal and wheat used in the mainstay soy sauce products are subject to the effects of conditions in international

Cash Flows



commodities markets. Fluctuations in crude oil prices could also affect manufacturing and delivery costs for PET bottles used to package Kikkoman's products and other products. A rapid increase in market prices for these materials could lead to higher manufacturing and delivery expenses and thus adversely affect the Kikkoman Group's business results and financial position.

ACCOUNTING FOR IMPAIRMENT OF ASSETS

The Kikkoman Group owns a variety of assets, including real estate used in the course of business operations. Should recovery of the Group's investment in such assets become unlikely due to a decline in market value or a decrease in profitability, the assets will become liable for asset impairment accounting. This could adversely affect the Kikkoman Group's business results and financial position.

FLUCTUATIONS IN THE MARKET VALUE OF SECURITIES

The Kikkoman Group holds marketable securities with fair market values. Should there be a significant decline in the market value of these securities, this could adversely affect the Kikkoman Group's business results and financial position.

WEATHER

The Kikkoman Group's business portfolio includes products that are vulnerable to consumption patterns caused by the effects of the weather. In particular, a cool summer or warm winter could result in lower sales of these products, and thus adversely affect the Kikkoman Group's business results and financial position.

ISSUES RELATED TO FOOD SAFETY

The Kikkoman Group works to strengthen its quality assurance and quality control systems based on the fundamental mission of providing high-quality products in a safe and stable manner. Nevertheless, in the event that an accident occurs in connection with one of its products, including as the result of a chance occurrence, or in the event that a situation beyond the scope of the Group's initiatives arises, this could adversely affect the Group's business results and financial position.

INTELLECTUAL PROPERTY

The Kikkoman Group is acquiring industrial property rights, including patent rights, utility model rights, and trademarks, as necessary with respect to the technology it develops. These intellectual property rights have many advantages from an operational perspective and are thus regarded as an important management resource. However, if another company develops similar rights or technology that is superior to the Kikkoman Group's, or if the Kikkoman Group becomes involved in a dispute with another company over intellectual property rights, the Group could lose its competitive advantage, which could adversely affect its business results and financial position.

ALLIANCES AND CORPORATE ACQUISITIONS

The Kikkoman Group has formed alliances with other companies in specific fields of business. Going forward, to utilize resources as necessary from outside the Group, the Group may form strategic alliances, including equity-based alliances and corporate acquisitions. However, the inability of the Kikkoman Group to carry out its business plan as expected after forming an alliance or conducting an acquisition could adversely affect the Group's business results and financial position.

LAWS AND REGULATIONS

In Japan, the Kikkoman Group is subject to laws and regulations such as the Food Sanitation Law and the Product Liability Act. In addition, the Group is subject to the laws and regulations of each country in which it develops business. Changes to these and other laws and regulations in the future could restrict the Kikkoman Group's activities, and thus adversely affect its business results and financial position.

INFORMATION AND IT SYSTEM MANAGEMENT

The Kikkoman Group operates IT systems related to operations such as product development, manufacturing, distribution and sales, and holds important information related to Group management and many corporations and individuals. The Group takes every possible step to ensure the maintenance and security of these systems in order to mitigate IT system problems and other such events, while at the same time operating a strict information management system. However, the Kikkoman Group's business results and financial position could be adversely affected by system failures or the leak or falsification of data due to events such as power failures, natural disasters, software and equipment failures, computer viruses, and unauthorized system access that have an impact which is greater than anticipated by the Group.

Consolidated Balance Sheets

KIKKOMAN CORPORATION and Consolidated Subsidiaries
March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Assets			
Current assets:			
Cash and deposits (Notes 4 and 17)	¥ 30,162	¥ 22,196	$ 271,754
Trade notes and accounts receivable (Notes 5, 8 and 17)	60,719	58,452	547,067
Allowance for doubtful receivables	(717)	(499)	(6,460)
	60,001	57,953	540,598
Short-term investment securities (Notes 4 and 6)	—	2,892	—
Merchandise and finished goods	42,513	37,760	383,034
Work in process	10,997	10,894	99,080
Raw materials and supplies	5,330	4,991	48,022
Other	7,512	7,159	67,681
Total current assets	156,518	143,847	1,410,199
Property, plant and equipment, at cost (Note 19):			
Land	20,936	20,779	188,629
Buildings and structures (Note 9)	107,019	103,007	964,222
Machinery, equipment and vehicles (Note 9)	207,845	197,744	1,872,646
Leased assets	357	325	3,216
Other	22,420	21,234	202,000
Construction in progress	14,080	7,264	126,858
	372,660	350,354	3,357,599
Accumulated depreciation	(249,270)	(240,232)	(2,245,878)
Property, plant and equipment, net	123,390	110,121	1,111,721
Investments and other assets:			
Investment securities (Notes 6 and 17)	53,835	59,112	485,043
Investments in and advances to unconsolidated subsidiaries and affiliates	6,840	6,798	61,627
Goodwill (Note 9)	4,969	5,081	44,769
Other intangible assets	5,339	5,440	48,103
Deferred tax assets (Note 11)	3,053	2,863	27,506
Net defined benefit asset (Note 10)	5,936	7,371	53,482
Other	2,235	3,289	20,136
Total investments and other assets	82,211	89,959	740,706
Total assets	¥ 362,119	¥ 343,929	$ 3,262,627

	Millions of yen 2019	Millions of yen 2018	Thousands of U.S. dollars (Note 3) 2019
Liabilities			
Current liabilities:			
Short-term bank loans (Notes 8 and 17)	¥ 3,487	¥ 3,392	$ 31,417
Current portion of long-term debt (Notes 7 and 17)	—	300	—
Lease obligations (Notes 7 and 14)	50	33	450
Trade notes and accounts payable (Note 17)	22,383	21,535	201,666
Other accounts payable (Notes 17 and 21)	18,872	17,737	170,033
Accrued income taxes	3,230	3,433	29,101
Provision for employees' bonuses	2,592	2,497	23,353
Provision for directors' bonuses	125	115	1,126
Other	5,497	8,436	49,526
Total current liabilities	56,240	57,481	506,712
Non-current liabilities:			
Long-term debt (Notes 7 and 17)	13,602	13,000	122,551
Lease obligations (Notes 7 and 14)	90	40	810
Net defined benefit liability (Note 10)	5,511	4,783	49,653
Accrued directors' severance benefits	711	712	6,405
Provision for environmental remediation	31	124	279
Deferred tax liabilities (Note 11)	7,934	7,309	71,483
Other	7,546	7,187	67,988
Total non-current liabilities	35,427	33,157	319,190
Total liabilities	91,667	90,639	825,903
Contingent Liabilities (Note 15)			
Net assets			
Shareholders' equity:			
Common stock, without par value:			
Authorized: 600,000,000 shares at March 31, 2019 and 2018			
Issued: 193,883,202 shares at March 31, 2019 and 2018	11,599	11,599	104,504
Capital surplus (Note 12)	13,695	13,915	123,389
Retained earnings (Note 12)	225,835	238,660	2,034,732
Treasury stock, at cost:			
1,905,508 shares at March 31, 2019 and 18,403,085 shares at March 31, 2018	(3,631)	(35,616)	(32,714)
Total shareholders' equity	247,498	228,558	2,229,912
Accumulated other comprehensive income (loss):			
Unrealized holding gain (loss) on securities, net of taxes	17,521	20,956	157,861
Deferred hedge gain (loss), net of taxes (Note 18)	(4)	(38)	(36)
Foreign currency translation adjustments	1,081	(2,050)	9,739
Remeasurements of defined benefit plans, net of taxes (Note 10)	(667)	647	(6,009)
Total accumulated other comprehensive income (loss)	17,930	19,514	161,546
Non-controlling interests	5,022	5,216	45,247
Total net assets	270,451	253,289	2,436,715
Total liabilities and net assets	¥362,119	¥343,929	$3,262,627

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

KIKKOMAN CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Net sales	¥453,565	¥430,602	$4,086,539
Cost of sales (Notes 10 and 13)	277,805	260,426	2,502,973
Gross profit	175,759	170,176	1,583,557
Selling, general and administrative expenses (Notes 10 and 13)	137,341	133,673	1,237,417
Operating income	38,417	36,502	346,130
Other income (expenses):			
Interest and dividend income	1,364	1,245	12,289
Equity in earnings of affiliates	126	172	1,135
Foreign exchange gains	120	2,701	1,081
Rental income (Note 19)	691	701	6,225
Gain on valuation of derivatives (Note 18)	3,650	5	32,885
Gain on investments in partnership	886	639	7,982
Interest expenses	(131)	(304)	(1,180)
Foreign exchange losses	(2,315)	(203)	(20,857)
Loss on valuation of derivatives (Note 18)	(34)	(2,169)	(306)
Provision of allowance for doubtful accounts	(863)	(292)	(7,775)
Gain on sales of property, plant and equipment (Note 19)	688	—	6,198
Gain on sales of investment securities (Note 6)	1,484	3,981	13,370
Compensation for transfer	540	—	4,865
Loss on impairment of fixed assets	(2,378)	(141)	(21,425)
Loss on disposal of property, plant and equipment	(235)	(305)	(2,117)
Loss on revaluation of investment securities (Note 6)	—	(1,076)	—
Loss on revaluation of golf club memberships	(7)	(2)	(63)
Loss on valuation of shares of subsidiaries and affiliates	(210)	(381)	(1,892)
Loss on redemption of bonds	—	(1,668)	—
Environmental expenses	(213)	—	(1,919)
100th anniversary project cost	—	(392)	—
Other, net	(3,988)	(3,014)	(35,931)
Income before income taxes	37,595	35,999	338,724
Income taxes (Note 11):			
Current	9,008	10,390	81,160
Deferred	2,182	1,450	19,659
	11,191	11,841	100,828
Net income	26,403	24,157	237,886
Net income attributable to:			
Non-controlling interests	(411)	(311)	(3,703)
Owners of parent (Note 16)	¥ 25,992	¥ 23,846	$ 234,183

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

KIKKOMAN CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Net income	¥26,403	¥24,157	$237,886
Other comprehensive income (loss):			
Unrealized holding gain (loss) on securities, net of taxes	(3,266)	653	(29,426)
Deferred hedge gain (loss), net of taxes	33	(35)	297
Foreign currency translation adjustments	3,578	(4,530)	32,237
Remeasurements of defined benefit plans, net of taxes	(1,294)	1,128	(11,658)
Share of other comprehensive income of affiliates accounted for using the equity method	(216)	(86)	(1,946)
Total other comprehensive income (loss)	¥ (1,165)	¥ (2,870)	$ (10,496)
Comprehensive income	¥25,238	¥21,287	$227,389
Total comprehensive income attributable to:			
Owners of parent	¥25,081	¥20,833	$225,975
Non-controlling interests	156	454	1,405

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

KIKKOMAN CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

Year ended March 31, 2019

Millions of yen

	Shareholders' equity				
	Common stock (193,883,202 shares)	Capital surplus (Note 12)	Retained earnings (Note 12)	Treasury stock	Total shareholders' equity
Balance at beginning of the period	¥11,599	¥13,915	¥238,660	¥(35,616)	¥228,558
Changes of items during the period					
Cash dividends			(7,105)		(7,105)
Net income attributable to owners of parent			25,992		25,992
Change in accounting period of consolidated subsidiaries			140		140
Change in scope of consolidation			(72)		(72)
Purchase of treasury stock				(15)	(15)
Retirement of treasury stock		(220)	(31,779)	31,999	—
Disposal of treasury stock		0		0	1
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(219)	(12,825)	31,985	18,939
Balance at end of the period	¥11,599	¥13,695	¥225,835	¥ (3,631)	¥247,498

Millions of yen

	Accumulated other comprehensive income (loss)						
	Unrealized holding gain (loss) on securities, net of taxes	Deferred hedge gain (loss), net of taxes (Note 18)	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes (Note 10)	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at beginning of the period	¥20,956	¥(38)	¥(2,050)	¥ 647	¥19,514	¥5,216	¥253,289
Changes of items during the period							
Cash dividends							(7,105)
Net income attributable to owners of parent							25,992
Change in accounting period of consolidated subsidiaries							140
Change in scope of consolidation							(72)
Purchase of treasury stock							(15)
Retirement of treasury stock							—
Disposal of treasury stock							1
Net changes of items other than shareholders' equity	(3,434)	33	3,131	(1,315)	(1,584)	(194)	(1,778)
Total changes of items during the period	(3,434)	33	3,131	(1,315)	(1,584)	(194)	17,161
Balance at end of the period	¥17,521	¥ (4)	¥ 1,081	¥ (667)	¥17,930	¥5,022	¥270,451

Year ended March 31, 2019

Thousands of U.S. dollars (Note 3)

	Shareholders' equity				
	Common stock (193,883,202 shares)	Capital surplus (Note 12)	Retained earnings (Note 12)	Treasury stock	Total shareholders' equity
Balance at beginning of the period	$104,504	$125,371	$2,150,283	$(320,893)	$2,059,266
Changes of items during the period					
Cash dividends			(64,014)		(64,014)
Net income attributable to owners of parent			234,183		234,183
Change in accounting period of consolidated subsidiaries			1,261		1,261
Change in scope of consolidation			(648)		(648)
Purchase of treasury stock				(135)	(135)
Retirement of treasury stock		(1,982)	(286,323)	288,305	—
Disposal of treasury stock		0		0	9
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	(1,973)	(115,550)	288,179	170,636
Balance at end of the period	$104,504	$123,389	$2,034,732	$ (32,714)	$2,229,912

Thousands of U.S. dollars (Note 3)

	Accumulated other comprehensive income (loss)						
	Unrealized holding gain (loss) on securities, net of taxes	Deferred hedge gain (loss), net of taxes (Note 18)	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes (Note 10)	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at beginning of the period	$188,809	$(342)	$(18,470)	$ 5,829	$175,817	$46,995	$2,282,088
Changes of items during the period							
Cash dividends							(64,014)
Net income attributable to owners of parent							234,183
Change in accounting period of consolidated subsidiaries							1,261
Change in scope of consolidation							(648)
Purchase of treasury stock							(135)
Retirement of treasury stock							—
Disposal of treasury stock							9
Net changes of items other than shareholders' equity	(30,939)	297	28,209	(11,847)	(14,271)	(1,747)	(16,019)
Total changes of items during the period	(30,939)	297	28,209	(11,847)	(14,271)	(1,747)	154,617
Balance at end of the period	$157,861	$ (36)	$ 9,739	$ (6,009)	$161,546	$45,247	$2,436,715

Year ended March 31, 2018					Millions of yen
	Shareholders' equity				
	Common stock (210,383,202 shares)	Capital surplus (Note 12)	Retained earnings (Note 12)	Treasury stock	Total shareholders' equity
Balance at beginning of the period	¥11,599	¥13,914	¥222,614	¥(30,600)	¥217,528
Changes of items during the period					
Cash dividends			(7,727)		(7,727)
Net income attributable to owners of parent			23,846		23,846
Change in scope of consolidation			(72)		(72)
Purchase of treasury stock				(5,016)	(5,016)
Disposal of treasury stock		0		0	1
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	0	16,045	(5,016)	11,030
Balance at end of the period	¥11,599	¥13,915	¥238,660	¥(35,616)	¥228,558

							Millions of yen
	Accumulated other comprehensive income (loss)						
	Unrealized holding gain (loss) on securities, net of taxes	Deferred hedge gain (loss), net of taxes (Note 18)	Foreign currency translation adjustments	Remeasurements of defined benefit plans, net of taxes (Note 10)	Total accumulated other comprehensive income (loss)	Non-controlling interests	Total net assets
Balance at beginning of the period	¥20,306	¥ (3)	¥ 2,652	¥ (473)	¥22,481	¥4,427	¥244,437
Changes of items during the period							
Cash dividends							(7,727)
Net income attributable to owners of parent							23,846
Change in scope of consolidation							(72)
Purchase of treasury stock							(5,016)
Disposal of treasury stock							1
Net changes of items other than shareholders' equity	649	(35)	(4,703)	1,121	(2,967)	789	(2,177)
Total changes of items during the period	649	(35)	(4,703)	1,121	(2,967)	789	8,852
Balance at end of the period	¥20,956	¥(38)	¥(2,050)	¥ 647	¥19,514	¥5,216	¥253,289

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

KIKKOMAN CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars (Note 3)
	2019	2018	2019
Cash flows from operating activities			
Income before income taxes	¥ 37,595	¥ 35,999	$ 338,724
Depreciation and amortization	13,258	13,160	119,452
Loss on impairment of fixed assets	2,378	141	21,425
Increase (decrease) in accrued directors' severance benefits	(0)	(74)	(0)
Increase (decrease) in net defined benefit liability	410	1,157	3,694
Interest and dividend income	(1,364)	(1,245)	(12,289)
Interest expenses	131	304	1,180
Equity in earnings of affiliates	(126)	(172)	(1,135)
Gain on sales of property, plant and equipment	(700)	(231)	(6,306)
(Gain) Loss on sales of investment securities (Note 6)	(1,490)	(3,981)	(13,424)
Loss on disposal of property, plant and equipment	1,028	813	9,262
Loss on revaluation of investment securities	—	1,077	—
(Increase) decrease in trade notes and accounts receivable	(1,462)	(4,010)	(13,172)
(Increase) decrease in inventories	(4,649)	(4,479)	(41,886)
Increase (decrease) in trade notes and accounts payable	643	596	5,793
Other	(727)	1,722	(6,550)
Subtotal	44,923	40,779	404,748
Interest and dividends received	1,414	1,234	12,739
Interest paid	(139)	(431)	(1,252)
Income taxes paid	(9,175)	(3,936)	(82,665)
Net cash provided by operating activities	37,023	37,645	333,570
Cash flows from investing activities			
Acquisition of property, plant and equipment	(26,585)	(16,390)	(239,526)
Proceeds from sales of property, plant and equipment	830	1,576	7,478
Acquisition of intangible assets	(967)	(768)	(8,712)
Acquisition of investment securities	(2,612)	(3,542)	(23,533)
Proceeds from sales of investment securities	3,164	4,609	28,507
Addition to loans receivable	(1,501)	(622)	(13,523)
Collection of loans receivable	554	413	4,991
Other	1,420	84	12,793
Net cash used in investing activities	(25,698)	(14,640)	(231,534)
Cash flows from financing activities			
Increase (decrease) in short-term bank loans	79	536	711
Proceeds from long-term debt	602	—	5,423
Repayment of long-term debt	(300)	—	(2,702)
Redemption of bonds	—	(31,668)	—
Acquisition of treasury stock	(19)	(5,035)	(171)
Cash dividends paid	(7,105)	(7,727)	(64,014)
Cash dividends paid to non-controlling shareholders	(248)	(24)	(2,234)
Other	(50)	(48)	(450)
Net cash used in financing activities	(7,041)	(43,968)	(63,438)
Effect of exchange rate changes on cash and cash equivalents	246	(703)	2,216
Net increase (decrease) in cash and cash equivalents	4,529	(21,666)	40,805
Cash and cash equivalents at beginning of the year	22,785	44,205	205,288
Decrease in cash and cash equivalents due to change in accounting period of consolidated subsidiaries	(6)	—	(54)
Increase in cash and cash equivalents from newly consolidated subsidiary	200	335	1,801
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	—	(88)	—
Cash and cash equivalents at end of the year (Note 4)	¥ 27,509	¥ 22,785	$ 247,851

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

KIKKOMAN CORPORATION and Consolidated Subsidiaries
Years ended March 31, 2019 and 2018

1 Basis of Preparation

KIKKOMAN CORPORATION (the "Company") and its domestic subsidiaries maintain their accounting records and prepare their financial statements in accordance with accounting principles generally accepted in Japan, and its foreign subsidiaries maintain their books of account in conformity with those of their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan and have been prepared in accordance with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

Practical Issues Task Force No. 18, "Revised Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries, etc., for Consolidated Financial Statements," issued by the Accounting Standards Board of Japan ("ASBJ") as revised September 14, 2018 ("PITF No. 18"), requires that accounting policies applied by a parent company and its subsidiaries to similar transactions and events under similar circumstances should, in principle, be unified for preparing the consolidated financial statements. PITF No. 18, however, as a tentative measure, allows a parent company to prepare consolidated financial statements using foreign subsidiaries' financial statements prepared in accordance with either IFRS or U.S. generally accepted accounting principles. In this case, adjustments for the following four items are required in the consolidation process so that their impacts on net income attributable to owners of parent are accounted for in accordance with Japanese GAAP.

(a) Goodwill not subject to amortization
(b) Actuarial gains and losses of defined-benefit retirement plans recognized outside profit or loss
(c) Capitalized expenditures for research and development activities
(d) Fair value measurement of investment properties, and revaluation of property, plant and equipment and intangible assets
(e) Changes in fair value of an equity instrument in other comprehensive income

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been omitted. Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The consolidated financial statements for the previous year have been reclassified to conform to the current year's presentation.

2 Summary of Significant Accounting Policies

(a) Basis of consolidation and accounting for investments in unconsolidated subsidiaries and affiliates

The accompanying consolidated financial statements include the accounts of the Company and all significant companies controlled directly or indirectly by the Company. In addition, companies over which the Company exercises significant influence in terms of their operating and financial policies have been included in the consolidated financial statements on an equity basis.

All significant inter-company balances and transactions have been eliminated in consolidation.

Investments in unconsolidated subsidiaries and affiliates not accounted for by the equity method are stated at cost.

Differences between the acquisition costs and the underlying net equities in investments in consolidated subsidiaries are recorded as goodwill in the consolidated balance sheets and amortized using the straight-line method over their estimated useful lives or a period of five years. Any immaterial amounts are charged or credited to income in the year of acquisition.

(b) Foreign currency translation

Income and expenses in foreign currencies are translated at the rates prevailing at the time of the transaction. Except as noted in (n) Derivatives below, all monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the year-end rates. Resulting exchange gains or losses are charged or credited to income for the year.

Revenue and expense accounts of foreign consolidated subsidiaries are translated at the average exchange rates in effect during the year. Except for shareholders' equity, the balance sheet accounts of foreign consolidated subsidiaries are translated into yen at the rates of exchange in effect at the balance sheet date. The components of shareholders' equity are translated at their historical exchange rates. Differences arising on translation are presented as foreign currency translation adjustments or non-controlling interests as a separate component of net assets.

(c) Cash equivalents

For the purposes of the consolidated statements of cash flows, the Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

(d) Securities

Marketable securities classified as other securities are carried at fair value with any unrealized gains and losses reported as a separate component of accumulated other comprehensive income, net of taxes. Non-marketable securities classified as other securities are carried at cost. Cost of securities sold is mainly determined by the moving average method.

(e) Inventories

Inventories are mainly stated at cost determined by the periodic average method.
In cases where the profitability has declined, the book value is written down accordingly.

(f) Depreciation and amortization

Property, plant and equipment (excluding leased assets) are depreciated mainly by the straight-line method over their estimated useful lives.

Intangible assets (excluding leased assets) are amortized by the straight-line method over their estimated useful lives. Software for internal use is amortized over its estimated useful life. The range of useful lives is five to 10 years.

The straight-line method is adopted for depreciation of leased assets, with the lease period set as the useful life and the residual value as zero.

(g) Allowance for doubtful receivables

The allowance for doubtful receivables is calculated based on the prior loss experience and the estimated amount of probable individual bad debts at the balance sheet date.

(h) Provision for employees' and directors' bonuses

Provision for employees' and directors' bonuses is provided based on the estimated amounts to be paid.

(i) Employee retirement benefits

(1) Attribution of expected retirement benefits to periods of service

In the calculation of retirement benefit obligations, the benefit formula basis is used for attributing expected retirement benefits to periods of service.

(2) Amortization of actuarial gains/losses and prior service costs

Prior service cost is amortized by the straight-line method over a period of 10 years, which is shorter than the average remaining years of service of the active participants in the plans.

The adjustment made during the year arising from revisions to actuarial assumptions (the "actuarial gain or loss") is amortized by the straight-line method beginning the following year over a period of 10 years, which is shorter than the average remaining years of service of the active participants in the plans.

(j) Accrued directors' severance benefits

Certain directors, corporate auditors and corporate officers of the Company and certain domestic consolidated subsidiaries are entitled to lump-sum payments under their respective unfunded retirement allowance plans. Provision for retirement allowances for these officers has been made at the estimated amount that would be paid if all directors, corporate auditors and corporate officers resigned as of the balance sheet date.

(k) Provision for environmental remediation

In preparation for payments relating to the disposal of polychlorinated biphenyl (PCB) and other wastes under the "Law Concerning Special Measures Against PCB Waste," a provision for environmental remediation has been made for the estimated costs to be incurred.

(l) Income taxes

Deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of the assets and liabilities and are measured using the enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse.

The Company and certain domestic consolidated subsidiaries apply the Japanese consolidated taxation system.

(m) Research and development costs

Research and development costs are charged to income as incurred.

(n) Derivatives

The Company and its consolidated subsidiaries utilize derivative financial instruments for the purpose of hedging their exposure to adverse fluctuations in foreign currency exchange rates but not for speculative purposes. Derivatives are stated at fair value with any changes in unrealized gain or loss charged or credited to income, except for those that meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as a separate component of accumulated other comprehensive income, net of taxes. Payables hedged by qualified forward foreign exchange contracts are translated at the corresponding contract rates.

(o) Appropriation of retained earnings

Under the Companies Act of Japan, the appropriation of retained earnings with respect to a given financial period is made by resolution of the shareholders at a general meeting held subsequent to the close of such financial period. The financial statements for that period do not, therefore, reflect such appropriations.

(p) Changes in presentation

Changes in the consolidated statements of income

The following changes in presentation have been made due to change in materiality of the account:

1) "Gain on valuation of derivatives," "Gain on investments in partnership," "Foreign exchange losses" and "Provision of allowance for doubtful accounts" included in "Other, net" in "Other income (expenses)" for the year ended March 31, 2018 are presented as a separate account for the year ended March 31, 2019 due to an increase in materiality.
2) "Sales discounts" in "Other income (expenses)" was presented as a separate account for the year ended March 31, 2018 but is included in "Other, net" in "Other income (expenses)" for the year ended March 31, 2019 due to a decrease in materiality.

The consolidated financial statements for the year ended March 31, 2018 have been reclassified to conform to the presentation used for the year ended March 31, 2019.

As a result, "Gain on valuation of derivatives" of ¥5 million, "Gain on investments in partnership" of ¥639 million, "Foreign exchange losses" of ¥203 million and "Provision of allowance for doubtful accounts" of ¥292 million presented in "Other, net" for the year ended March 31, 2018 are presented as a separate account in "Other income (expenses)" for the year ended March 31, 2019. Also "Sales discounts" of ¥747 million for the year ended March 31, 2018 is reclassified to "Other, net" in "Other income (expenses)" for the year ended March 31, 2019.

Changes due to adoption of "Partial Amendments to Accounting Standard for Tax Effect Accounting"
Upon application of "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018 (hereinafter, "Statement No. 28")) from the beginning of the current fiscal year, the Company and its domestic subsidiaries changed the presentation and related notes of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are classified as part of "investments and other assets" and "non-current liabilities," respectively.

As a result, "Deferred tax assets" classified as "current assets" decreased by ¥4,492 million, "Deferred tax assets" classified as "investments and other assets" increased by ¥1,500 million, "Other" classified as "current liabilities" decreased by ¥50 million and "Deferred tax liabilities" classified as "non-current liabilities" decreased by ¥2,941 million in the balance sheet as of the end of the previous fiscal year.

Since deferred tax liabilities and deferred tax assets of the same entity are offset, total assets decreased by ¥2,992 million due to these changes.

The notes related to tax effect accounting additionally included those described in notes 8 (excluding total amount of valuation reserves) and 9 of "Accounting Standard for Tax Effect Accounting," which are required in paragraphs 3 to 5 of Statement No. 28. However, this additional information corresponding to the previous fiscal year is not disclosed, in accordance with the transitional treatments prescribed in paragraph 7 of Statement No. 28.

(q) Standards and guidance not yet adopted

The following standard and guidance were issued but not yet adopted.
—"Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 30, 2018)
—"Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, March 30, 2018)

(1) Overview
The International Accounting Standards Board (IASB) and the U.S. Financial Accounting Standards Board (FASB) have jointly developed comprehensive accounting standards related to revenue recognition, which were issued in May 2014 as "Revenue from Contracts with Customers" (by the IASB as IFRS 15, and by the FASB as Topic 606). Given the state of application of IFRS 15 from periods beginning on or after January 1, 2018, and of Topic 606 from periods beginning on or after December 15, 2017, the ASBJ has developed a comprehensive accounting standard on revenue recognition and issued corresponding implementation guidance.

When developing its Accounting Standard for Revenue Recognition, the ASBJ's basic policy was to use the basic principles of IFRS 15 as a starting point from the perspective of improving the international comparability of financial statements. In addition, taking into account actual practice in Japan to date, the standard includes additional alternative treatments to the extent that international comparability would not be lost.

(2) Effective date
Effective from the year ending March 31, 2022.

(3) Effects of the application of the standard and guidance
The Company and its consolidated subsidiaries are currently in the process of determining the effects of these new standards on the consolidated financial statements.

3 U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation, at the rate of ¥110.99 = U.S.$1.00, the approximate rate of exchange in effect on March 31, 2019. The translation should not be construed as a representation that yen amounts have been, could have been or could in the future be converted into U.S. dollars at the above or any other rate.

4 Cash and Cash Equivalents

The components of cash and cash equivalents in the consolidated statements of cash flows as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2019	2018	2019
Cash and deposits	¥30,162	¥22,196	$271,754
Short-term investment securities	—	2,892	—
Time deposits with maturities of more than three months	(2,653)	(798)	(23,903)
Short-term investments with period from the acquisition date to the redemption date of more than three months	—	(1,504)	—
Cash and cash equivalents	¥27,509	¥22,785	$247,851

5 Notes Maturing at the End of the Year

Notes maturing at the end of the year are settled as of the clearing day. When days at the end of the year when notes are due to be cleared are holidays of financial institutions, notes maturing at the end of the year are included in the balance at the end of the year as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2019	2018	2019
Trade notes receivable	¥37	¥5	$333
Trade notes payable	5	—	45

6 Fair Value of Securities

As of March 31, 2019 and 2018, the Company and its consolidated subsidiaries did not possess any securities classified as trading securities and held-to-maturity securities. Securities classified as other securities are included in "Short-term investment securities" and "Investment securities" in the accompanying consolidated balance sheets.

The components of unrealized gain or loss on marketable securities classified as other securities as of March 31, 2019 and 2018 are summarized as follows:

March 31, 2019	Millions of yen			Thousands of U.S. dollars		
	Acquisition costs	Carrying value	Difference	Acquisition costs	Carrying value	Difference
Unrealized gain:						
Stocks	¥16,501	¥42,382	¥25,881	$148,671	$381,854	$233,183
Unrealized loss:						
Stocks	5,264	5,033	(230)	47,427	45,346	(2,072)
Total	¥21,766	¥47,416	¥25,650	$196,107	$427,209	$231,101

March 31, 2018	Millions of yen		
	Acquisition costs	Carrying value	Difference
Unrealized gain:			
Stocks	¥19,511	¥50,131	¥30,619
Unrealized loss:			
Stocks	2,891	2,638	(252)
Other	2,892	2,892	—
	5,783	5,530	(252)
Total	¥25,295	¥55,661	¥30,366

Proceeds from sales of securities classified as other securities amounted to ¥3,149 million ($28,371 thousand) and ¥4,577 million with an aggregate gain on sales of ¥1,495 million ($13,469 thousand) and ¥3,981 million for the years ended March 31, 2019 and 2018, respectively.

7 Long-Term Debt and Credit Facilities

Long-term debt and lease obligations as of March 31, 2019 and 2018 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
March 31,	2019	2018	2019
Loans from banks	¥13,602	¥13,300	$122,551
Lease obligations	140	74	1,261
	13,743	13,374	123,821
Less: Current portion	50	333	450
	¥13,693	¥13,040	$123,371

The annual maturities of long-term debt and lease obligations subsequent to March 31, 2019 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2020	¥ 50	$ 450
2021	33	297
2022	232	2,090
2023	419	3,775
2024 and thereafter	13,007	117,190
	¥13,743	$123,821

The Company and its consolidated subsidiaries have lines of credit from banks that provided for up to ¥65,693 million ($591,882 thousand) and ¥65,434 million in borrowings as of March 31, 2019 and 2018, respectively. There were ¥2,784 million ($25,083 thousand) and ¥2,728 million of short-term bank loans outstanding under these credit facilities as of March 31, 2019 and 2018, respectively.

8 Pledged Assets

The assets pledged as collateral for short-term bank loans as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2019	2018	2019
Trade notes and accounts receivable	¥554	¥531	$4,991

The short-term bank loans corresponding to the above assets as of March 31, 2019 and 2018 were as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2019	2018	2019
Short-term bank loans	¥554	¥531	$4,991

9 Impairment Loss

The Company classifies its operating assets mainly by management accounting unit and classifies assets based on the minimum unit that generates cash flows independently from the cash flows of other assets and groups of assets. Idle assets are considered individually. The Company writes down the book value of impaired assets and groups of assets to the recoverable amount and recognizes an impairment loss as an extraordinary loss in the consolidated statement of income.

Impairment loss was recognized for the assets and groups of assets below.

Year ended March 31, 2019			Millions of yen	Thousands of U.S. dollars
Location	Application	Type	Amount	Amount
Yamanashi Prefecture and Nagano Prefecture	Business assets	Buildings, machinery and equipment	¥2,378	$21,425
Total			¥2,378	$21,425

The Company wrote down the book value of the business assets in Yamanashi Prefecture and Nagano Prefecture to their recoverable value, which was measured by the net realizable value based on the appraisal value determined by the real estate appraiser, since the recoverable value is less than the book value due to a deterioration in the business environment of material price increases and poor sales.

Year ended March 31, 2018			Millions of yen
Location	Application	Type	Amount
Chiba Prefecture	Business assets	Buildings, machinery and equipment	¥ 50
United States	—	Goodwill	56
United States	—	Goodwill	33
Total			¥141

The business assets in Chiba Prefecture are related to the Domestic Others segment. The Company wrote down the book value of the business assets to their recoverable value, which was assessed based on the estimated value in use according to a memorandum value since future cash flows were expected to be negative.

An impairment loss was recognized for the unamortized balances of goodwill in the United States of ¥56 million and ¥33 million since it was considered unlikely that profits would be earned as initially expected.

10 Employee Retirement Benefits

The Company and certain consolidated subsidiaries have funded and unfunded defined benefit plans and defined contribution plans for benefit payments to their employees.

With defined benefit corporate pension plans (all funded plans), a lump-sum payment or pension will be provided on a points' basis by the Company and main domestic subsidiaries, and according to basic rates of pay and length of service by other subsidiaries.

In retirement lump-sum plans (which include unfunded plans and funded plans as a result of employee pension plans being set up), lump-sum payments are provided as retirement benefits on a points' basis by the Company and main domestic subsidiaries, and according to basic rates of pay and service length by other subsidiaries.

For defined benefit corporate pension plans and retirement lump-sum plans offered by certain consolidated subsidiaries, net defined benefit liability and retirement benefit costs are calculated according to a simplified method.

The disclosures for defined benefit plans in the tables below include plans to which a simplified method has been applied.

(a) Defined benefit plans

(1) Reconciliation of the balance of retirement benefit obligations at beginning and end of the period

	Millions of yen		Thousands of U.S. dollars
March 31,	2019	2018	2019
Balance of retirement benefit obligations at beginning of the period	¥36,297	¥36,958	$327,029
Service cost	1,259	1,334	11,343
Interest cost	368	400	3,315
Actuarial (gain) loss	816	588	7,352
Retirement benefits paid	(2,396)	(2,929)	(21,587)
Other	497	(54)	4,477
Balance of retirement benefit obligations at end of the period	¥36,842	¥36,297	$331,939

(2) Reconciliation of the balance of plan assets at beginning and end of the period

	Millions of yen		Thousands of U.S. dollars
March 31,	2019	2018	2019
Balance of plan assets at beginning of the period	¥38,885	¥38,960	$350,346
Expected return on plan assets	898	955	8,090
Actuarial gain (loss)	(1,222)	1,213	(11,010)
Employer contributions	855	894	7,703
Retirement benefits paid	(2,314)	(2,729)	(20,848)
Other	165	(409)	1,486
Balances of plan assets at end of the period	¥37,267	¥38,885	$335,768

(3) Reconciliation of the balances of retirement benefit obligations and plan assets to net amount recorded on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
March 31,	2019	2018	2019
Retirement benefit obligations of funded pension plans	¥ 35,074	¥ 34,740	$ 316,010
Plan assets	(37,267)	(38,885)	(335,768)
	(2,193)	(4,144)	(19,758)
Retirement benefit obligations of unfunded pension plans	1,768	1,556	15,929
Net amount recorded on the consolidated balance sheet	(425)	(2,588)	(3,829)
Amounts recorded on the consolidated balance sheet:			
Net defined benefit liability	5,511	4,783	49,653
Net defined benefit asset	(5,936)	(7,371)	(53,482)
Net amount recorded on the consolidated balance sheet	¥ (425)	¥ (2,588)	$ (3,829)

(4) Retirement benefit cost

March 31,	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Service cost	¥1,259	¥1,334	$11,343
Interest cost	368	400	3,315
Expected return on plan assets	(898)	(955)	(8,090)
Amortization of net actuarial loss	281	1,081	2,531
Amortization of prior service cost	(15)	(13)	(135)
Other	276	257	2,486
Retirement benefit costs relating to defined benefit plans	¥1,271	¥2,105	$11,451

(5) Remeasurements of defined benefit plans

The breakdown of remeasurements of defined benefit plans (before deducting tax effect) is as follows:

March 31,	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Prior service cost	¥ (15)	¥ (24)	$ (135)
Actuarial gain (loss)	(1,830)	1,798	(16,487)
Total	¥(1,845)	¥1,773	$(16,623)

(6) Accumulated remeasurements of defined benefit plans

The breakdown of accumulated remeasurements of defined benefit plans (before deducting tax effect) is as follows:

March 31,	Millions of yen 2019	2018	Thousands of U.S. dollars 2019
Unrecognized prior service cost	¥ 90	¥106	$ 810
Unrecognized actuarial gain (loss)	(1,145)	684	(10,316)
Total	¥(1,054)	¥791	$ (9,496)

(7) Plan assets

Breakdown of major plan assets

The ratio of each main category to the total plan assets is as follows:

March 31,	2019	2018
Stock	32%	33%
Debt securities	28%	28%
General life insurance accounts	17%	17%
Other	23%	22%
Total	100%	100%

Note: 27% and 28% as of March 31, 2019 and 2018, respectively, of the total plan assets are assets contributed to a retirement benefit trust for retirement lump-sum plans.

Method for determining expected long-term rate of return

In determining the expected long-term rate of return on plan assets, the Company considers the current and projected plan asset allocations, as well as the current and expected long-term rates of return on the various assets constituting the plan assets.

(8) Actuarial assumptions

The main actuarial assumptions as of the end of the year (presented as a weighted average) are as follows:

March 31,	2019	2018
Discount rate	Mainly 0.2%	Mainly 0.4%
Long-term expected return on assets	Mainly 2.0–2.5%	Mainly 2.0–2.5%

(b) Defined contribution plans

The Company and certain consolidated subsidiaries' contributions for defined contribution plans were ¥761 million ($6,856 thousand) and ¥668 million for the years ended March 31, 2019 and 2018, respectively.

11 Income Taxes

Income taxes applicable to the Company and its domestic consolidated subsidiaries comprise corporation tax, inhabitants tax and enterprise tax that, in the aggregate, resulted in a statutory tax rate of approximately 30.5% and 30.7% for the years ended March 31, 2019 and 2018, respectively.

Income taxes of foreign consolidated subsidiaries are generally based on the tax rates applicable in their countries of incorporation.

(a) Significant components of deferred tax assets and liabilities as of March 31, 2019 and 2018

	Millions of yen		Thousands of U.S. dollars
March 31,	2019	2018	2019
Deferred tax assets:			
Inventories	¥ 341	¥ 184	$ 3,072
Other accounts payable	1,718	1,649	15,478
Allowance for doubtful receivables	649	384	5,847
Provision for employees' bonuses	776	747	6,991
Accrued pension and severance costs	2,542	2,059	22,902
Unrealized profit	601	619	5,414
Loss on impairment of fixed assets	3,943	3,442	35,525
Tax loss carried forward	1,820	3,215	16,397
Other	3,240	2,292	29,191
Gross deferred tax assets:	15,632	14,595	140,841
Valuation allowance for tax loss carryforwards	(1,141)	—	(10,280)
Valuation allowance for deductible temporary differences	(1,976)	—	(17,803)
Valuation allowance	(3,117)	(2,951)	(28,083)
Total deferred tax assets	12,515	11,643	112,757
Deferred tax liabilities:			
Depreciation	(4,900)	(3,860)	(44,148)
Deferred capital gain	(1,367)	(1,370)	(12,316)
Gain on establishment of pension trust fund	(989)	(989)	(8,910)
Unrealized holding gains on securities	(7,679)	(9,248)	(69,186)
Other	(2,459)	(621)	(22,155)
Total deferred tax liabilities	(17,396)	(16,089)	(156,734)
Deferred tax assets (liabilities), net	¥ (4,881)	¥ (4,445)	$ (43,976)

Note

Tax loss carryforwards and its deferred tax assets by expiration periods

As of March 31, 2019 — Millions of yen

	2020	2021	2022	2023	2024	2025 and beyond	Total
Tax loss carryforwards (*1)	¥ 35	¥ 56	¥ 26	¥ 14	—	¥ 1,687	¥ 1,820
Valuation allowance	(35)	(56)	(26)	(12)	—	(1,010)	(1,141)
Net deferred tax assets	—	—	—	¥ 2	—	¥ 676	¥ 678 (*2)

As of March 31, 2019 — Thousands of U.S. dollars

	2020	2021	2022	2023	2024	2025 and beyond	Total
Tax loss carryforwards (*1)	$ 315	$ 504	$ 234	$ 126	—	$15,199	$ 16,397
Valuation allowance	(315)	(504)	(234)	(108)	—	(9,099)	(10,280)
Net deferred tax assets	—	—	—	$ 18	—	$ 6,090	$ 6,108 (*2)

(*1) Tax loss carryforwards shown in the above table is after multiplying the statutory tax rate.

(*2) Deferred tax assets of ¥678 million was recognized for tax loss carryforwards of ¥1,820 million (amount multiplied by the statutory tax rate). No valuation allowance is recognized for the tax loss carryforwards since the amount was determined to be recoverable based on expected future taxable income.

(b) Reconciliation of the difference between the statutory tax rate and the effective tax rate for the years ended March 31, 2019 and 2018

Years ended March 31,	2019	2018
Statutory tax rate	—	30.7%
Adjustments:		
Entertainment and other permanently non-deductible expenses	—	1.0
Dividends and other permanently non-taxable income	—	(0.2)
Per capita inhabitants tax	—	0.2
Special deductions for corporate taxes paid	—	(1.2)
Tax rate differences for consolidated subsidiaries	—	1.2
Amortization of goodwill	—	0.6
Net change in valuation allowance	—	0.9
Other	—	(0.3)
Effective tax rate	—	32.9%

Reconciliation of the difference between the statutory tax rate and the effective tax rate for the year ended March 31, 2019 is not disclosed because the difference between the two tax rates was less than 5% of the statutory tax rate.

12 Capital Surplus and Retained Earnings

The Companies Act of Japan provides that an amount equal to 10% of the amount to be distributed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of common stock. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met, but neither the capital reserve nor the legal reserve is available for distribution.

13 Research and Development Costs

Research and development costs included in cost of sales and selling, general and administrative expenses for the years ended March 31, 2019 and 2018 were ¥3,816 million ($34,381 thousand) and ¥3,772 million, respectively.

14 Leases

(a) Finance leases

Finance leases, except for leases under which the ownership of the leased assets is considered to be transferred to the lessee, whose inception dates were on or before March 31, 2008, are accounted for in the same manner as operating leases. The details are omitted due to immateriality.

(b) Operating leases

Future minimum lease payments as lessee subsequent to March 31, 2019 and 2018 for non-cancelable operating leases are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
March 31,	2019	2018	2019
Within 1 year	¥ 3,420	¥ 3,490	$ 30,813
Over 1 year	13,262	14,300	119,488
	¥16,683	¥17,791	$150,310

15 Contingent Liabilities

The Company and its consolidated subsidiaries had the following contingent liabilities as of March 31, 2019 and 2018:

	Millions of yen		Thousands of U.S. dollars
March 31,	2019	2018	2019
As guarantor of indebtedness of:			
Others	¥ 56	¥ 81	$ 504
Contingent liabilities related to the redemption of corporate bonds by debt assumption	¥30,000	¥30,000	$270,294

16 Amounts Per Share

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during each period. Diluted net income per share has been omitted for the years ended March 31, 2019 and 2018 because no potentially dilutive instruments were outstanding during the years.

Net assets per share are based on the number of shares outstanding at the respective balance sheet dates.

Cash dividends per share represent the cash dividends declared as applicable to the respective years.

	Yen		U.S. dollars
As of and for the years ended March 31,	2019	2018	2019
Net income:			
Basic	¥ 135.39	¥ 123.71	$ 1.21
Net assets	1,382.60	1,292.18	12.45
Cash dividends applicable to the year	41.00	39.00	0.36

17 Financial Instruments

(a) Policy for financial instruments

In light of plans for capital investment, the Company and its subsidiaries mainly raise the funds required through bank loans and bond issuance. The Company and its subsidiaries manage temporary fund surpluses through financial assets that have a high level of liquidity. Further, the Company and its subsidiaries raise short-term working capital through bank loans. Derivative transactions are used in order to mitigate risk as described below, such that speculative transactions are not undertaken, based on the Company's policy.

Trade receivables (trade notes and accounts receivable) are exposed to credit risk in relation to customers. Each operating department and the accounting department of the Company and its subsidiaries perform periodic monitoring of the financial condition of major customers, manage due dates and balances, obtain a prompt understanding and attempt to mitigate the risk of uncollectable receivables in the event of deterioration in customers' financial condition.

Investment securities are exposed to variable risks associated with market prices. The Company and its subsidiaries perform periodic monitoring of the financial condition of the issuers for marketable investment securities. A continuing review of the holding of securities, other than held-to-maturity securities, is performed by taking into consideration the market as well as the relationship with the trading counterparties.

Accounts payable have payment due dates mostly within two months. Loans payable and bonds primarily are raised for capital investment and have payment due dates within six years at the longest.

Derivative transactions consist of foreign exchange forward contracts entered into in order to hedge currency-associated variable risks that arise from foreign currency-denominated operating receivables and payables. Enforcement and management of derivative transactions are performed by obtaining the appropriate personnel approval under the administrative procedures for trading authority and budget limits. Derivative transactions are not subject to significant credit risk since the trading counterparties are limited to financial institutions with high credit ratings. In addition, subsidiaries regularly report the actual results of the derivative transactions to the finance department of the Company.

(b) Fair value of financial instruments

The carrying value on the consolidated balance sheets, fair value and differences between carrying value and fair value for financial instruments as of March 31, 2019 and 2018 are set out below. The following tables do not include financial instruments for which fair values are difficult to determine.

As of March 31, 2019

Millions of yen

	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 30,162	¥ 30,162	¥ —
(2) Trade notes and accounts receivable	60,719	60,719	—
(3) Investment securities	47,416	47,416	—
Total assets	138,298	138,298	—
(1) Trade notes and accounts payable	22,383	22,383	—
(2) Other accounts payable	18,872	18,872	—
(3) Short-term bank loans (*1)	3,487	3,487	—
(4) Long-term bank loans (*1)	13,602	13,654	51
Total liabilities	58,345	58,397	51
Derivatives (*2)	¥ 1,256	¥ 1,256	¥ —

As of March 31, 2019

Thousands of U.S. dollars

	Carrying amount	Fair value	Difference
(1) Cash and deposits	$ 271,754	$ 271,754	$ —
(2) Trade notes and accounts receivable	547,067	547,067	—
(3) Investment securities	427,209	427,209	—
Total assets	1,246,040	1,246,040	—
(1) Trade notes and accounts payable	201,666	201,666	—
(2) Other accounts payable	170,033	170,033	—
(3) Short-term bank loans (*1)	31,417	31,417	—
(4) Long-term bank loans (*1)	122,551	123,020	459
Total liabilities	525,677	526,146	459
Derivatives (*2)	$ 11,316	$ 11,316	$ —

As of March 31, 2018

Millions of yen

	Carrying amount	Fair value	Difference
(1) Cash and deposits	¥ 22,196	¥ 22,196	¥ —
(2) Trade notes and accounts receivable	58,452	58,452	—
(3) Investment securities	55,661	55,661	—
Total assets	136,310	136,310	—
(1) Trade notes and accounts payable	21,535	21,535	—
(2) Other accounts payable	17,737	17,737	—
(3) Short-term bank loans (*1)	3,392	3,392	—
(4) Long-term bank loans (*1)	13,300	13,283	(16)
Total liabilities	55,965	55,948	(16)
Derivatives (*2)	¥ (3,366)	¥ (3,366)	¥ —

(*1) Long-term bank loans include the current portion of long-term debt.
(*2) The carrying amount and fair value of derivative transactions are stated on a net basis. Figures in parentheses represent net liabilities.

Methods for calculating fair values of financial instruments

• Assets

(1) Cash and deposits, (2) Trade notes and accounts receivable

Since these assets are short term in nature, their carrying value approximates fair value.

(3) Investment securities

Since securities such as negotiable certificates of deposit are short term in nature, their carrying value approximates fair value.

The fair value of investment securities is based on the quoted market prices for listed shares.

Unlisted stocks and others with a carrying amount of ¥11,791 million ($106,234 thousand) and ¥12,382 million as of March 31, 2019 and 2018, respectively, are excluded from investment securities in the above table, since they have no market values and their fair values are difficult to determine.

Information on investment securities categorized by holding purpose is set out in Note 6. Fair Value of Securities.

• Liabilities

(1) Trade notes and accounts payable, (2) Other accounts payable, (3) Short-term bank loans

Since these liabilities are short term in nature, their carrying value approximates fair value.

(4) Bonds

Fair value of corporate bonds is determined based on present values calculated by discounting the total principal and interest using interest rates corresponding to the credit risk and remaining period of the bond.

(5) Long-term debt

Fair value of long-term debt is calculated by discounting the total principal and interest using the incremental borrowing rate.

• Derivatives

Information on derivatives is set out in Note 18. Derivatives.

18 Derivatives

Summarized below are the notional amounts and the estimated fair value of the open derivative positions as of March 31, 2019 and 2018:

(a) Hedge accounting not applied

Currency-related transactions

March 31, 2019 — Millions of yen

Classification	Type of transaction	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	¥ 3,563	¥ —	¥ (23)	¥ (23)
	AUD	63	—	(0)	(0)
	JPY	23	—	0	0
	HKD	14	—	(0)	(0)
	Buy:				
	USD	49,001	35,384	1,439	1,439
	EUR	4,563	2,822	(146)	(146)
	GBP	0	—	0	0
	SGD	5,934	4,403	(3)	(3)
	JPY	436	—	(3)	(3)
Total		¥63,600	¥42,610	¥1,261	¥1,261

March 31, 2019 — Thousands of U.S. dollars

Classification	Type of transaction	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	$ 32,101	$ —	$ (207)	$ (207)
	AUD	567	—	(0)	(0)
	JPY	207	—	0	0
	HKD	126	—	(0)	(0)
	Buy:				
	USD	441,490	318,803	12,965	12,965
	EUR	41,111	25,425	(1,315)	(1,315)
	GBP	0	—	0	0
	SGD	53,464	39,670	(27)	(27)
	JPY	3,928	—	(27)	(27)
Total		$573,024	$383,908	$11,361	$11,361

March 31, 2018 — Millions of yen

Classification	Type of transaction	Notional amount	Over 1 year	Fair value	Valuation gain (loss)
Non-market transactions	Forward foreign exchange contracts:				
	Sell:				
	USD	¥ 4,267	¥ —	¥ 1	¥ 1
	EUR	315	—	(0)	(0)
	AUD	49	—	0	0
	SGD	304	—	(0)	(0)
	JPY	19	—	(1)	(1)
	HKD	10	—	0	0
	Buy:				
	USD	51,000	31,253	(3,219)	(3,219)
	EUR	3,856	3,807	59	59
	GBP	179	—	(0)	(0)
	SGD	5,957	5,151	(159)	(159)
	JPY	135	—	(0)	(0)
Total		¥66,096	¥40,212	¥(3,319)	¥(3,319)

Notes
1. Fair value is calculated based on the prices provided by financial institutions.
2. The amounts in the table above include the profit or loss due to eliminating inter-company balances in consolidation.

(b) Hedge accounting applied

Currency-related transactions

March 31, 2019 — Millions of yen

Hedge accounting method	Type of transaction	Hedged item	Notional amount	Over 1 year	Fair value
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:				
	USD	Accounts receivable	¥ 29	¥ —	(Note 2)
	EUR		12	—	(Note 2)
	Buy:				
	USD	Accounts payable	331	—	(Note 2)
	USD	Long-term debt	202	202	(Note 2)
	EUR	Accounts payable	80	—	(Note 2)
	JPY		12	—	(Note 2)
Deferral hedge accounting	Sell:				
	USD	Accounts receivable	18	—	(0)
	Buy:				
	USD	Accounts payable	2,774	—	(3)
	EUR		¥ 120	¥ —	¥(1)

March 31, 2019 — Thousands of U.S. dollars

Hedge accounting method	Type of transaction	Hedged item	Notional amount	Over 1 year	Fair value
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:				
	USD	Accounts receivable	$ 261	$ —	(Note 2)
	EUR		108	—	(Note 2)
	Buy:				
	USD	Accounts payable	2,982	—	(Note 2)
	USD	Long-term debt	1,819	1,819	(Note 2)
	EUR	Accounts payable	720	—	(Note 2)
	JPY		108	—	(Note 2)
Deferral hedge accounting	Sell:				
	USD	Accounts receivable	162	—	(0)
	Buy:				
	USD	Accounts payable	24,993	—	(27)
	EUR		$ 1,081	$ —	$ (9)

March 31, 2018 — Millions of yen

Hedge accounting method	Type of transaction	Hedged item	Notional amount	Over 1 year	Fair value
Currency forward contracts	Forward foreign exchange contracts:				
	Sell:				
	USD	Accounts receivable	¥ 99	¥—	(Note 2)
	Buy:				
	USD	Accounts payable	646	—	(Note 2)
	EUR		49	—	(Note 2)
	SGD		5	—	(Note 2)
	JPY		144	—	(Note 2)
Deferral hedge accounting	Sell:				
	USD	Accounts receivable	13	—	(0)
	Buy:				
	USD	Accounts payable	1,794	—	(46)
	EUR		¥ 2	¥—	¥ (0)

Notes
1. Fair value is calculated based on the prices provided by financial institutions.
2. For certain accounts receivable and accounts payable denominated in foreign currencies for which foreign exchange forward contracts are used to hedge the foreign currency fluctuations, the fair value of derivative financial instruments is included in the fair value of the hedged accounts receivable and accounts payable.

19 Rental Properties

The Company and certain consolidated subsidiaries own a number of commercial facilities including land for rent in Chiba Prefecture and other locations. Net rental income from such rental properties for the years ended March 31, 2019 and 2018 was ¥750 million ($6,757 thousand) and ¥737 million, respectively. The Company recorded ¥294 million ($2,648 thousand) and ¥194 million of gain on sales of rental properties as other income for the years ended March 31, 2019 and 2018, respectively.

The carrying amount and the fair value of such rental properties as of March 31, 2019 and 2018 were as follows:

March 31, 2019 — Millions of yen

Carrying amount			
Beginning of year	Net change during year	End of year	Fair value as of March 31, 2019
¥8,594	¥(50)	¥8,543	¥24,157

March 31, 2019 — Thousands of U.S. dollars

Carrying amount			
Beginning of year	Net change during year	End of year	Fair value as of March 31, 2019
$77,430	$(450)	$76,970	$217,650

March 31, 2018 — Millions of yen

Carrying amount			
Beginning of year	Net change during year	End of year	Fair value as of March 31, 2018
¥10,099	¥(1,505)	¥8,594	¥20,114

Note

The fair value of significant properties is calculated based on the appraisal standard used by real estate appraisers, and the fair value of immaterial properties is calculated based on the value for property tax assessment.

20 Segment Information

(a) Segment information

(1) Overview of reportable segments

Reportable segments are a component or aggregated component for which segment specific financial information is available. The Company's Board of Directors uses this financial information periodically to make decisions on the allocation of management resources and to evaluate business performance.

The Company, as a holding company, mainly plans Group strategy, and manages and controls its subsidiaries. The Company divides its domestic business into manufacturing and sales of foods, and other business. The Company divides its overseas business into manufacturing and sales of foods, and the sales of oriental food products. As a result, the Company identified four reportable segments, which are "Domestic Foods—Manufacturing and Sales," "Domestic Others," "Overseas Foods—Manufacturing and Sales" and "Overseas Foods—Wholesale."

"Domestic Foods—Manufacturing and Sales" includes manufacturing and sales of foods in the domestic market, including soy sauce, beverages and alcoholic beverages.

"Domestic Others" includes manufacturing and sales of pharmaceuticals and chemical products, real estate rental, logistics and back-office operations in the domestic market.

"Overseas Foods—Manufacturing and Sales" includes manufacturing and sales of soy sauce, Del Monte products and health foods in overseas markets, and sales of domestically manufactured products to overseas markets.

"Overseas Foods—Wholesale" includes the purchase of overseas oriental products for sale in domestic and overseas markets and sales of oriental products in domestic and overseas markets.

(2) Methods of calculating amounts for net sales, income or loss, assets, liabilities and other items by reportable segment

Segment income in the following tables is operating income. Intra-group sales and transfers were made based on market prices.

(3) Information on sales, income or loss, assets and other items by reportable segment

As of and for the year ended March 31, 2019

Millions of yen

	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	T otal	Adjustments	Consolidated
Sales and operating income:							
Net sales to third parties	¥172,899	¥ 7,661	¥ 81,325	¥191,679	¥453,565	¥ —	¥453,565
Intra-group sales and transfers	1,755	13,766	12,184	430	28,136	(28,136)	—
Total net sales	174,654	21,427	93,510	192,109	481,701	(28,136)	453,565
Segment income	10,597	1,773	18,745	8,597	39,714	(1,296)	38,417
Segment assets	119,643	22,786	153,594	75,633	371,657	(9,538)	362,119
Other items:							
Depreciation and amortization	6,734	1,284	3,464	1,059	12,542	605	13,148
Amortization of goodwill	543	—	105	32	680	—	680
Increase in property, plant and equipment and intangible assets	¥ 10,601	¥ 1,289	¥ 7,719	¥ 4,515	¥ 24,125	¥ 4,220	¥ 28,346

As of and for the year ended March 31, 2019

Thousands of U.S. dollars

	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
Sales and operating income:							
Net sales to third parties	$1,557,788	$ 69,024	$ 732,723	$1,726,993	$4,086,539	$ —	$4,086,539
Intra-group sales and transfers	15,812	124,029	109,775	3,874	253,500	(253,500)	—
Total net sales	1,573,601	193,053	842,508	1,730,867	4,340,039	(253,500)	4,086,539
Segment income	95,477	15,974	168,889	77,457	357,816	(11,676)	346,130
Segment assets	1,077,961	205,297	1,383,854	681,439	3,348,562	(85,935)	3,262,627
Other items:							
Depreciation and amortization	60,672	11,568	31,210	9,541	113,001	5,450	118,461
Amortization of goodwill	4,892	—	946	288	6,126	—	6,126
Increase in property, plant and equipment and intangible assets	$ 95,513	$ 11,613	$ 69,546	$ 40,679	$ 217,361	$ 38,021	$ 255,392

Notes

Adjustments are as follows:

(1) Adjustments of ¥(1,296) million ($(11,676) thousand) in segment income mainly represent expenses relating to the corporate division of the Company, which totaled ¥(1,142) million ($(10,289) thousand).

(2) Adjustments of ¥(9,538) million ($(85,935) thousand) in segment assets represent the elimination of intersegment assets and assets relating to the corporate division of the Company, which totaled ¥121,335 million ($1,093,206 thousand). Assets relating to the corporate division of the Company consist mainly of cash and deposits and investment securities.

(3) Adjustments of ¥605 million ($5,450 thousand) in depreciation and amortization consist of depreciation of assets relating to the corporate division of the Company.

(4) Adjustments of ¥4,220 million ($38,021 thousand) in increase in property, plant and equipment and intangible assets consist of asset acquisitions of the corporate division of the Company.

As of and for the year ended March 31, 2018 — Millions of yen

	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
Sales and operating income:							
Net sales to third parties	¥170,907	¥ 7,579	¥ 78,043	¥174,072	¥430,602	¥ —	¥430,602
Intra-group sales and transfers	1,529	13,570	11,410	384	26,895	(26,895)	—
Total net sales	172,437	21,149	89,453	174,457	457,498	(26,895)	430,602
Segment income	10,385	1,465	17,791	8,166	37,809	(1,307)	36,502
Segment assets	117,882	22,417	141,862	67,995	350,158	(6,229)	343,929
Other items:							
Depreciation and amortization	6,275	1,235	3,664	1,062	12,237	785	13,023
Amortization of goodwill	543	—	108	—	651	—	651
Increase in property, plant and equipment and intangible assets	¥ 7,563	¥ 1,464	¥ 5,124	¥ 3,470	¥ 17,622	¥ 558	¥ 18,180

Notes
1. Adjustments are as follows:
   (1) Adjustments of ¥(1,307) million in segment income mainly represent expenses relating to the corporate division of the Company, which totaled ¥(1,163) million.
   (2) Adjustments of ¥(6,229) million in segment assets represent the elimination of intersegment assets and assets relating to the corporate division of the Company, which totaled ¥117,850 million. Assets relating to the corporate division of the Company consist mainly of cash and deposits and investment securities.
   (3) Adjustments of ¥785 million in depreciation and amortization consist of depreciation of assets relating to the corporate division of the Company.
   (4) Adjustments of ¥558 million in increase in property, plant and equipment and intangible assets consist of asset acquisitions of the corporate division of the Company.
2. "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28, February 16, 2018) has been applied from the start of the first quarter of fiscal 2019 (the year ending March 31, 2019). Figures as of the end of the previous consolidated fiscal year have been retroactively adjusted for comparison.

(b) Related information

Information by geographical area

For the year ended March 31, 2019 — Millions of yen

Sales	Japan	North America	Other	Total
Amount	¥185,101	¥194,323	¥74,140	¥453,565

For the year ended March 31, 2019 — Thousands of U.S. dollars

Sales	Japan	North America	Other	Total
Amount	$1,667,726	$1,750,815	$667,988	$4,086,539

For the year ended March 31, 2018 — Millions of yen

Sales	Japan	North America	Other	Total
Amount	¥180,091	¥182,257	¥68,254	¥430,602

Note: Sales are based on the location of customers and are classified by country or region.
Note: "North America" is managed as one region. As it is difficult to classify sales to third parties by individual country, the sales amount for each country is not disclosed.

As of March 31, 2019 — Millions of yen

Property, plant and equipment	Japan	United States	Other	Total
Net book value	¥75,876	¥33,363	¥14,149	¥123,390

As of March 31, 2019 — Thousands of U.S. dollars

Property, plant and equipment	Japan	United States	Other	Total
Net book value	$683,629	$300,594	$127,479	$1,111,721

As of March 31, 2018 — Millions of yen

Property, plant and equipment	Japan	United States	Other	Total
Net book value	¥70,825	¥25,224	¥14,071	¥110,121

Information regarding loss on impairment of fixed assets by reportable segment

For the year ended March 31, 2019 — Millions of yen

	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
Impairment loss	¥2,378	¥—	¥—	¥—	¥2,378	¥—	¥2,378

For the year ended March 31, 2019 — Thousands of U.S. dollars

	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
Impairment loss	$21,425	$—	$—	$—	$21,425	$—	$21,425

For the year ended March 31, 2018 — Millions of yen

	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
Impairment loss	¥—	¥50	¥90	¥—	¥141	¥—	¥141

Information regarding the balance of goodwill by reportable segment

As of March 31, 2019 — Millions of yen

	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
Goodwill ending balance	¥3,320	¥—	¥1,069	¥579	¥4,969	¥—	¥4,969

As of March 31, 2019 — Thousands of U.S. dollars

	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
Goodwill ending balance	$29,912	$—	$9,631	$5,216	$44,769	$—	$44,769

As of March 31, 2018 — Millions of yen

	Domestic Foods—Manufacturing and Sales	Domestic Others	Overseas Foods—Manufacturing and Sales	Overseas Foods—Wholesale	Total	Adjustments	Consolidated
Goodwill ending balance	¥3,863	¥—	¥1,218	¥—	¥5,081	¥—	¥5,081

Information regarding amortization of goodwill is omitted, since this information was disclosed in (a) (3). Information on sales, income or loss, assets and other items by reportable segment.

21 Related Party Transactions

Transactions with related parties

(1) Transactions between the Company and related parties

There are no applicable matters to be reported.

(2) Transactions between the Company's subsidiaries and related parties

Officers and major shareholders of the Company, etc.

As of and for the year ended March 31, 2019

			Millions of yen		%			Millions of yen		
Category	Name	Location	Paid-in capital or investment	Business/ Position	Share of voting rights (shares owned)	Relationship with related parties	Nature of transactions	Transaction value	Item	Year-end balance
Officer	Noriaki Horikiri	—	—	President & CEO	0.4	Land rent	Land rent	¥11	Other accounts payable	¥2

As of and for the year ended March 31, 2019

			Thousands of U.S. dollars		%			Thousands of U.S. dollars		
Category	Name	Location	Paid-in capital or investment	Business/ Position	Share of voting rights (shares owned)	Relationship with related parties	Nature of transactions	Transaction value	Item	Year-end balance
Officer	Noriaki Horikiri	—	—	President & CEO	0.4	Land rent	Land rent	$99	Other accounts payable	$18

Notes:
1. Consumption tax is not included in "Transaction value" but is included in "Year-end balance."
2. The Company decides the land rent based on the market rents in the area.

As of and for the year ended March 31, 2018

			Millions of yen		%			Millions of yen		
Category	Name	Location	Paid-in capital or investment	Business/ Position	Share of voting rights (shares owned)	Relationship with related parties	Nature of transactions	Transaction value	Item	Year-end balance
Officer	Noriaki Horikiri	—	—	President & CEO	0.4	Land rent	Land rent	¥10	Other accounts payable	¥2

Notes:
1. Consumption tax is not included in "Transaction value" but is included in "Year-end balance."
2. The Company decides the land rent based on the market rents in the area.

Independent Auditor's Report

The Board of Directors
KIKKOMAN CORPORATION

We have audited the accompanying consolidated financial statements of KIKKOMAN CORPORATION and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2019, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KIKKOMAN CORPORATION and its consolidated subsidiaries at March 31, 2019, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 25, 2019
Tokyo, Japan

seasoning your life

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