

**Suntory Holdings Limited**

August 7, 2018

**SUMMARY OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2018 [IFRS] (English Translation, UNAUDITED)**

Company Name: Suntory Holdings Limited  
 (URL: <https://www.suntory.com/>)  
 Representative: Takeshi Niinami, President  
 Contact: Toru Niwa, Head of Public Relations  
 Public Relations Office: Tel:+81(0)3 5579-1150  
 Tel:+81(0)6 6346-0835

(Fractions of millions have been truncated)

**1. Consolidated operating results and financial positions for the six months of the current fiscal year (January 1, 2018 - June 30, 2018)**

(1) Operating results (% figures represent change from the same period of the previous fiscal year)

	Revenue (including excise taxes)		Revenue (excluding excise taxes)		Operating income		Profit before income taxes		Profit for the period		Profit attributable to owners of the parent	
	¥million	%	¥million	%	¥million	%	¥million	%	¥million	%	¥million	%
Six months ended												
June 30, 2018	1,189,390	3.3	1,065,179	3.7	123,132	5.0	115,944	11.2	95,861	31.8	74,792	36.9
June 30, 2017	1,151,029	—	1,027,125	—	117,262	—	104,244	—	72,720	—	54,620	—

Reference: Adjusted operating income for the fiscal year ending June 30, 2018 111,255¥million  $\triangle 6.5\%$   
 Adjusted operating income for the fiscal year ending June 30, 2017 118,928¥million  $-\%$   
 Adjusted operating income was calculated as operating income excluding non-recurring items.

	Earnings per share attributable to owners of the parent (basic)	Earnings per share attributable to owners of the parent (diluted)
Six months ended	¥	¥
June 30, 2018	109 .08	—
June 30, 2017	79 .76	—

**(2) Financial positions**

	Total assets	Total equity	Equity attributable to owners of the parent	Equity attributable to owners of the parent ratio
As of	¥million	¥million	¥million	%
June 30, 2018	4,406,325	1,591,947	1,220,721	27.7
December 31, 2017	4,579,576	1,545,713	1,204,747	26.3

**2. Consolidated result forecast for the fiscal year ending December 31, 2018 (January 1, 2018 - December 31, 2018)**

	Revenue (including excise taxes)		Revenue (excluding excise taxes)		Operating income		Profit before income taxes		Profit for the year		Profit attributable to owners of the parent
	¥million	%	¥million	%	¥million	%	¥million	%	¥million	%	¥
Fiscal year ended											
December 31, 2018	2,500,000	3.3	2,235,000	3.6	264,000	4.1	239,000	5.3	126,000	(40.4)	183 .77

Reference: Adjusted operating income for the fiscal year ending December 31, 2018 258,000¥million 1.0 %

**SUMMARY OF NON-CONSOLIDATED FINANCIAL STATEMENTS AS OF  
JUNE 30, 2018 (English Translation, UNAUDITED)**

(1) Operating results (% figures represent change from the same period of the previous fiscal year)

	Operating revenue		Operating income		Ordinary income	
	¥million	%	¥million	%	¥million	%
Six months ended						
June 30, 2018	38,239	△2.7	17,325	△11.2	21,502	8.1
June 30, 2017	39,300	6.1	19,502	4.0	19,886	9.1

	Net income		Basic net earnings per share
	¥million	%	¥
Six months ended			
June 30, 2018	22,351	1.7	32 .60
June 30, 2017	21,976	1.4	32 .09

(2) Financial positions

	Total assets	Net assets	Ratio of equity to total assets	Total equity per share
	¥million	¥million	%	¥
As of				
June 30, 2018	2,032,608	701,133	34.5	1,022.57
December 31, 2017	2,180,181	689,632	31.6	1,005.80

## Operating Results

### 1. Overview of the Six-Month Period Ended June 30, 2018

The Suntory Group has actively expanded business in each of three segments, “Non-Alcoholic Beverages and Food,” “Alcoholic Beverages,” and “Other Businesses” both domestically and abroad. In terms the first six months of the fiscal year ending December 31, 2018, revenue (excluding excise taxes) grew by 3.7% over the same period of the previous year to 1,065.2 billion yen, and revenue (including excise taxes) came to 1,189.4 billion yen, an increase of 3.3% from the same period of the previous year, while operating income rose by 5.0% to 123.1 billion yen, and profit attributable to owners of the parent was 74.8 billion yen (up 36.9% over the same period of the previous year).

#### <Non-Alcoholic Beverages and Food Segment>

Suntory Beverage & Food Limited focused on strengthening brands and creating new demand with the aim of proposing unique, high-quality products that capture the customer's tastes and needs to further enrich customer lifestyles, as well as improving product quality of the entire Group. It concentrated also on strengthening the business base in each area for sustainable growth in the future.

In Japan, the Company aimed to create new demand by offering products with new value and by strengthening core brands, mainly in the categories of water, coffee and sugar-free tea, resulting in sales volume exceeding the level of the same period of the previous year. As a result of the Group's continued promotion of the *Suntory Tennensui* brand's characteristics of “clear and refreshing” and “natural and healthy” as its unique value proposition, sales for the flagship mineral water products remained strong. In addition, driven by such developments as the favorable reception of the newly launched *Suntory Minami-Alps Tennensui Sparkling* series, sales volume for the brand as a whole significantly exceeded the level of the same period of the previous year. In the *BOSS* brand, we continued to actively expand marketing initiatives aimed at core users of canned coffee. Moreover, in the *Craft BOSS* brand that was launched last year to target new coffee users, as an addition to the existing lineup of *Black* and *Latte* the Group also launched a *Brown* variation in June that has been well received by customers. The outcome of these moves was that sales volumes for the *BOSS* brand as a whole grew year on year. In the sugar-free tea category, the Group carried out a renewal of the flavor and the packaging of the *lyemon* brand in March, with both the new taste and the new television commercials subsequently garnering a favorable reception. In addition, *Suntory Oolong Tea* recorded another strong performance. Furthermore, in the expanding barley tea market, sales volumes of *Green*

*DAKARA Yasashii Mugicha* recorded a considerable increase over previous-year levels. In the vending machine operation business, we continued to promote activities to raise the appeal of the vending machine channel, such as by actively introducing products exclusive to vending machines.

In Europe, the Company conducted proactive marketing, primarily for flagship brands. In France, in addition to year-on-year growth in sales volumes for the carbonated beverage containing fruit juice *Orangina* and the fruit juice drink *Oasis*, *MayTea* sales were also strong. In the United Kingdom, sales volumes for *Lucozade* and *Ribena* both fell below previous-year levels, due in part to the impact of bad weather, but after the introduction of the sugar tax in April, we actively expanded promotional initiatives aimed at reviving the sales trend for *Lucozade*. In Spain, the Group worked to expand the number of *Schweppes* consumer contact points, primarily via the on-premise channel, but partly as a result of bad weather, sales volumes for the brand fell below the level of the same period of the previous year.

In Asia, as well as implementing initiatives to expand sales of flagship brands in core regions, Suntory PepsiCo Beverage (Thailand) Co., Ltd., a joint venture company the Group established with PepsiCo, Inc. in Thailand, started its business on March 5. In the soft drinks business, the Group actively conducted marketing activities for energy drink *Sting* and *TEA+* in Vietnam, in addition to which carbonated beverages and other products also grew. Sales of cup-packaged beverage *Okky* were strong in Indonesia. The BRAND'S Suntory Group, which is expanding the health food business, worked to reinforce sales of the *BRAND'S Essence of Chicken* product in the core market of Thailand, while at the same time strengthening initiatives for growth markets such as Myanmar.

In Oceania, the Group worked primarily to strengthen flagship brands. In the Frucor Suntory Group, energy drinks such as *V* put in strong performances, in addition to which the *Amplify* fermented tea beverage (kombucha) was launched. In the fresh coffee business, which was transferred from the Asian business to the Oceania business during the period under review, the Company continued its efforts to strengthen flagship brands such as *TOBYS ESTATE*, *L'AFFARE* and *Mocopan*.

In the Americas, in addition to further strengthening sales of flagship carbonated beverage brands in North Carolina, we also focused on the growing category of non-carbonated drinks, such as water and coffee beverages.

As a result of the above, revenue for the Non-Alcoholic Beverages and Food Segment increased 3.9% year on year to 610.2 billion yen, while operating income increased by 3.7% to 66.5 billion yen.

<Alcoholic Beverages Segment> The revenue figures for the Alcoholic Beverages Segment exclude excise taxes.

Comparable revenue for Beam Suntory Inc., excluding the impact of currency and the sale of businesses, increased at a mid-single-digit rate over the same period of the previous year. Case volumes of *Jim Beam* bourbon grew at a high-single-digit rate, reflecting strong consumer demand in markets including the U.S., Japan and Eastern Europe, and sustained global momentum for the core Jim Beam expression plus double-digit growth for premium Jim Beam Black. *Maker's Mark* benefited from accelerated international expansion as case volumes rose at a double-digit rate, while brands such as Basil Hayden's bourbon, Hornitos tequila, Courvoisier cognac, Canadian Club whisky and *Sipsmith* gin also delivered double-digit growth. Geographically, year-on-year revenue grew at a mid-single-digit rate in the United States, Australia, Canada, Spain and the U.K.; at a high-single-digit rate in Oceania; and at a double-digit rate in the emerging markets of Eastern Europe, India, Southeast Asia and China.

The company's Japan business (Suntory Spirits Limited) saw 3% year-on-year growth in revenue. Whiskies delivered strong growth, centered on strategic brands *Kakubin*, *Jim Beam*, *Torlys* and *Maker's Mark*. In RTD beverages, in addition to the expansion in *-196°C Strong Zero* and other canned highball products, which have been favorably received as drinks to be enjoyed with meals, *Horoyoi* also performed well, recording significant growth of 10% year on year. As well as positioning the *ROKU* Japanese Craft Gin as a drink to be enjoyed with food when drunk with soda, we undertook various initiatives to generate new demand, such as launching *Kodawari Sakaba no Lemon Sour no Moto* in February as a full-fledged lemon sour that can be enjoyed conveniently at home.

With the overall beer-type beverage market\*<sup>1</sup> estimated to be falling by around 4% year on year, Suntory Beer Ltd. sold 32.78 million cases\*<sup>2</sup>, unchanged year on year, and an improvement over the trend for the market as a whole. The company's market share for beer excluding alcohol-free beer-type beverages reached a record-high level of 16.3% (on a taxable volume basis).

*The Premium Malt's* brand sold 7.39 million cases (down 2% year on year), and performing better than the trend of the market as a whole. The promotions for "CREAMY FOAM," which is aimed at home consumption, began running in the middle of March have been extraordinarily well received, resulting in strong sales of *The Premium Malt's* cans, and a year-on-year increase of 8% for the April to June period. With regard to new-genre products, the new high-alcohol *Itadaki* brand made an incremental contribution to sales volumes, which reached a record high.

The *All-Free* brand recorded robust growth of 5% year on year. Since its renewal in February 2018, *All-Free* has succeeded in capturing new customers. For the new, transparent *All-Free*

*All-Time* product, which is packaged in a PET bottle, the Company worked to expand daytime drinking scenarios, such as the workplace, and shipped 30% of the annual target in the launch month of June alone.

\*1 Including alcohol-free beer-type beverages, volume basis

\*2. Converted to large bottles (1 case = 633ml × 20 bottles)

Suntory Wine International Limited's revenue rose year on year. Japanese wine made entirely from grapes grown in Japan put in a strong performance, with sales volumes rising 21% year on year. At the International Wine Challenge held in May 2018, *Tomi Red 2013* won the highest award of Trophy in the Japanese wine (red) category. In addition, the *Sankaboshizai Mutenka no Oishii Wine* and *Delica Maison* casual wine brands both recorded growth.

As a result of the above, Revenue (excluding excise taxes) for the Alcoholic Beverages Segment were 349.1 billion yen, up 3.8% year on year, revenue (including excise taxes) came to 473.3 billion yen (up 2.9% year on year) including excise taxes, and operating income was 62.4 billion yen (up 9.7% year on year).

#### <Other Businesses Segment>

For Suntory Wellness Limited, the *Sesamin* series and other products posted strong revenue, growing 9% year on year. Pronto Corporation, Izutsu Maisen Co., Ltd. and others recorded growth, and drove robust results for the restaurant business.

Revenue for the Other Businesses Segment was 105.9 billion yen, up 2.1% year on year, and operating income was 14.0 billion, down 3.0% year on year.

Additionally, breakdown between domestic and overseas revenues was as follows.

Revenue (excluding excise taxes)

Domestic: 618.0 billion yen (up 2.2% year on year)

Overseas: 447.1 billion yen (up 5.9% year on year)

Overseas ratio: 42.0%

Revenue (including excise taxes)

Domestic: 708.0 billion yen (up 1.9% year on year)

Overseas: 481.4 billion yen (up 5.5% year on year)

Overseas ratio: 40.5%

Since our very inception, Suntory has aggressively pursued its interests while also putting forth initiatives to contribute to culture and society and implement environmental activities based on Suntory's founding spirit of "Sharing the Profit with Society." In addition, the Group has made the promise to society of "Mizu To Ikiru" (literally "living with water"), and aims to develop various activities while maintaining a harmonious coexistence between society and nature.

We are also actively involved in support for reconstruction after natural disasters. Our reconstruction support activities for the Great East Japan Earthquake have now reached a cumulative total of around 10.8 billion yen, while the same activities for the Kumamoto Earthquake have reached a cumulative total of 400 million yen. Furthermore, the Company has disbursed a total of 900 million yen in donations to the three prefectures of Okayama, Hiroshima and Ehime that suffered damage in the July 2018 torrential rains.

As for our environmental activities, based on the Suntory Group's Sustainable Water Philosophy, in addition to expanding water resource cultivation activities in around 9,000 hectares of Suntory Natural Water Sanctuaries, we are promoting activities globally that address local topics, such as an education program on water for the next generation in Vietnam, and water source conservation activities in the United States and France. Furthermore, based on our unique 2R+B strategy<sup>\*3</sup> for PET bottle development, the Group is promoting environmental management through working on lighter packaging materials as well as the continuation of its activities to reduce the burden on the environment, such as by the use of FtoP Direct Recycle Technology<sup>\*4</sup>, the first of its kind in the domestic beverage industry.

\*3 2R+B is short for "Reduce/Recycle + Bio." It is our approach of substituting recyclable materials for petroleum-based materials whenever possible, while striving for efficient use of resources through reduced plastic consumption and the use of recycled materials.

\*4 A technology in which "flake" created by pulverizing and washing recovered PET bottles is treated at high temperature and low pressure for a fixed period and which, after being melted and filtered, can be used to manufacture the preform directly.

## 2. Full-Year Forecast

For the fiscal year ending December 31, 2018, the Group is forecasting revenue (excluding excise taxes) of 2,235 billion yen (up 3.6% year on year), revenue (including excise taxes) of 2,500 billion yen (up 3.3% year on year), operating income of 264 billion yen (up 4.1% year on year) and profit attributable to owners of the parent of 126 billion yen (down 40.4% year on year).

(There are no changes to the results forecasts announced on February 16, 2018.)

### Status of Major Shareholders

As of June 30, 2018

Name of shareholders	Address	Number of shares held (Thousands)	Percentage of common stock issued (%)
Kotobuki Realty Co., Ltd.	2-1-40, Dojimahama, Kita-ku, Osaka	613,818	89.32
Employees Share Ownership Plan of Suntory	2-1-40, Dojimahama, Kita-ku, Osaka	34,443	5.01
MUFG Bank, Ltd.	2-7-1, Marunouchi, Chiyoda-ku, Tokyo	6,871	1.00
Sumitomo Mitsui Banking Corporation	1-1-2, Marunouchi, Chiyoda-ku, Tokyo	6,871	1.00
Sumitomo Mitsui Trust Bank, Limited	1-4-1, Marunouchi, Chiyoda-ku, Tokyo	6,871	1.00
Nippon Life Insurance Company	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	6,871	1.00
Suntory Foundation for Life Sciences	8-1-1, Seikadai, Seika-cho, Souraku-gun, Kyoto	3,590	0.52
Suntory Holdings Limited (Treasury stock)	2-1-40, Dojimahama, Kita-ku, Osaka	1,480	0.21
Nobutada Saji	Minato-ku, Tokyo	652	0.09
Shingo Torii	Higashinada-ku, Kobe	539	0.07
Total	—	682,010	99.25

### Members of the Board of Directors and Audit & Supervisory Board Members

There are no changes in Directors and Audit & Supervisory Board Members after the date of submission of the annual securities report for the previous fiscal year.



## Consolidated statement of financial position

(Millions of yen)

	As at December 31, 2017	As at June 30, 2018
Assets		
Current assets:		
Cash and cash equivalents	359,518	211,110
Trade and other receivables	396,645	424,493
Other financial assets	19,687	6,024
Inventories	408,822	431,039
Other current assets	66,914	63,110
Subtotal	1,251,588	1,135,779
Assets held for sale	23,152	210
Total current assets	1,274,741	1,135,989
Non-current assets:		
Property, plant and equipment	660,481	683,654
Goodwill	882,123	865,862
Intangible assets	1,469,110	1,436,600
Investments accounted for using the equity method	41,544	39,746
Other financial assets	135,882	128,944
Deferred tax assets	75,394	77,237
Other non-current assets	40,297	38,289
Total non-current assets	3,304,835	3,270,335
Total assets	4,579,576	4,406,325

(Millions of yen)

	As at December 31, 2017	As at June 30, 2018
<b>Liabilities and equity</b>		
<b>Liabilities</b>		
Current liabilities:		
Bonds and borrowings	291,501	262,421
Trade and other payables	515,323	556,275
Other financial liabilities	103,578	71,372
Accrued income taxes	29,478	29,272
Provisions	12,383	14,774
Other current liabilities	84,614	78,993
Subtotal	1,036,880	1,013,110
Liabilities directly associated with assets held for sale	6,215	—
Total current liabilities	1,043,096	1,013,110
Non-current liabilities:		
Bonds and borrowings	1,539,763	1,373,453
Other financial liabilities	72,908	67,633
Post-employment benefit liabilities	41,478	42,251
Provisions	7,979	7,045
Deferred tax liabilities	307,115	291,995
Other non-current liabilities	21,520	18,889
Total non-current liabilities	1,990,767	1,801,267
Total liabilities	3,033,863	2,814,377
<b>Equity</b>		
Share capital	70,000	70,000
Share premium	133,885	133,853
Retained earnings	1,064,603	1,132,972
Treasury shares	(1,006)	(1,006)
Other components of equity	(62,735)	(115,097)
Total equity attributable to owners of the parent	1,204,747	1,220,721
Non-controlling interests	340,965	371,226
Total equity	1,545,713	1,591,947
Total liabilities and equity	4,579,576	4,406,325

**Consolidated statement of profit or loss**

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Revenue (including excise taxes)	1,151,029	1,189,390
Less: excise taxes	(123,903)	(124,210)
Revenue (excluding excise taxes)	1,027,125	1,065,179
Cost of sales	(517,734)	(550,380)
Gross profit	509,390	514,799
Selling, general and administrative expenses	(392,394)	(405,797)
Gain on investments accounted for using the equity method	4,036	2,876
Other income	3,326	15,163
Other expenses	(7,096)	(3,909)
Operating income	117,262	123,132
Finance income	2,393	5,103
Finance costs	(15,411)	(12,291)
Profit before income taxes	104,244	115,944
Income tax expenses	(31,524)	(20,083)
Profit for the period	72,720	95,861
Attributable to:		
Owners of the parent	54,620	74,792
Non-controlling interests	18,099	21,068
Profit for the period	72,720	95,861
Earnings per share (Yen)	79.76	109.08

## Reconciliation from operating income to adjusted operating income

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Operating income	117,262	123,132
Restructuring charges	2,804	707
Losses from natural disaster	763	47
Gain on disposals of shares in subsidiaries and associates and gain on business transfers	(152)	(12,173)
Other	(1,750)	(457)
Total	1,666	(11,876)
Adjusted operating income	118,928	111,255

## Segment Information

### (1) Overview of reportable segments

The reportable segments are components of the Group for which separate financial information is available and regularly reviewed by management to make decisions about the allocation of resources and to assess segment performance.

The Group applies a holding company structure and operating companies have been established by product or service. The management of each operating company focuses on the type of products and services delivered or provided when establishing its own strategy for domestic and international operations. Therefore, the Group determined and identified “Beverage and Foods” and “Alcoholic Beverages” as a reportable segment based on the types of products and services delivered or provided. The classification of the Group’s primary products and services have been defined as below.

Reportable segment	Primary products
Beverage and Food	Non-alcoholic beverages, healthy drinks, processed foods, other products
Alcoholic Beverage	Spirits, beer, wine and other alcoholic beverages
Others	Healthy foods, ice cream, restaurants, flowers, operations in China and other operations

### (2) Profit or loss for each reportable segment

Profit or loss for each reportable segment of the Group was as follows.

Six months ended June 30, 2017

	Millions of yen					
	Reportable segment			Segment total	Reconciliations *2	Consolidated *1
	Beverage and Food	Alcoholic Beverage	Others			
Revenue (including excise taxes)	587,181	460,151	103,696	1,151,029	—	1,151,029
Revenue (excluding excise taxes)						
External customers	587,181	336,248	103,696	1,027,125	—	1,027,125
Intersegment	3,617	1,878	4,988	10,484	(10,484)	—
Total revenue	590,798	338,126	108,685	1,037,610	(10,484)	1,027,125
Segment profit (loss)	64,151	56,883	14,474	135,509	(18,246)	117,262

(Note) \*1. Segment profit agrees with operating income presented in the consolidated statement of profit or loss.

\*2. “Reconciliations” to segment profit or loss represent overhead costs incurred by the parent to manage the Group’s operations and are not allocated to the reportable segments.

Six months ended June 30, 2018

	Millions of yen					
	Reportable segment			Segment total	Reconciliations *2	Consolidated *1
	Beverage and Food	Alcoholic Beverage	Others			
Revenue (including excise taxes)	610,199	473,280	105,910	1,189,390	—	1,189,390
Revenue (excluding excise taxes)						
External customers	610,199	349,070	105,910	1,065,179	—	1,065,179
Intersegment	3,663	2,104	5,525	11,293	(11,293)	—
Total revenue	613,863	351,174	111,435	1,076,473	(11,293)	1,065,179
Segment profit (loss)	66,533	62,427	14,033	142,993	(19,861)	123,132

(Note) \*1. Segment profit agrees with operating income presented in the consolidated statement of profit or loss.

\*2. “Reconciliations” to segment profit or loss represent overhead costs incurred by the parent to manage the Group’s operations and are not allocated to the reportable segments.

## Balance Sheet

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
<b>ASSETS</b>		
Current assets	1,177,345	1,156,121
Cash and deposits	182,641	56,569
Accounts receivable-trade	3,841	3,909
Supplies	59	58
Short-term loans receivable	945,063	1,053,249
Other current assets	45,740	42,335
Non-current assets	1,002,199	875,527
Property, plant and equipment	34,657	33,110
Intangible assets	3,854	3,840
Investments and other assets	963,688	838,576
Shares of subsidiaries and associates	513,869	513,784
Long-term loans receivable from subsidiaries and associates	399,743	276,066
Other	51,560	48,725
Allowance for doubtful accounts	(1,485)	—
Deferred assets	635	959
<b>TOTAL ASSETS</b>	<b>2,180,181</b>	<b>2,032,608</b>

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018
<b>LIABILITIES</b>		
Current liabilities	276,322	228,661
Short-term loans payable	143,640	80,662
Current portion of bonds	—	22,108
Income taxes payable	2,708	—
Deposits received	83,319	76,875
Provision for bonuses	6,777	5,741
Other	39,875	43,273
Non-current liabilities	1,214,226	1,102,813
Bonds payable	194,024	243,077
Long-term loans payable	993,736	834,703
Provision for retirement benefits	7,994	8,178
Asset retirement obligations	805	812
Other	17,665	16,041
<b>TOTAL LIABILITIES</b>	<b>1,490,548</b>	<b>1,331,475</b>
<b>NET ASSETS</b>		
Shareholders' equity	683,276	696,715
Capital stock	70,000	70,000
Capital surplus	286,276	286,276
Legal capital surplus	17,500	17,500
Other capital surplus	268,776	268,776
Retained earnings	328,007	341,445
Other retained earnings	328,007	341,445
Reserve for special depreciation	42	37
Reserve for advanced depreciation of non-current assets	1,830	1,807
General reserve	232,100	312,700
Retained earnings brought forward	94,033	26,899
Treasury stock	(1,006)	(1,006)
Valuation and translation adjustments	6,355	4,417
Valuation difference on available-for-sale securities	7,841	7,073
Deferred gains or losses on hedges	(1,485)	(2,655)
<b>TOTAL NET ASSETS</b>	<b>689,632</b>	<b>701,133</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>2,180,181</b>	<b>2,032,608</b>

## Statement of Income

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018
Operating revenue	39,300	38,239
Operating expenses	19,797	20,914
Operating income	19,502	17,325
Non-operating income	7,601	11,536
Non-operating expenses	7,217	7,358
Ordinary income	19,886	21,502
Extraordinary income	1,180	1,890
Extraordinary loss	174	32
Income before income taxes	20,893	23,360
Income taxes-current	(568)	1,008
Income taxes-deferred	(514)	—
Net income	21,976	22,351