

## Translation

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November 12, 2019

# CONSOLIDATED FINANCIAL RESULTS for the First Six Months of the Fiscal Year Ending March 31, 2020 <under Japanese GAAP>

Company name: **TOMY COMPANY, LTD.**  
 Listing: First Section of the Tokyo Stock Exchange  
 Securities identification code: 7867  
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Scheduled date to file quarterly securities report: November 13, 2019  
 Scheduled date to commence dividend payments: December 12, 2019  
 Supplementary material on quarterly financial results: Yes  
 Quarterly financial results presentation meeting: Yes (for institutional investors and analysts)

(in millions of yen with fractional amounts discarded, unless otherwise noted)

## 1. Consolidated performance for the first six months of the fiscal year ending March 31, 2020 (From April 1, 2019 to September 30, 2019)

### (1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

Six months ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2019	83,092	(6.8)	5,826	(17.6)	5,389	(26.6)	4,189	(15.4)
September 30, 2018	89,125	1.3	7,072	7.6	7,343	14.4	4,951	17.2

Note: Comprehensive income  
 Six months ended September 30, 2019: 3,566 million yen [ (58.3)%]  
 Six months ended September 30, 2018: 8,551 million yen [ 88.4%]

Six months ended	Basic earnings per share	Diluted earnings per share
	yen	yen
September 30, 2019	43.95	43.90
September 30, 2018	52.17	51.99

### (2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	yen
September 30, 2019	142,743	69,138	47.9	717.46
March 31, 2019	143,364	67,315	46.5	700.26

Reference: Equity  
 As of September 30, 2019: 68,441 million yen  
 As of March 31, 2019: 66,692 million yen

## 2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Year-end	Total
	yen	yen	yen	yen	yen
Fiscal year ended March 31, 2019	–	7.00	–	17.00	24.00
Fiscal year ending March 31, 2020	–	15.00			
Fiscal year ending March 31, 2020 (Forecast)			–	15.00	30.00

- Notes: 1. Revisions to the cash dividend forecasts most recently announced: None  
 2. Breakdown of year-end dividend for the fiscal year ended March 31, 2019: ordinary dividend 7.00 yen, commemorative dividend 10.00 yen

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Fiscal year ending March 31, 2020	180,000	1.8	14,500	0.6	14,400	0.7	9,500	2.1	99.93

Note: Revisions to the consolidated earnings forecasts most recently announced: None

\* **Notes**

(1) **Changes in significant subsidiaries during the six months under review** (changes in specified subsidiaries resulting in the change in scope of consolidation): None

(2) **Application of specific accounting for preparing quarterly consolidated financial statements:**  
Yes

Note: For more details, please refer to the section of “(4) Notes Regarding Consolidated Financial Statements, (Application of specific accounting for preparing quarterly consolidated financial statements)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 15 of the attached material.

(3) **Changes in accounting policies, changes in accounting estimates, and restatement**

A. Changes in accounting policies due to revisions to accounting standards: Yes

B. Changes in accounting policies due to other reasons: None

C. Changes in accounting estimates: None

D. Restatement: None

Note: For more details, please refer to the section of “(4) Notes Regarding Consolidated Financial Statements, (Changes in accounting policies)” of “2. Consolidated Financial Statements and Significant Notes Thereto” on page 15 of the attached material.

(4) **Number of issued shares (common shares)**

A. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2019	96,290,850 shares
As of March 31, 2019	96,290,850 shares

B. Number of treasury shares at the end of the period

As of September 30, 2019	896,461 shares
As of March 31, 2019	1,051,473 shares

C. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2019	95,327,918 shares
Six months ended September 30, 2018	94,910,366 shares

\* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or audit corporation.

[Attached Material]

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## 1. Qualitative Information Regarding Consolidated Operating Results

### (1) Explanation of Operating Results

(Highlights of First Six Months of the Fiscal Year Ending March 31, 2020)

- Net sales were ¥83,092 million (down 6.8% year on year). These results reflected a decrease in sales of BEYBLADE BURST, and weak orders for OEM products at domestic subsidiaries, although there was strong growth in sales of long-standing products such as the TOMICA brand along with L.O.L. SURPRISE!, and products related to the DISNEY / PIXAR animation movie Toy Story 4.
- Operating profit was ¥5,826 million (down 17.6% year on year), which was on a par with the level forecasted at the beginning of the fiscal year (¥6,000 million). This was mainly attributable to a decrease in gross profit due to the decline in net sales as well as the ongoing important upfront investment into advertising and research and development, and despite an overall decline in selling, general and administrative expenses.
- Ordinary profit was ¥5,389 million (down 26.6% year on year). This was mainly attributable to the decline in operating profit and the recording of foreign exchange losses. Profit attributable to owners of parent was ¥4,189 million (down 15.4% year on year).
- In Japan, sales were strong for single-pack TOMICA vehicles and TOMICA PREMIUM for adults, among others, and PLARAIL series recorded robust sales, partly reflecting the effect of various events for the 60th anniversary of sales. In addition, ZOIDS WILD, which has a dinosaur and animal theme, has gained popularity since it commenced in June 2018, while sales of products related to the popular online game FORTNITE also started in September this year. The photogenic surprise doll L.O.L. SURPRISE! remained strong, and sales of products related to the DISNEY / PIXAR animation movie Toy Story 4 performed briskly. Sales of BEYBLADE BURST, which has been on sale for five years as of this year, declined year on year despite maintaining better levels than expected and enjoying long-lasting popularity. Overseas-bound exports of TRANSFORMERS declined from the reactionary drop in sales of movie-related products in the same period of the previous fiscal year, while orders for OEM products at T-ARTS Company, Ltd. were weak. In September, we launched RIZMO, which was planned and developed as a new globally-strategic merchandise. We also announced the distribution this winter of the card game app DUEL MASTERS PLAY'S for smartphone, as a full-scale game app.
- In the TOMY International Group, we proceeded with the roll-out of the globally large-scale product RIZMO, which was planned and developed in conjunction with Japan, as well as new product lines. Net sales declined, partly reflecting the end of sales of character-related toys that had been sold until the first quarter of the previous year.

(Overview of Reportable Segments)

<Overview of operating results by segment>

(Millions of yen)

		First six months of the fiscal year ended March 31, 2019	First six months of the fiscal year ending March 31, 2020	Change	Rate of change (%)
Net sales		89,125	83,092	(6,033)	(6.8)
	Japan	74,616	71,171	(3,445)	(4.6)
	Americas	9,735	8,634	(1,101)	(11.3)
	Europe	2,857	2,683	(173)	(6.1)
	Oceania	957	752	(205)	(21.4)
	Asia (excl. Japan)	29,709	29,982	273	0.9
	Eliminations and corporate	(28,751)	(30,132)	(1,380)	–
Operating profit/(loss)		7,072	5,826	(1,245)	(17.6)
	Japan	8,119	6,902	(1,217)	(15.0)
	Americas	(31)	(35)	(3)	–
	Europe	(321)	(145)	176	–
	Oceania	25	(63)	(88)	–
	Asia (excl. Japan)	523	733	209	39.9
	Eliminations and corporate	(1,244)	(1,565)	(321)	–

## Japan

(Millions of yen)

	First six months of the fiscal year ended March 31, 2019	First six months of the fiscal year ending March 31, 2020	Change
Net sales	74,616	71,171	(3,445)
Operating profit	8,119	6,902	(1,217)

Net sales in Japan for the first six months of the fiscal year were ¥71,171 million (down 4.6% year on year), while operating profit was ¥6,902 million (down 15.0% year on year).

In the long-standing TOMICA brand, sales were strong in areas such as single-pack TOMICA vehicles, which enhanced the product repertoire such as with the commercialization of popular overseas car models, and for the TOMICA PREMIUM line of highly detailed collectible models for adults, which marks its fifth anniversary this year. In addition, we undertook proactive initiatives in various marketing events associated with the 60th anniversary of PLARAIL, which was launched in 1959. Sales were robust due to the popularity of 60th anniversary commemorative edition products.

In products for boys, together with the popularity for the in-house content ZOIDS WILD, which has a dinosaur and animal theme and has now been on the market for a year since it was launched in June 2018, sales of products related to the globally popular online game FORTNITE commenced from September this year.

In products for girls, the photogenic surprise doll L.O.L. SURPRISE! continued to sell favorably due to the effects of marketing using social media, and products related to the third series of the Secret×Heroine Phantomirage! TV drama for young girls garnered popularity.

In preschool products, sales of products related to the TV animation series PAW PATROL, which is very popular overseas and for which we acquired the sales rights in Japan, commenced from May and enjoyed popularity.

For Toy Story 4, a DISNEY / PIXAR animation movie released in July, related products such as movie character figures, plush toys and GACHA capsule toys were launched across the Group and have sold favorably.

At T-ARTS Company, Ltd., the amusement machine Pokémon Ga-Olé continued to be well received.

In September, we launched RIZMO, a surprise pet that “evolves” through sound, which was planned and developed as a new globally-strategic merchandise. We also announced the distribution this winter of the card game app DUEL MASTERS PLAY’S for smartphone, as a full-scale game app.

On the other hand, sales of BEYBLADE BURST, which has been on sale for five years as of this year, declined year on year despite maintaining better levels than expected and enjoying long-lasting popularity. Overseas-bound exports of TRANSFORMERS declined from the reactionary drop in sales of movie-related products in the same period of the previous fiscal year, while orders for OEM products at T-ARTS Company, Ltd. were weak.

## Americas

(Millions of yen)

	First six months of the fiscal year ended March 31, 2019	First six months of the fiscal year ending March 31, 2020	Change
Net sales	9,735	8,634	(1,101)
Operating loss	(31)	(35)	(3)

Net sales in the Americas were ¥8,634 million (down 11.3% year on year), while operating loss was ¥35 million, compared with an operating loss of ¥31 million in the same period a year earlier. The decline in net sales partly reflects the end of sales of character-related toys that had been sold until the first quarter of the previous year and a decrease in sales of baby products. RIZMO, a surprise pet for children to take care of that “evolves” through sound, which was planned and developed in conjunction with TOMY Company, Ltd. as a new product to be rolled out globally, was launched in September. We have been actively marketing ahead of the product’s full-scale roll-out in the second half of the year. In addition, we

continued to market the plush toy MOCCHI- MOCCHI- (overseas product name: Club Mocchi- Mocchi-) which is also sold in Japan and it has been well received.

## Europe

(Millions of yen)

	First six months of the fiscal year ended March 31, 2019	First six months of the fiscal year ending March 31, 2020	Change
Net sales	2,857	2,683	(173)
Operating loss	(321)	(145)	176

Net sales in Europe were ¥2,683 million (down 6.1% year on year), while operating loss was ¥145 million, compared with an operating loss of ¥321 million in the same period a year earlier. The decline in net sales partly reflects the end of sales of character-related toys that had been sold until the first quarter of the previous fiscal year. The operating loss reflects the absence of discount sales for certain products in the same period of the previous fiscal year. For Europe as well, we commenced sales of the original global item RIZMO, a surprise pet for children to take care of, from September and rolled it out in nine countries including the UK, France and Germany. In addition, we rolled out DRUMOND PARK, for which we acquired the sales rights for board games, while sales of agricultural machinery toys trended strongly.

## Oceania

(Millions of yen)

	First six months of the fiscal year ended March 31, 2019	First six months of the fiscal year ending March 31, 2020	Change
Net sales	957	752	(205)
Operating profit/(loss)	25	(63)	(88)

Net sales in the Oceania were ¥752 million (down 21.4% year on year), while operating loss was ¥63 million, compared with an operating profit of ¥25 million in the same period a year earlier. The decline in net sales reflects the end of sales of character-related toys that had been sold until the first quarter of the previous year. Together with the launch of the global item RIZMO from September, sales trended strongly for agricultural machinery toys.

## Asia (excl. Japan)

(Millions of yen)

	First six months of the fiscal year ended March 31, 2019	First six months of the fiscal year ending March 31, 2020	Change
Net sales	29,709	29,982	273
Operating profit	523	733	209

Net sales in Asia (excl. Japan) were ¥29,982 million (up 0.9% year on year), while operating profit was ¥733 million (up 39.9% year on year). The increase in net sales partly reflects the fact that manufacturing subsidiary TOMY (Hong Kong) Ltd. saw an increase in shipments. Sales of the next-generation spinning-top battle toy BEYBLADE BURST, which had been particularly popular in South Korea in the same period of the previous fiscal year, declined year on year, but sales of single-pack products such as Dream TOMICA trended strongly due to enhanced marketing such as events for products in the long-standing TOMICA brand. In addition, sales of toys related to the DISNEY / PIXAR animation movie Toy Story 4, which was released at the beginning of summer, have been well received. We have continued to roll out broadcasts of the TV animation series ZOIDS WILD and SHINKALION, and related products have been popular. In September, we commenced the roll-out of the global item RIZMO in more than 10 countries and regions including South Korea, Hong Kong, Taiwan and China.



## (2) Overview of Financial Position

### Assets, Liabilities and Net Assets

#### <Assets>

At the end of the second quarter of the fiscal year ending March 31, 2020, current assets stood at ¥95,297 million, up ¥1,182 million from the end of the previous fiscal year ended March 31, 2019. This is mainly attributable to increases in notes and accounts receivable - trade and merchandise and finished goods, despite a decrease in cash and deposits.

Non-current assets stood at ¥47,446 million, down ¥1,803 million from the end of the previous fiscal year. This is mainly attributable to decreases in property, plant and equipment and intangible assets.

#### <Liabilities>

At the end of the second quarter, current liabilities stood at ¥58,393 million, down ¥925 million from the end of the previous fiscal year. This is mainly attributable to decreases in accounts payable - other and income taxes payable, despite an increase in notes and accounts payable - trade.

Non-current liabilities stood at ¥15,211 million, down ¥1,519 million from the end of the previous fiscal year. This is mainly attributable to decreases in long-term borrowings, lease obligations and deferred tax liabilities.

#### <Net assets>

At the end of the second quarter, total net assets were ¥69,138 million, up ¥1,823 million from the end of the previous fiscal year. This is mainly attributable to increases in retained earnings and valuation difference on available-for-sale securities, despite a decrease in foreign currency translation adjustment.

### Cash Flows

Cash and cash equivalents (hereafter “cash”) at the end of the second quarter of the fiscal year ending March 31, 2020 was ¥42,547 million, a decrease of ¥11,270 million compared with the end of the previous fiscal year ended March 31, 2019.

Net cash used in operating activities was ¥4,539 million, compared with ¥4,008 million provided by the same period a year earlier. The main factors are an increase in trade receivables of ¥7,561 million and an increase in inventories of ¥5,903 million, despite profit before income taxes of ¥5,599 million and an increase in trade payables of ¥3,855 million.

Net cash used in investing activities was ¥1,630 million, compared with ¥2,494 million used in the same period a year earlier. The main factors are purchase of intangible assets of ¥827 million and purchase of property, plant and equipment of ¥731 million.

Net cash used in financing activities was ¥4,766 million, compared with ¥2,149 million used in the same period a year earlier. The main factors are repayments of finance lease obligations of ¥1,763 million, dividends paid of ¥1,613 million and repayments of long-term borrowings of ¥1,142 million.

## (3) Explanation of Consolidated Earnings Forecasts and Other Forward-looking Statements

No changes have been made to the earnings forecasts that were announced on May 10, 2019.

## 2. Consolidated Financial Statements and Significant Notes Thereto

### (1) Consolidated Balance Sheet

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Assets</b>		
Current assets		
Cash and deposits	53,919	42,652
Notes and accounts receivable - trade	20,342	27,635
Merchandise and finished goods	12,487	18,064
Work in process	476	429
Raw materials and supplies	1,175	1,215
Other	5,901	5,518
Allowance for doubtful accounts	(187)	(218)
Total current assets	94,115	95,297
Non-current assets		
Property, plant and equipment		
Buildings and structures	12,602	12,599
Accumulated depreciation	(8,087)	(8,218)
Accumulated impairment loss	(371)	(365)
Buildings and structures, net	4,144	4,015
Machinery, equipment and vehicles	2,546	2,576
Accumulated depreciation	(1,863)	(1,927)
Accumulated impairment loss	(17)	(17)
Machinery, equipment and vehicles, net	666	631
Tools, furniture and fixtures	22,825	22,929
Accumulated depreciation	(20,707)	(21,001)
Accumulated impairment loss	(677)	(615)
Tools, furniture and fixtures, net	1,439	1,312
Land	3,905	3,902
Leased assets	8,523	7,316
Accumulated depreciation	(4,604)	(3,467)
Accumulated impairment loss	(0)	(273)
Leased assets, net	3,919	3,575
Construction in progress	275	299
Total property, plant and equipment	14,349	13,737
Intangible assets		
Goodwill	17,373	16,194
Other	10,324	9,906
Total intangible assets	27,698	26,100
Investments and other assets		
Investment securities	3,245	3,666
Deferred tax assets	1,710	1,690
Other	2,611	2,278
Allowance for doubtful accounts	(364)	(27)
Total investments and other assets	7,202	7,608
Total non-current assets	49,249	47,446
Total assets	143,364	142,743

(Millions of yen)

	As of March 31, 2019	As of September 30, 2019
<b>Liabilities</b>		
Current liabilities		
Notes and accounts payable - trade	9,490	13,232
Short-term borrowings	7,250	6,427
Current portion of long-term borrowings	19,285	19,285
Lease obligations	2,851	2,759
Accounts payable - other	8,221	6,604
Accrued expenses	7,930	7,239
Income taxes payable	3,030	1,822
Provisions	433	320
Other	824	701
Total current liabilities	59,319	58,393
Non-current liabilities		
Long-term borrowings	8,929	7,786
Lease obligations	1,386	1,322
Deferred tax liabilities	1,056	727
Deferred tax liabilities for land revaluation	472	472
Provisions	522	538
Retirement benefit liability	2,754	2,722
Other	1,610	1,641
Total non-current liabilities	16,730	15,211
Total liabilities	76,049	73,605
<b>Net assets</b>		
Shareholders' equity		
Share capital	3,459	3,459
Capital surplus	9,152	9,168
Retained earnings	43,818	46,092
Treasury shares	(687)	(586)
Total shareholders' equity	55,743	58,134
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,179	1,462
Deferred gains or losses on hedges	434	213
Revaluation reserve for land	624	624
Foreign currency translation adjustment	9,505	8,753
Remeasurements of defined benefit plans	(793)	(745)
Total accumulated other comprehensive income	10,949	10,307
Share acquisition rights	211	267
Non-controlling interests	410	429
Total net assets	67,315	69,138
Total liabilities and net assets	143,364	142,743

**(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income  
(Consolidated statement of income)**

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Net sales	89,125	83,092
Cost of sales	53,116	48,946
Gross profit	36,008	34,145
Selling, general and administrative expenses	28,936	28,319
Operating profit	7,072	5,826
Non-operating income		
Interest and dividend income	112	126
Foreign exchange gains	253	–
Rental income	74	70
Other	142	48
Total non-operating income	583	246
Non-operating expenses		
Interest expenses	181	126
Foreign exchange losses	–	460
Other	129	95
Total non-operating expenses	311	682
Ordinary profit	7,343	5,389
Extraordinary income		
Gain on sales of non-current assets	3	–
Gain on sale of receivables	–	23
Gain on reversal of share acquisition rights	16	1
Gain on sales of investments in capital	165	–
Received settlement fee	–	188
Total extraordinary income	185	213
Extraordinary losses		
Loss on retirement of non-current assets	7	3
Impairment loss	99	–
Other	–	0
Total extraordinary losses	106	3
Profit before income taxes	7,422	5,599
Income taxes	2,452	1,391
Profit	4,970	4,207
Profit attributable to non-controlling interests	19	18
Profit attributable to owners of parent	4,951	4,189

**(Consolidated statement of comprehensive income)**

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
Profit	4,970	4,207
Other comprehensive income		
Valuation difference on available-for-sale securities	168	283
Deferred gains or losses on hedges	913	(221)
Foreign currency translation adjustment	2,501	(751)
Remeasurements of defined benefit plans, net of tax	(3)	47
Total other comprehensive income	3,580	(641)
Comprehensive income	8,551	3,566
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	8,531	3,547
Comprehensive income attributable to non-controlling interests	19	19

**(3) Consolidated Statement of Cash Flows**

(Millions of yen)

	Six months ended September 30, 2018	Six months ended September 30, 2019
<b>Cash flows from operating activities</b>		
Profit before income taxes	7,422	5,599
Depreciation	3,388	3,463
Impairment loss	99	–
Amortization of goodwill	714	703
Gain on reversal of share acquisition rights	(16)	(1)
Gain on sales of investments in capital	(165)	–
Received settlement fee	–	(188)
Increase (decrease) in allowance for doubtful accounts	(40)	(287)
Increase (decrease) in provision	(165)	(85)
Increase (decrease) in retirement benefit liability	(23)	21
Interest and dividend income	(112)	(126)
Interest expenses	181	126
Foreign exchange losses (gains)	(54)	319
Loss (gain) on sales of property, plant and equipment	(3)	0
Decrease (increase) in trade receivables	(5,451)	(7,561)
Decrease (increase) in inventories	(2,061)	(5,903)
Decrease (increase) in prepaid expenses	(725)	(268)
Increase (decrease) in trade payables	3,816	3,855
Increase (decrease) in accounts payable - other	319	(1,667)
Increase (decrease) in accrued expenses	(1,016)	(501)
Other, net	(488)	493
Subtotal	5,618	(2,007)
Interest and dividends received	111	128
Interest paid	(182)	(146)
The receipt of settlement fee	–	188
Income taxes paid	(1,539)	(2,702)
Net cash provided by (used in) operating activities	4,008	(4,539)
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,960)	(731)
Purchase of intangible assets	(660)	(827)
Proceeds from sales of investments in capital	165	–
Other, net	(38)	(71)
Net cash provided by (used in) investing activities	(2,494)	(1,630)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	609	(461)
Repayments of long-term borrowings	(1,531)	(1,142)
Dividends paid	(658)	(1,613)
Repayments of finance lease obligations	(1,606)	(1,763)
Proceeds from disposal of treasury shares	526	101
Proceeds from sale and leaseback transactions	511	158
Other, net	(1)	(45)
Net cash provided by (used in) financing activities	(2,149)	(4,766)
Effect of exchange rate change on cash and cash equivalents	433	(333)
Net increase (decrease) in cash and cash equivalents	(202)	(11,270)
Cash and cash equivalents at beginning of period	46,206	53,817
Cash and cash equivalents at end of period	46,003	42,547

#### **(4) Notes Regarding Consolidated Financial Statements**

(Notes regarding assumption of going concern)

Nothing to note.

(Notes on significant changes in the amount of shareholders' equity)

Nothing to note.

(Application of specific accounting for preparing quarterly consolidated financial statements)

##### *Tax expense calculation*

Tax expenses on profit before income taxes for the six months under review are calculated by multiplying profit before income taxes for the six months under review by the reasonably estimated effective tax rate for the fiscal year including the second quarter under review after applying tax effect accounting.

(Changes in accounting policies)

##### *Application of ASU 2014-09 Revenue from Contracts with Customers*

At consolidated subsidiaries outside Japan adopting US GAAP, ASU 2014-09 Revenue from Contracts with Customers has been applied effective the first three months of the fiscal year ending March 31, 2020. Due to this application, these subsidiaries now recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The effect of applying this accounting standard on the consolidated financial statements for the first six months ended September 30, 2019 is immaterial.

##### *Application of IFRS 16 "Leases"*

At consolidated subsidiaries outside Japan adopting IFRS, IFRS 16 "Leases" (hereinafter "IFRS 16") has been applied from the first three months of the fiscal year ending March 31, 2020. Due to this application, lessees, in principle, record all leases as assets and liabilities on the balance sheets. In applying IFRS 16, the relevant items are subject to transitional measures, and the cumulative effect of accounting change is recorded in the opening balance of retained earnings for the first three months of the fiscal year ending March 31, 2020.

As a result, as of September 30, 2019, the end of the first six months of the fiscal year ending March 31, 2020, "leased assets, net" in property, plant and equipment increased by ¥27 million, "lease obligations" in current liabilities increased by ¥87 million and "lease obligations" in non-current liabilities increased by ¥198 million. The impact on profit/loss during the first six months was immaterial. In addition, the opening balance of retained earnings decreased by ¥296 million. In the consolidated statement of cash flows, there was a decrease in cash outflow from operating activities of ¥43 million and an increase in cash outflow from financing activities of ¥43 million.

## Segment information

### I. First six months of the fiscal year ended March 31, 2019 (April 1, 2018 to September 30, 2018)

#### 1. Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

	Japan	Americas	Europe	Oceania	Asia (excl. Japan)	Total
Net sales						
External customers	68,764	9,685	2,838	920	6,917	89,125
Inter-segment sales and transfers	5,852	50	19	37	22,792	28,751
Total	74,616	9,735	2,857	957	29,709	117,877
Segment profit (loss)	8,119	(31)	(321)	25	523	8,316

#### 2. Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income and details thereof (Reconciliation)

(Millions of yen)

Profit	Amount
Reportable segments total	8,316
Inter-segment eliminations	183
Corporate expenses (Note)	(1,427)
Operating profit on the quarterly consolidated statement of income	7,072

(Note) Corporate expenses primarily comprise selling, general and administrative expenses not allocable to reportable segments.

#### 3. Regional information

(Millions of yen)

	Japan	North America		Other	Total
			U.S.		
Net sales	56,161	16,794	15,542	16,168	89,125

(Note) Net sales are categorized into a country or region based on the customer's location.



## II. First six months of the fiscal year ending March 31, 2020 (April 1, 2019 to September 30, 2019)

### 1. Information regarding net sales and profit or loss by reportable segment

(Millions of yen)

	Japan	Americas	Europe	Oceania	Asia (excl. Japan)	Total
Net sales						
External customers	65,056	8,603	2,683	752	5,995	83,092
Inter-segment sales and transfers	6,114	30	–	–	23,987	30,132
Total	71,171	8,634	2,683	752	29,982	113,224
Segment profit (loss)	6,902	(35)	(145)	(63)	733	7,391

### 2. Differences between the total amount of profit or loss in reportable segments and the amount recorded on the quarterly consolidated statement of income and details thereof (Reconciliation)

(Millions of yen)

Profit	Amount
Reportable segments total	7,391
Inter-segment eliminations	96
Corporate expenses (Note)	(1,661)
Operating profit on the quarterly consolidated statement of income	5,826

(Note) Corporate expenses primarily comprise selling, general and administrative expenses not allocable to reportable segments.

### 3. Regional information

(Millions of yen)

	Japan	North America		Other	Total
			U.S.		
Net sales	54,208	14,575	13,466	14,308	83,092

(Note) Net sales are categorized into a country or region based on the customer's location.