

# Consolidated Summary Report <under Japanese GAAP>

For the Six Months ended June 30, 2015

August 4, 2015

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya  
 Code number : 2811 URL <http://www.kagome.co.jp>  
 Representative : Naoyuki Terada, Representative Director & President  
 For inquiry : Yoshiko Kawazu, General Manager, IR Department TEL +81-3-5623-8501  
 Quarterly securities report issuing date: August 14, 2015 Dividend payment date: -  
 Supplemental information for quarterly financial statements: Available  
 Schedule for quarterly "investor meeting presentation": Scheduled

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

## 1. Consolidated Financial Data for the Six Months ended June 30, 2015

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
Six Months ended June 30, 2015	93,993	—	3,106	—	3,461	—	2,020	—
September 30, 2014	102,825	(0.9)	3,258	(35.1)	3,605	(34.1)	2,252	(43.6)

(Reference) Comprehensive income June 30, 2015: 2,211 million yen (—%), September 30, 2014: 5,009 million yen (-21.4%)

	Earnings Per Share	Diluted Earnings per Share
Six Months ended	yen	yen
June 30, 2015	20.35	20.34
September 30, 2014	22.70	22.70

The fiscal year end of the Company was changed from March 31 to December 31 in the previous fiscal year. Due to this change, the term of the interim period of FY2015 (January 1 to June 30, 2015) is different from the interim period of FY2014 (April 1 to September 30, 2014).

Accordingly, the percentage changes comparing to the same period in the previous fiscal year are not available.

(Reference)

The following percentages (percentage changes after adjustment) for the interim period of FY2015 (January 1 to June 30, 2015) are comparing to the restated business results for the six-month period from January 1 to June 30, 2014.

Net Sales		Operating Income		Ordinary Income		Net Income	
million yen	%	million yen	%	million yen	%	million yen	%
93,993	0.4	3,106	83.0	3,461	67.9	2,020	37.9

## (2) Financial Conditions

	Total Assets	Total Net Assets	Net Assets Attributable to KAGOME Shareholders to Total Assets	Total Net Assets per Common Stock
As of	million yen	million yen	%	Yen
June 30, 2015	215,667	127,272	55.8	1,210.26
December 31, 2014	203,413	124,566	58.8	1,204.77

(Reference) Shareholders' equity as of June 30, 2015: 120,242million yen; December 31, 2014: 119,615million yen

## 2. Dividends on Common Stock

	Dividends per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended December 31, 2014	yen	yen	yen	yen	Yen
ended December 31, 2014	—	—	—	16.50	16.50
ending December 31, 2015	—	—	—	—	—
ending December 31, 2015(Forecast)	—	—	—	22.00	22.00

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

## 3. Consolidated Forecasts for the Fiscal Year ending December 31, 2015 (Consolidated)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Earnings Per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
For the year ending December 31, 2015	200,000	—	7,100	—	7,600	—	4,000	—	40.29

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

From FY2014, the Company changed its fiscal year end from March 31 to December 31, resulting in a nine-month consolidated reporting period (April 1, 2014 to December 31, 2014). Accordingly, the percentage changes comparing the projected consolidation results for FY2015 with a twelve-month reporting period with the same period in the previous fiscal year are not available.

(Reference)

The following percentages (percentage changes after adjustment) compare the projection of consolidation results for fiscal year ending December 31, 2015 (January 1 to December 31, 2015) with adjusted consolidated results for fiscal year 2014 covering twelve-month periods (January 1 to December 31, 2014).

	Net Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
For the year ending December 31, 2015	200,000	3.1	7,100	51.8	7,600	38.5	4,000	(18.3)

**4. Other** (For more details, please see “Other information” in page 9)

(1) Changes in significant subsidiaries during the current quarter: None.

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

(2) Utilization of unique accounting methods: Yes.

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

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

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

(C) Changes in accounting estimates: None.

(D) Retrospective restatements: None.

(4) Number of common stocks outstanding at the end of the period

(A) Total stocks outstanding including treasury stocks:

June 30, 2015 99,616,944 shares                      December 31, 2014 99,616,944 shares

(B) Treasury stocks: June 30, 2015 264,748 shares                      December 31, 2014 331,909 shares

(C) Average outstanding stocks: Six Months ended June 30, 2015 99,314,669 shares

Six Months ended September 30, 2014 99,211,149 shares

\* Disclosure regarding the execution of the quarterly review process

This “Consolidated Summary Report” (Quarterly “Tanshin”) is outside the scope of the external auditor’s quarterly review procedure which is required by “Financial Instruments and Exchange Act”. Therefore, the quarterly review process has not been completed as of this disclosure in the “Consolidated Summary Report”.

\*Notes for using forecasted information etc.

(Caution regarding forward-looking statements)

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

(Method for obtaining supplemental information for quarterly financial statements)

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

## 5. Qualitative Information Regarding the Current Quarterly Results

### 1) Explanation of the Results of Operation

	Net sales (Million yen)	Operating income (Million yen)	Ordinary income (Million yen)	Net income (Million yen)	Earnings per share (quarter) (Yen)
Fiscal year ending December 31, 2015 2Q cumulative accounting period	93,993	3,106	3,461	2,020	20.35
(Reference) Same period of the previous year *1	93,647	1,698	2,061	1,465	14.77
Adjusted change *1	(0.4%)	(83.0%)	(67.9%)	(37.9%)	(37.8%)
Fiscal year ended December 31, 2014 2Q cumulative accounting period *2	102,825	3,258	3,605	2,252	22.70

\*1 The same period of the previous year refers to the same period of the previous year (January 1, 2014, to June 30, 2014) that corresponds to the current second quarter consolidated cumulative accounting period (January 1, 2015, to June 30, 2015).

The adjusted change is given as a comparison with the same period of the previous year.

\*2 The consolidation period for the second quarter cumulative accounting period of the fiscal year ended December 31, 2014, was April 1, 2014, to September 30, 2014, for Kagome (March closing), March 1, 2014, to August 31, 2014, for consolidated subsidiaries that had a February closing, and January 1, 2014, to June 30, 2014, for consolidated subsidiaries with a December closing.

The changes in financial results given below are in comparison with the same period of the previous year.

During this second quarter consolidated cumulative accounting period (January 1, 2015, to June 30, 2015), the Japanese economy saw gradual recovery due in part to the effect of the economic support measures implemented by the Japanese government and the Bank of Japan. Meanwhile, consumer spending saw some signs of recovery in consumption trends from the slump experienced since the consumption tax hike. However, the outlook remains unclear. The food industry saw harsh conditions from a continued rise in imported raw materials and logistics costs, and an ongoing tendency for consumers to economize because of a slowdown in real income growth, etc.

Amid such circumstances, Kagome is striving to increase corporate value and achieve sustained growth by focusing on three priority issues: (1) increasing value to refine product value and boost profitability, (2) improving productivity and (3) implementing innovations for growth.

In regards to sales, domestic business revenues declined. The main factors included, intensified competition in the core beverage business with other beverages and the last-minute demand preceding the consumption tax hike, which was seen in the same period of the previous fiscal year. Meanwhile, overseas business revenues rose through factors such as strong sales in the U.S. and, with the depreciated value of the yen, an increase in net sales values that were seen in many regions when converted into yen.

Despite the fall of net sales in the domestic business and an increase in the cost of goods sold to sales ratio that arose from higher imported raw materials unit prices, such negative impact was offset by efforts to improve productivity and other endeavors, resulting in increased profits. The overseas business also saw higher profits due to increased revenues in the U.S., revision of the cost structure at each consolidated subsidiary and other factors.

As a result, net sales for this second quarter consolidated cumulative accounting period were up 0.4% compared with the same period of the previous year at ¥93.993 billion. Operating income was up 83.0% compared with the same period of the previous year at ¥3.16 billion, while ordinary income was up 67.9% compared with the same period of the previous year at ¥3.461 billion. Net income rose 37.9% compared with the same period of the previous year at ¥2.02 billion.

A summary of the performance of each business segment is as follows.

(Unit: Million yen)

Segment	Net sales			Operating income		
	Same period of the previous year	Fiscal year ending December 31, 2015 2Q cumulative accounting period	Adjusted change	Same period of the previous year	Fiscal year ending December 31, 2015 2Q cumulative accounting period	Adjusted change
Beverage	39,599	35,709	(3,890)	562	1,208	646
Food	11,103	11,339	236	438	507	68
Gift products	2,700	3,018	318	(29)	117	146
Fresh vegetables	5,223	6,012	788	548	975	426
Direct marketing	3,605	3,804	199	(271)	(76)	195
Institutional and industrial	12,547	12,247	(300)	166	(299)	(465)
Other	7,770	7,579	(190)	285	270	(14)
Domestic businesses total	82,550	79,711	(2,838)	1,698	2,702	1,003
U.S.	8,638	11,587	2,948	510	608	97
Europe	6,576	5,896	(680)	(68)	189	257
Australia	2,855	3,338	482	(264)	(289)	(24)
Global tomato business total	18,071	20,822	2,751	177	507	330
Asia	1,763	1,546	(216)	(178)	(103)	74
Overseas businesses total	19,835	22,369	2,534	(0)	404	405
Subtotal	102,385	102,080	(304)	1,698	3,106	1,408
Eliminations and adjustments	(8,737)	(8,087)	650	—	—	—
Total	93,647	93,993	345	1,698	3,106	1,408

<Domestic businesses>

Net sales for domestic businesses were down 3.4% compared with the same period of the previous year at ¥79.711 billion. Net sales for each business were as follows.

(1) Beverage business

In regards to the vegetable beverages category, we used the key phrase “vegetables with a high nutrient absorption rate” in reference to vegetable juice, and in order to increase overall demand for vegetable beverages, we focused on advertising that emphasized the benefit of consuming vegetables as juice. Specifically, we increased the value of the Yasaiseikatsu 100 series by increasing the vegetable content of three standard 200 ml paper-container products, which had commemorated the 20th anniversary of product launch. In terms of promotion, we reinforced the emphasis on juice as an efficient way to consume vegetables in advertisements and in-store campaigns.

Furthermore, the limited-time products marketed under the theme of “Locally Grown, Nationally Consumed” continued to be rated highly by customers. Amai Tomato, which has a suppressed sour aftertaste and has a sweetness not found in conventional tomato juice, is being highly praised by customers. As a result, a 1,000 ml large-volume product was added to the product lineup as an addition to the 200 ml product that was being marketed.

In regards to the Yasai Ichinichi Kore Ippon series, we improved the flavor of the core products by suppressing the strong taste of vegetables to give them a clear aftertaste.

The implementation of these measures resulted in signs of recovery being seen. In May 2015, the monthly net sales of the vegetable beverage category exceeded the previous year for the first time in 20 months. However, in terms of the second quarter consolidated cumulative accounting period, net sales declined from the same period of the previous year due to intensified competition from other beverages as well as an impact of the surge in demand in the same period of the previous year prior to the consumption tax hike.

In regards to the probiotics category, promotion was strengthened for the Plant-Based Lactic Acid Labre series under the theme of “Bringing Out Beauty with Lactic Acid.” There was a decline in net sales despite these efforts.

As a result, net sales for the beverage business fell 9.8% from the same period of the previous year at ¥35.709 billion.

(2) Food business

In April 1, 2015, we revised the factory price of tomato ketchup due to factors such as a steep rise in the price of its raw material, tomato paste. In May, we held Omuraisu (“rice omelet”) Stadium, a food event to determine the No.1 rice omelet in Japan, as a measure to boost the demand for ketchup. We also strengthened in-store menu proposals, and sales remained strong even after the price revision. Sales were also strong for sauces.

As a result, net sales for the food business were up 2.1% from the same period of the previous year at ¥11.339 billion.

(3) Gift products business

The overall gift products market is in a contraction trend against the backdrop of decreased demand for seasonal gift giving. In this difficult environment, we focused on selling products characterized by health, great taste, thoughtfulness and premium impression, which are values that are distinctive of Kagome products.

We also worked to cultivate new demand by expanding the scope of Kagome’s gift product business outside of gift giving. Proposals, which included the development of private-label products, were made to new sales channels such as online and catalog sales, disaster preparedness products and gifts for corporate sales promotion.

As a result, net sales for the gift product business were up 11.8% from the same period of the previous year at ¥3.018 billion.

(4) Fresh vegetables business

In regards to fresh tomatoes, which are core offerings, we strengthened the sale of high-value-added products, such as High Lycopene Tomatoes, in line with mounting interest in functional vegetables. As the market price of tomatoes rose due to this spring’s unseasonable weather, we achieved record net sales by improving the ability to respond to demand.

As for the Salad Bank series, we launched the Packed Vegetable Salad series in April 2015, which is centered on high lycopene tomatoes and mesclun, and we focused efforts on nurturing the new series.

As a result, net sales for the fresh vegetables business were up 15.1% from the same period of the previous year at ¥6.012 billion.

(5) Direct marketing business

Sales of new products, such as Tsubuyori Yasai, a beverage that was launched last year and is characterized by a texture that gives the sense of eating vegetables, and seasonal, limited-edition products like Yasaito Mameno Gudakusan Potage soup, were strong. As for supplements, which we are nurturing as a mainstay following beverages, sales were favorable, centered on the plant-based supplement sulforaphane.

As a result, net sales for the direct marketing business were up 5.5% from the same period of the previous year at ¥3.804 billion.

(6) Institutional and industrial business

In the institutional and industrial market, there is mounting interest in tomato and vegetable dishes as well as a demand for products that simplify the cooking process. We designated Tomato Ingredient, Tomato Sauce, Vegetable Ingredient and Vegetable Beverage categories as priority product categories and focused efforts on solutions sales to customers.

Despite such measures, net sales for the institutional and industrial business were down 2.4% from the same period of the previous year at ¥12.247 billion.

(7) Other businesses

Total net sales for other domestic businesses, which include freight, warehousing, real-estate leasing, parking and solar power generation, were down 2.5% from the same period of the previous year at ¥7.579 billion.

< Overseas businesses >

Net sales for overseas businesses were up 12.8% from the same period of the previous year at ¥22.369 billion. With the exception of Europe, net sales were favorably affected when converted to yen by the depreciated value of the yen. The situation in each region is as follows.

(1) U.S.

Sales to major food services customers were strong at Kagome Inc. Net sales at United Genetics Holdings LLC were at roughly the same level as the same period of the previous year. Preferred Brands International, Inc. (“PBI”) was made a consolidated subsidiary at the end of May 2015. Results for the second quarter consolidated cumulative accounting period included one month’s worth of PBI performance.

As a result, net sales in the U.S. were up 34.1% from the same period of the previous year at ¥11.587 billion.

## (2) Europe

Net sales at Portuguese subsidiary Holding da Industria Transformadora do Tomate, SGPS S.A. were at roughly the same level as the same period of the previous year. Net sales at Italian subsidiary Vegetalia S.p.A. fell below the same period of the previous year due to a revision taking place of the size of its business. Sales of seedlings were strong at United Genetics Turkey Tohum Fide A.S.

As a result, net sales in Europe were down 10.4% from the same period of the previous year at ¥5.896 billion.

## (3) Australia

Sales to existing local customers were strong at Australian subsidiary Kagome Australia Pty Ltd. Furthermore, with the appreciation of the U.S. dollar against various currencies, there was an increase in inquiries from countries in Asia, which boosted sales. Net sales by the company exceeded those in the same period of the previous year.

As a result, net sales in Australia were up 16.9% from the same period of the previous year at ¥3.338 billion.

## (4) Asia

Sales of core products were strong at Taiwan Kagome Co., Ltd., and net sales were basically according to the business plan. Meanwhile, Kagome (Shanghai) Beverages Co., Ltd. carried out a review and revision of Kagome (Hangzhou) Food Co., Ltd.'s business scheme, which had decided to liquidate its business. Efforts were focused on expanding the sale of vegetable beverages in China, but net sales decreased. Meanwhile, net sales at Thai subsidiary Osotspa Kagome Co., Ltd. decreased despite an expansion of the tomato juice market. This was attributable to factors such as a delay in the introduction of new products.

As a result, net sales in Asia were down 12.3% from the same period of the previous year at ¥1.546 billion.

## 2) Explanation of Financial Standing

In this second quarter consolidated accounting period, total assets increased ¥12.254 billion from the end of the previous accounting period. Of that, the impact of converting to yen the financial statements of overseas subsidiaries ("exchange rate impact") decreased ¥1.448 billion in conjunction with the depreciation of the euro against the yen, etc.

Current assets were down ¥1.805 billion from the end of the previous accounting period.

The causes were an ¥811 million decrease in marketable securities held for the purpose of short-term fund management, a ¥2.545 billion decrease in inventory (the combined total of merchandise and finished goods, work in process and raw materials and supplies) due to seasonal factors and exchange rate impact and a ¥1.659 billion decrease in derivatives included in "Other," despite a ¥2.607 billion increase in cash and deposits and a ¥923 million increase in notes and accounts receivable due to seasonal factors and exchange rate impact.

Fixed assets, meanwhile, increased ¥14.059 billion from the end of the previous accounting period.

Tangible fixed assets increased ¥2.035 billion from the end of the previous accounting period.

This was due to the execution of ¥3.806 billion in fixed investment, recording depreciation of ¥2.501 billion in addition to the net increase in tangible fixed assets by making PBI a subsidiary.

Intangible fixed assets increased ¥10.763 billion from the end of the previous accounting period.

This was due to the recording of ¥2.964 billion in customer-related assets and ¥2.527 billion in trademark rights and other intangible fixed assets as identifiable assets at the time of combination of enterprises by making PBI a subsidiary as well as the generation of ¥6.382 billion as goodwill.

Furthermore, the amortization of goodwill totaling ¥727 million, inclusive of that of PBI, has been recorded for the second quarter consolidated cumulative accounting period. Note that the value of the goodwill that arose is a provisional calculation as the acquisition cost had not been fixed and the allocation of the acquisition cost had not been completed as of the end of this second quarter consolidated accounting period.

Investments and other assets were up ¥1.261 billion from the end of the previous accounting period.

Although there was a decrease through recovery of loans receivable, this was due to the increase in investments in securities through the appreciation of the market value of investment securities held

Liabilities increased ¥9.548 billion from the end of the previous accounting period.

The major breakdown of liabilities is the issuance of commercial paper worth ¥10 billion as funds for acquiring PBI shares in addition to the increases of notes and accounts payable by ¥1.779 billion due to seasonal factors and exchange rate impact and income taxes payable by ¥1.028 billion. Furthermore, because of making PBI a subsidiary, deferred tax liabilities of ¥1.931 billion related to the aforementioned intangible fixed assets, etc., are included in other fixed liabilities. On the other hand, short-term borrowings decreased by ¥2.601 billion and long-term borrowings (including long-term borrowings

scheduled to be repaid within 1 year) decreased by ¥2.036 billion due to repayment, etc.

Net assets increased ¥2.705 billion from the end of the previous accounting period.

This was because retained earnings increased by ¥2.020 billion due to net profit for the quarter, valuation difference on available-for-sale securities increased ¥1.256 billion due to appreciation of the market value of investment securities held and minority interests increased ¥2.068 billion by making PBI a subsidiary, while there was dividend of surplus of ¥1.641 billion, and deferred gains or losses on hedges fell ¥711 million.

As a result, the equity capital ratio was 55.8%, with net assets per share at ¥1,210.26.

#### (Explanation of the Status of Consolidated Cash Flow)

Cash and cash equivalents on a consolidated basis for this second quarter consolidated cumulative accounting period were ¥24.537 billion, an increase of ¥5.576 billion from the end of the previous accounting period.

The status of each cash flow was as follows. Note that as of the period ended December 31, 2014, the closing date was changed from March 31 to December 31. In conjunction with this, the applicable periods for this second quarter consolidated cumulative accounting period (January 1, 2015, to June 30, 2015) and the previous second quarter consolidated cumulative accounting period (April 1, 2014, to September 30, 2014) differ. Accordingly, the figures for the same quarterly consolidated cumulative accounting period of the previous year are not included.

Cash flow from operating activities resulted in net revenue of ¥8.229 billion. The main factors were that net income before income taxes was ¥3.54 billion and depreciation was ¥2.888 billion, and that inventory assets decreased ¥2.522 billion, trade payables increased ¥1.382 billion (the aforementioned items are net cash income), and that outstanding balance decreased by ¥2.339 billion (the aforementioned is net cash expenditure).

Cash flow from investment activities resulted in a net expenditure of ¥6.723 billion. The main factors were that there was an income of ¥4.012 billion from the sale and redemption of marketable securities, that there was expenditure of ¥1.953 billion through the acquisition of fixed assets, and that there were expenditures of ¥9.003 billion through the acquisition of subsidiary shares and investment made accompanying a change in the scope of consolidation.

Cash flow from financing activities resulted in a net income of ¥4.063 billion. The main factors were that although there were expenditures of ¥2.870 billion through the net increase (decrease) of short-term borrowings, ¥1.642 billion through the repayment of long-term loans and ¥1.624 billion through the payment of dividends, the ¥10 billion income from the net increase (decrease) of the commercial paper exceeded the expenditures.

### 3) Explanation of Consolidated Performance Forecast and Other Future Forecast Information

Performance in the second quarter consolidated cumulative accounting period was generally as originally planned at the beginning of the accounting period. There are no changes to the performance forecast for the entire year that was released in the “Financial Statements for the Period Ended December 31, 2014” issued on February 12, 2015.

## Contents of Appendix

### 1. Other Information

- (1) Changes in significant subsidiaries ..... 9
- (2) Utilization of unique accounting methods ..... 9

### 2. Consolidated Financial Statements

- (1) Consolidated Balance Sheets ..... 10
- (2) Consolidated Statements of Income and Comprehensive Income ..... 12
- (3) Consolidated Statements of Cash Flows ..... 13



## **1. Other Information**

### **(1) Changes in significant subsidiaries**

Not applicable.

### **(2) Utilization of unique accounting methods**

#### Income taxes

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

**CONSOLIDATED BALANCE SHEETS**

**AS OF DECEMBER 31, 2014 AND JUNE 30, 2015**

	Millions of Yen		Thousands of U.S. dollars
	31-Dec-14	30-Jun-15	30-Jun-15
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits	¥ 11,458	¥ 14,065	\$ 115,287
Notes and accounts receivable	33,202	34,125	279,713
Marketable securities	12,625	11,813	96,828
Merchandise and finished goods	18,693	19,956	163,574
Work in process	927	361	2,959
Raw material and supplies	25,383	22,141	181,484
Other current assets	20,725	18,906	154,967
Allowance for doubtful accounts	(171)	(333)	(2,730)
<b>Total current assets</b>	<b>122,843</b>	<b>121,037</b>	<b>992,107</b>
<b>Fixed assets:</b>			
<b>Property, plant and equipment:</b>			
Buildings and structures, net	15,317	16,736	137,180
Machinery, equipment and vehicles, net	17,259	17,969	147,287
Tools and furniture, net	1,094	1,204	9,869
Land	13,578	13,754	112,738
Lease assets, net	575	497	4,074
Construction in progress	3,783	3,481	28,533
<b>Property, plant and equipment net</b>	<b>51,609</b>	<b>53,644</b>	<b>439,705</b>
<b>Intangible assets:</b>			
Goodwill	2,904	8,418	69,000
Trademark right	0	2,491	20,418
Customer relationship	-	2,917	23,910
Software	1,903	1,713	14,041
Other intangible assets	358	387	3,172
<b>Total intangible assets</b>	<b>5,166</b>	<b>15,930</b>	<b>130,574</b>
<b>Investments and other assets:</b>			
Investment securities	17,630	19,143	156,910
Net defined benefit asset	-	4	33
Other assets	6,237	5,981	49,025
Allowance for doubtful accounts	(74)	(74)	(607)
<b>Total investments and other assets</b>	<b>23,794</b>	<b>25,055</b>	<b>205,369</b>
<b>Total fixed assets</b>	<b>80,570</b>	<b>94,630</b>	<b>775,656</b>
<b>Total assets</b>	<b>¥ 203,413</b>	<b>¥ 215,667</b>	<b>\$ 1,767,762</b>

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 122 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2015.

	Millions of Yen		Thousands of U.S. dollars
	31-Dec-14	30-Jun-15	30-Jun-15
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Notes and accounts payable	¥ 14,150	¥ 15,930	\$ 130,574
Short-term borrowings	6,477	3,876	31,770
Current portion of long-term borrowings	2,160	1,201	9,844
Commercial papers	-	10,000	81,967
Other payable	10,233	10,131	83,041
Income taxes payable	262	1,291	10,582
Accrued bonuses for employees	395	355	2,910
Accrued bonuses for directors	34	23	189
Other current liabilities	8,663	8,409	68,926
<b>Total current liabilities</b>	<b>42,380</b>	<b>51,220</b>	<b>419,836</b>
<b>Long-term liabilities:</b>			
Long-term borrowings	27,119	26,042	213,459
Net defined benefit liability	4,746	4,620	37,869
Other liabilities	4,600	6,513	53,385
<b>Total long-term liabilities</b>	<b>36,466</b>	<b>37,175</b>	<b>304,713</b>
<b>Total liabilities</b>	<b>78,846</b>	<b>88,395</b>	<b>724,549</b>
<b>Net Assets</b>			
<b>Shareholder's equity:</b>			
Common stock	19,985	19,985	163,811
Capital surplus	23,733	23,733	194,533
Retained earnings	60,116	60,496	495,869
Treasury stock	(517)	(403)	(3,303)
<b>Total shareholder's equity</b>	<b>103,317</b>	<b>103,811</b>	<b>850,910</b>
<b>Accumulated other comprehensive income :</b>			
Unrealized gain on available-for-sale securities	4,790	6,047	49,566
Deferred gains or losses on derivatives under hedge accounting	9,321	8,609	70,566
Foreign currency translation adjustments	3,178	2,717	22,270
Remeasurements of defined benefit plans	(992)	(944)	(7,738)
<b>Total accumulated other comprehensive income</b>	<b>16,297</b>	<b>16,431</b>	<b>134,680</b>
Subscription rights to shares	12	22	180
Minority interest	4,939	7,007	57,434
<b>Total net assets</b>	<b>124,566</b>	<b>127,272</b>	<b>1,043,213</b>
<b>Total liabilities and net assets</b>	<b>¥ 203,413</b>	<b>¥ 215,667</b>	<b>\$ 1,767,762</b>

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 122 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2015.

**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND JUNE 30, 2015**

	Millions of Yen		Thousands of U.S. dollars
	Six months ended September 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2015
<b>Net sales</b>	¥ 102,825	¥ 93,993	\$ 770,434
<b>Cost of sales</b>	56,923	52,996	434,393
<b>Gross profit</b>	45,901	40,996	336,033
<b>Selling, general and administrative expenses</b>	42,643	37,890	310,574
<b>Operating income</b>	3,258	3,106	25,459
<b>Other income</b>			
Interest income	150	121	992
Dividend income	124	177	1,451
Share of profit of entities accounted for using equity method	47	28	230
Other	335	314	2,574
<b>Total other income</b>	658	641	5,254
<b>Other expenses</b>			
Interest expense	123	90	738
Foreign exchange losses	61	66	541
Other	127	129	1,057
<b>Total other expenses</b>	311	286	2,344
<b>Ordinary income</b>	3,605	3,461	28,369
<b>Extraordinary gain</b>			
Gain on sales of fixed assets	359	35	287
Gain on sales of investment securities	0	-	-
Gain on forgiveness of debt	-	69	566
<b>Total extraordinary gain</b>	359	105	861
<b>Extraordinary loss</b>			
Loss on disposal of fixed assets	87	26	213
Loss on valuation of investment securities	-	0	0
Loss on reorganization	10	-	-
<b>Total extraordinary loss</b>	98	26	213
<b>Income before income taxes and minority interests</b>	3,866	3,540	29,016
<b>Income taxes</b>			
Income taxes - current	1,544	1,406	11,525
Income taxes - deferred	(81)	(14)	(115)
<b>Total income taxes</b>	1,463	1,391	11,402
<b>Income before minority interests</b>	2,403	2,148	17,607
<b>Minority interests in net income</b>	151	128	1,049
<b>Net income</b>	¥ 2,252	¥ 2,020	\$ 16,557
Addition: Minority interests in net income	151	128	1,049
<b>Income before minority interests</b>	2,403	2,148	17,607
<b>Other comprehensive income</b>			
Unrealized gain on available- for- sale securities	1,234	1,256	10,295
Deferred gains or losses on derivatives under hedge accounting	1,752	(715)	(5,861)
Foreign currency translation adjustments	(422)	(531)	(4,352)
Remeasurements of defined benefit plans	42	47	385
Share of other comprehensive income of an affiliate by the equity method	(1)	4	33
<b>Total other comprehensive income</b>	2,606	62	508
<b>Comprehensive income</b>	¥ 5,009	¥ 2,211	\$ 18,123
Of which attributable to shareholders of the parent	5,034	2,154	17,656
Of which attributable to minority interests	(24)	57	467

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 122 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2015.

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2014 AND JUNE 30, 2015**

	Millions of Yen		Thousands of U.S. dollars
	Six months ended September 30, 2014	Six months ended June 30, 2015	Six months ended June 30, 2015
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 3,866	¥ 3,540	\$ 29,016
Depreciation and amortization	2,679	2,888	23,672
Amortization of goodwill	680	727	5,959
Interest and dividend income	(275)	(298)	(2,443)
Interest expense	123	90	738
Increase (decrease) in accrued bonuses	(117)	(51)	(418)
Increase (decrease) in other provisions	(182)	127	1,041
Increase (decrease) in net defined benefit liability	237	(46)	(377)
Share of loss (profit) of entities accounted for using equity method	(47)	(28)	(230)
Loss (gain) on sales of investment securities	(0)	-	-
Loss (gain) on valuation of securities	-	0	0
Loss (gain) on sales and disposal of fixed assets- net	(272)	(8)	(66)
Gain on forgiveness of debt	-	(69)	(566)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(4,093)	(474)	(3,885)
Decrease (increase) in inventories	706	2,522	20,672
Decrease (increase) in accounts receivable- other	(834)	566	4,639
Increase (decrease) in notes and accounts payable	534	1,382	11,328
Increase (decrease) in accounts payable- other	1,495	(2,339)	(19,172)
Decrease (increase) in other current assets	(117)	(499)	(4,090)
Increase (decrease) in other current liabilities	(67)	321	2,631
Other- Increase (decrease)- net	35	(82)	(672)
Subtotal	<u>4,350</u>	<u>8,267</u>	<u>67,762</u>
Cash received from interest and dividend income	251	280	2,295
Cash paid for interest expense	(128)	(139)	(1,139)
Cash paid for income taxes	<u>(1,151)</u>	<u>(179)</u>	<u>(1,467)</u>
Net cash provided by (used in) operating activities	<u>3,322</u>	<u>8,229</u>	<u>67,451</u>
<b>Cash flows from investing activities:</b>			
Disbursement for time deposits	(7,000)	(182)	(1,492)
Proceeds from repayment of time deposits	9,577	3	25
Purchases of marketable and investment securities	(4,033)	(11)	(90)
Proceeds from sales and redemption of securities	224	4,012	32,885
Payments of loans receivable	(845)	(0)	(0)
Collection of loans receivable	-	259	2,123
Acquisition of fixed assets	(4,236)	(1,953)	(16,008)
Proceeds from sales of fixed assets	425	168	1,377
Purchase of shares of subsidiaries and associates	(106)	-	-
Purchase of shares and capital of subsidiaries resulting in change in scope of consolidation	-	(9,003)	(73,795)
Other- Increase (decrease)- net	(134)	(16)	(131)
Net cash provided by (used in) investing activities	<u>(6,129)</u>	<u>(6,723)</u>	<u>(55,107)</u>
<b>Cash flows from financing activities:</b>			
Increase (decrease) in short- term borrowings	(717)	(2,870)	(23,525)
Increase (decrease) in commercial papers	-	10,000	81,967
Proceeds from long- term borrowings	4,718	-	-
Repayments of long- term borrowings	(1,965)	(1,642)	(13,459)
Repayments of finance lease obligations	(58)	(46)	(377)
Dividends paid	(2,178)	(1,624)	(13,311)
Proceeds from share issuance to minority shareholders	-	132	1,082
Dividends paid to minority shareholders	(66)	-	-
Decrease (increase) in treasury stock	113	114	934
Net cash provided by (used in) financing activities	<u>(154)</u>	<u>4,063</u>	<u>33,303</u>
Foreign translation adjustment on cash and cash equivalents	97	6	49
Net increase (decrease) in cash and cash equivalents	<u>(2,863)</u>	<u>5,576</u>	<u>45,705</u>
Cash and cash equivalents at beginning of period	<u>22,295</u>	<u>18,960</u>	<u>155,410</u>
Cash and cash equivalents at end of period	<u>¥ 19,431</u>	<u>¥ 24,537</u>	<u>\$ 201,123</u>

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 122 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of June 30, 2015.