

Results Briefing Materials for FY2017/2Q

Wednesday, August 2, 2017
Kagome Co., Ltd. (2811)
<http://www.kagome.co.jp/company/ir>

I. Summary of Financial Results for FY2017/2Q and Future Initiatives

- Both sales and profits increased. Financial results were revised upward.
- The Yasai Seikatsu 100 Smoothie achieved a significant increase.
- Progress was made in earnings structural reforms and work style reforms.

II. Progress of Mid-Term Management Plan

- Steady progress was made.

III. FY2017 Full-Year Results Forecasts

- The expected dividend of 27 yen announced at the beginning of FY2017 was revised upward to 28 yen.

FY2017/2Q Consolidated Results

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Consolidated results		Year on year		vs. forecasts at the beginning of the term
Net sales	¥104.1 B	+¥5.8 B	+6%	+¥3.1 B
Operating income	¥6.2 B	+¥0.7 B	+12%	+¥1.1 B
Ordinary income	¥6.7 B	+¥1.0 B	+18%	+¥1.4 B
Net income*	¥4.8 B	+¥1.6 B	+49%	+¥1.3 B

* Quarterly net income attributable to owners of parent

- Net sales and profits increased at all levels.
- Beverages performed strongly. Earnings structural reforms and work style reforms produced results.

FY2017/2Q Results by Segment

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Unit: 100 million yen

	Net sales			
	FY2016	FY2017	Change	Rate of change
Domestic processed food business	690	747	+ 57	+8%
Domestic agriculture business	63	61	-2	+3%
International business	236	243	+7	+3%
Intersegment transactions	-5	-10	-5	—
Total	983	1,041	+58	+6%

Unit: 100 million yen

	Operating income			
	FY2016	FY2017	Change	Rate of change
Domestic processed food business	32	51	+19	+59%
Domestic agriculture business	10	3	-7	-70%
International business	10	5	-5	-49%
Intersegment transactions	4	3	-1	—
Total	55	62	+7	+12%

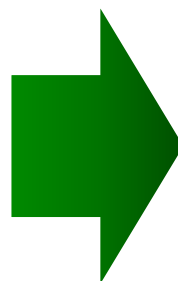
- Domestic processed food business (increase in both sales and income): Strong performance of the Yasai Seikatsu 100 Smoothie and tomato juice.
- Domestic agricultural business (decrease in both sales and income): Decline in fresh tomato market prices.
- International business (increase in sales and decrease in income): Strong performance of products for business use in the United States and a decline in yields of tomatoes due to heavy rainfall in Australia.

Sales of the Yasai Seikatsu 100 Smoothie achieved an increase of ¥3.6 B

330 ml paper container with cap

Feeling of healthiness created by vegetables

Good when feeling slightly hungry



The product has attracted new customers in their 20s and 30s who are different from our current customers.

- The market for the Smoothie increased 70% year on year.
- New lines will be installed for in-house production next fiscal year to address an increase in demand.

FY2017/2Q Domestic Processed Food Business



Expansion of the sales areas of GREENS



Renewal as additive-free
fresh Smoothie

The sales areas will be expanded
into the Tokai, Hokuriku and Kinki areas

Strong performance of tomato juice with function claims



血中コレステロールが
気になる方に 機能性表示食品
食生活は、主食、主菜、副菜を基本に、食事のバランスを。

Sales increased 30%
from a year ago

Release of vegetable juice with function claims



血圧が高めの方に
機能性表示食品
食生活は、主食、主菜、副菜を基本に、食事のバランスを。

The product
will be
launched
in October

FY2017/2Q Domestic Processed Food Business

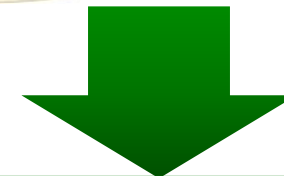


Holding of the “Neapolitan Stadium” event



Strong performance of Tsubuyori Yasai

Strong performance of
Lycopene Cholestefine



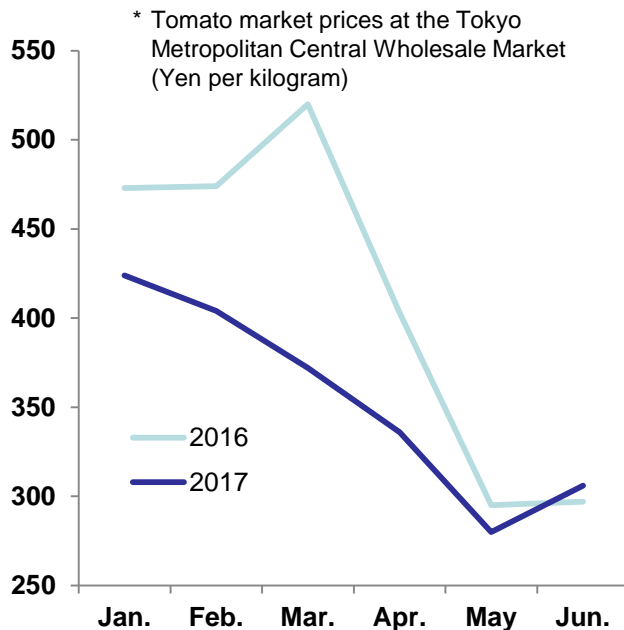
Sales through direct marketing are
expected to exceed ¥10 B in FY2017

Strong performance of
contracted service-based products for
delicatessens sold at convenience
stores and supermarkets



Both sales and income decreased due to a decline in fresh tomato market prices

Changes in tomato market prices



Super-vegetable



Baby leaves

高リコピントマトとベビーリーフの美カプレーゼ

調理時間 約 10 分
エネルギー 186 k cal



材料 4人分

- カゴメ 高リコピントマト 4 個
- カゴメ ベビーリーフミックス 1 パック
- モッツァレラチーズ 2 個
- 塩 少々
- 黒こしょう 少々
- エキストラバージンオリーブ油 大さじ 1

作り方

- ① トマトとベビーリーフミックスは水洗いし、よく水気をとる。
- ② トマトとモッツァレラチーズをくし切りにする。
- ③ ①に②をしき、④を交互に盛り付けて、塩、黒こしょう、オリーブ油を回しかける。

Baby leaf garden in Takane, Yamanashi

- Supply of tomatoes from Kagome to the market increased 10%
- Efforts to sell the Super-vegetable series were strengthened

United States: Products for business use performed strongly
Australia: Sales increased but income decreased due to the effects of heavy rainfall

U.S.: Kagome USA, Inc.



Strong performance of the solution-type business for major food service customers

Australia: Kagome Australia Pty Ltd.



Decline in yields of tomatoes for processing due to the effects of heavy rainfall

Portugal: HIT



Development of new sales channels for tomato paste

Seeds and seeding business U.S.: UG



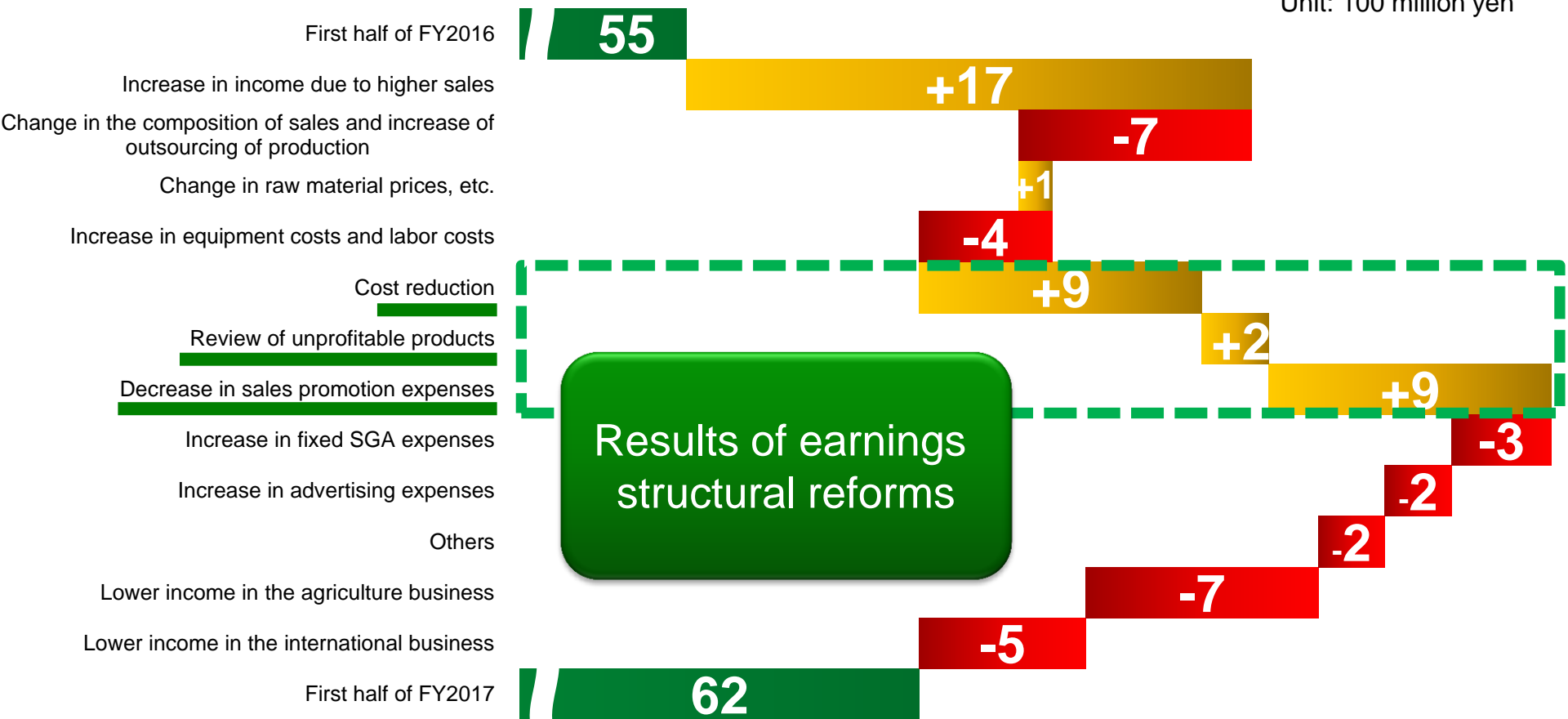
Expansion of sales channels in Europe and Latin America

Factors Contributing to Operating Income Changes in FY2017/2016

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Unit: 100 million yen



Results of earnings structural reforms

Earnings structural reforms/way of working reforms

Earnings structural reforms

Marginal profit-oriented management



Inventory reduction



Improved production efficiency



Way of working reforms

Teleworking system



Staggered working hour system



Health and productivity management



2017
健康経営優良法人
Health and productivity
ホワイト500

Changes in Consolidated Balance Sheet for FY2017/2Q

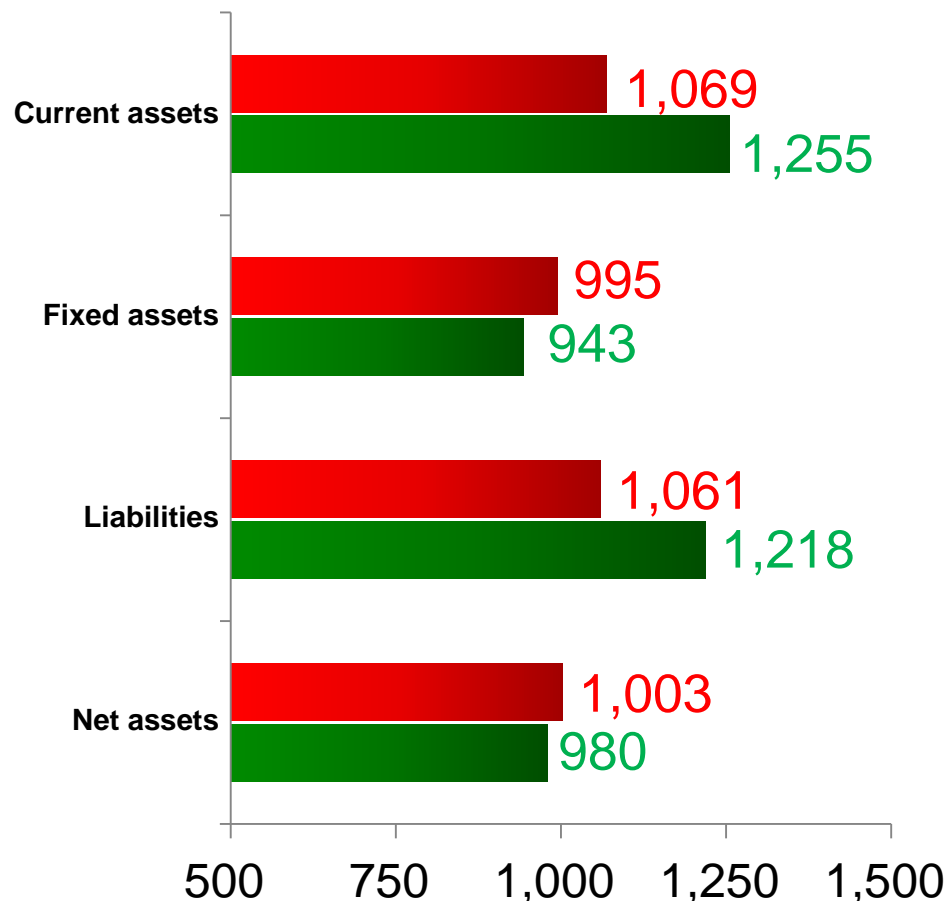
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Total assets/liabilities and net assets

¥206.4 B (down ¥13.4 B from the end of FY2016)

Unit: 100 million yen



Unit: 100 million yen

■: Dec. 31, 2016 ■: Jun. 30, 2017

Current assets -186

- Decrease in cash -180
- Decrease in inventories -41

Fixed assets +52

- Increase in fixed investments +35
- Decrease due to depreciation losses (including goodwill) -34
- Rise in market prices of shares held +22

Liabilities -157

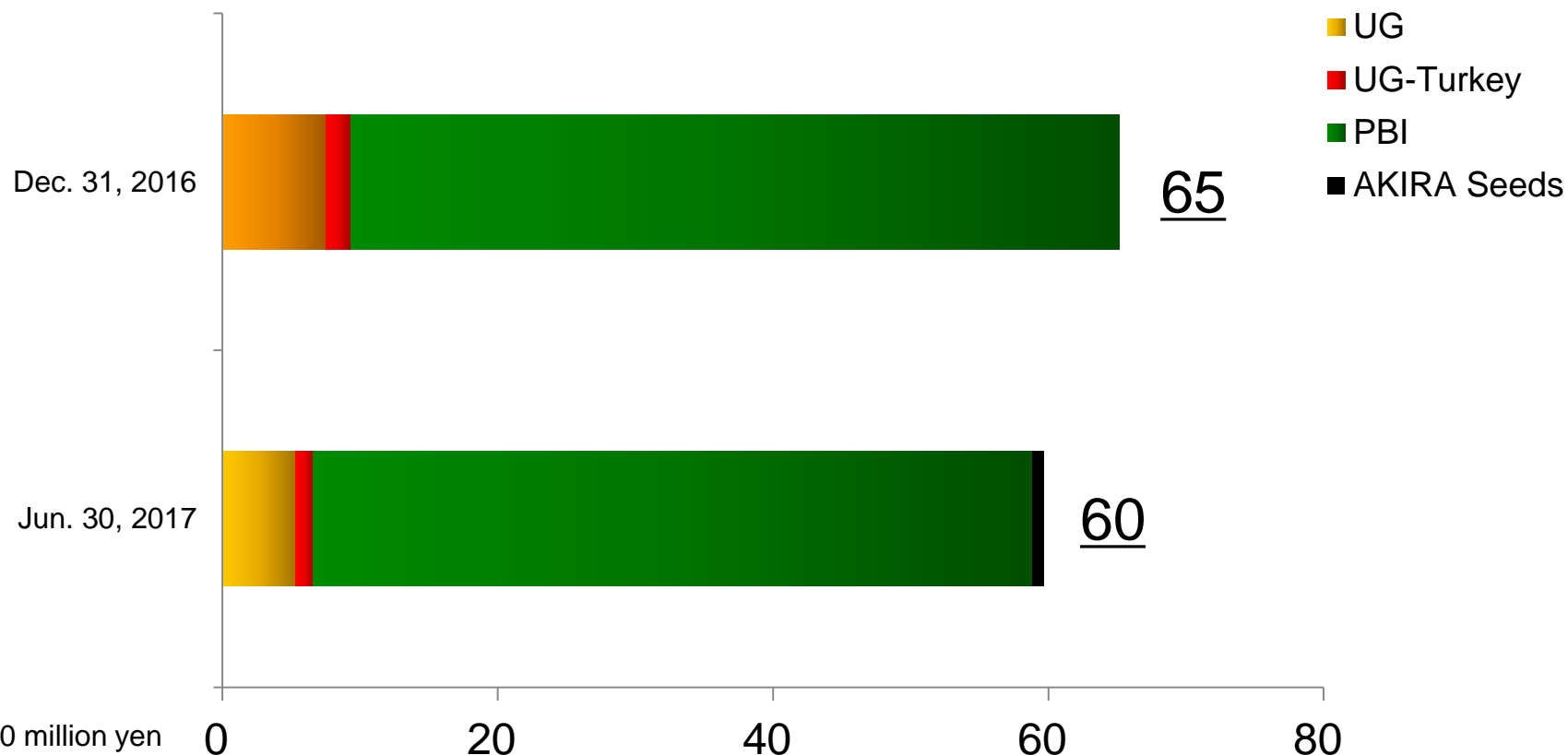
- Repayment of borrowings -223

Net assets +23

- Increase due to net income +48
- Decrease due to dividends -22

Changes in Goodwill for FY2017/2Q

Goodwill ¥6.0 billion (- ¥0.5 billion)



- Increase of ¥100 million due to the acquisition of the shares of AKIRA Seeds
- Decrease of ¥400 million due to the amortization of goodwill (PBI: amortization over 20 years; other companies: 5 years)
- Decrease of ¥200 million due to the impact of exchange rates associated with the stronger yen.

Cash Flows for FY2017/2Q

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Unit: 100 million yen

	FY2016	FY2017	Change
Cash flows from operating activities (A)	+86	+129	+43
Cash flows from investing activities (B)	-129	+34	+163
Disbursement and proceeds pertaining to time deposits and securities (C)	-100	+102	+202
Free cash flows (A+B-C)	+57	+61	+5

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II. Progress of Mid-Term Management Plan

III. FY2017 Full-Year Results Forecasts

Quantitative targets for FY2018 in the mid-term management plan

Consolidated net sales: **¥220 billion** (as initially planned)

Consolidated operating income margin: **6% ¥13.2 billion**

Revised upward in February 2017

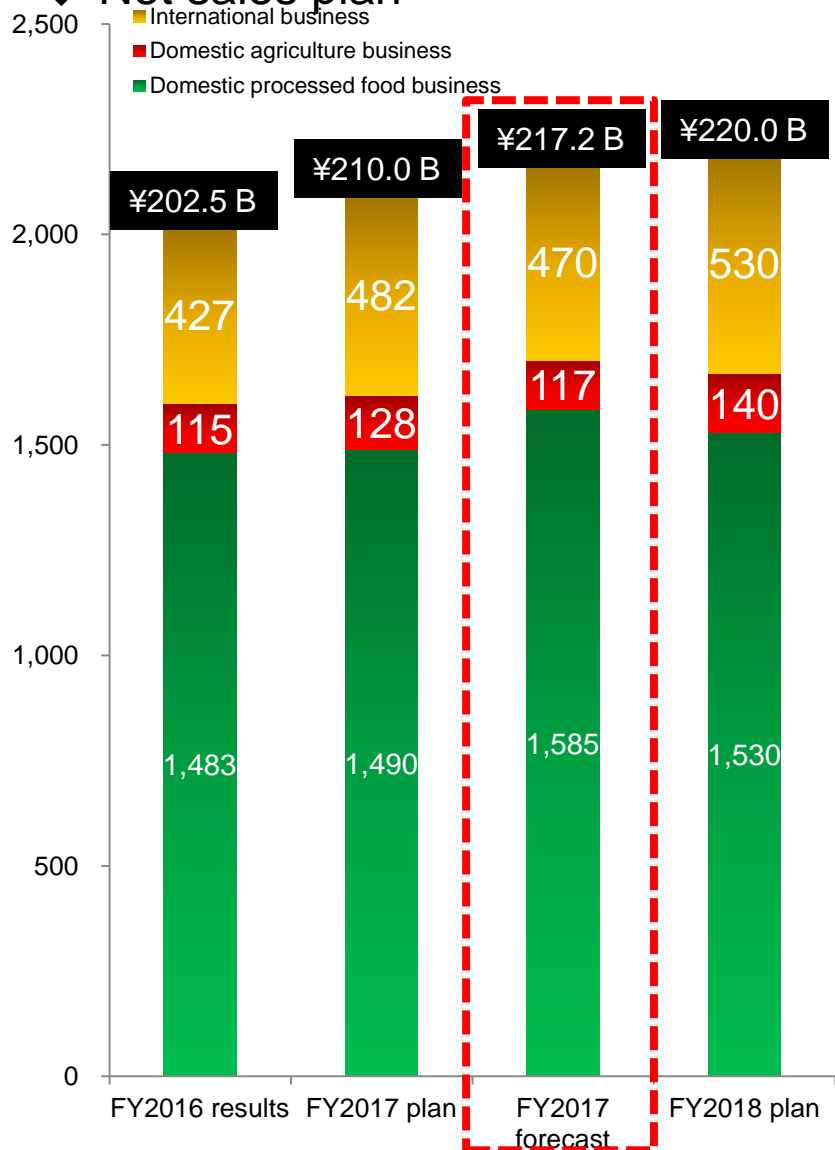
ROE: **8%**

Revised upward in February 2017

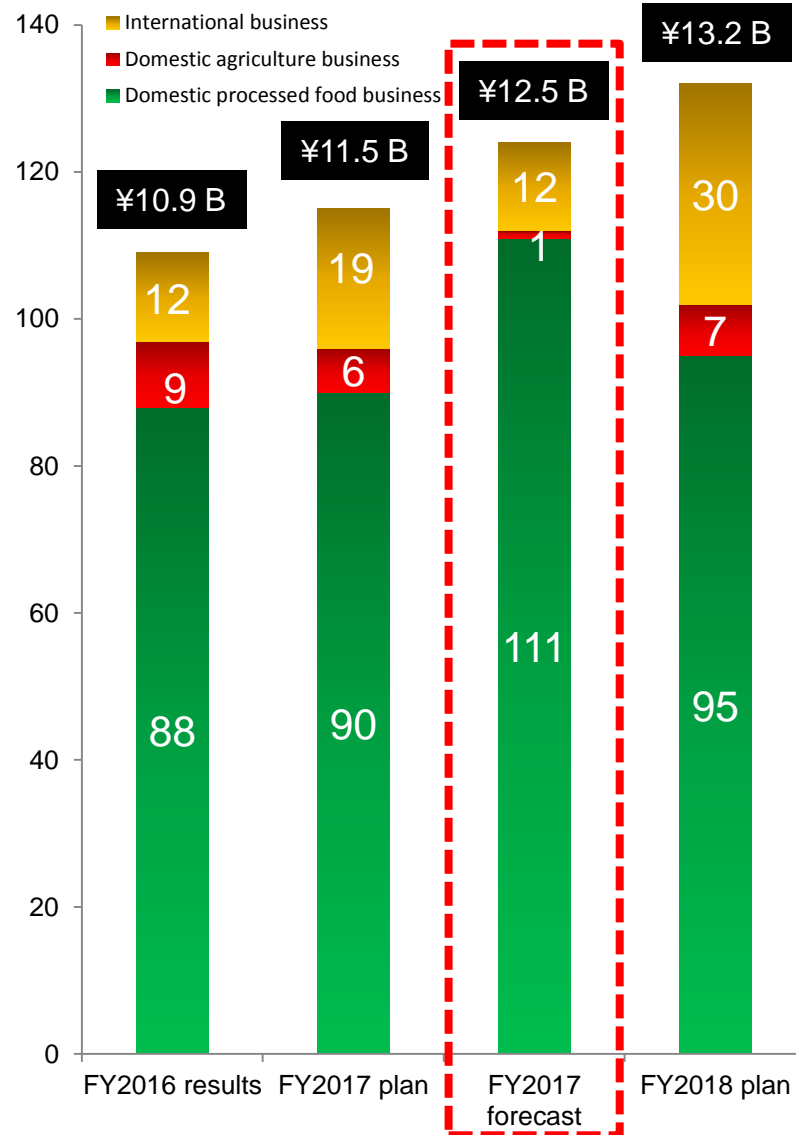
Progress of Mid-Term Management Plan



◆ Net sales plan



◆ Operating income plan



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FY2017 Full-Year Results Forecasts

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◆ Results forecasts by segment

Unit: 100 million yen

Unit: 100 million yen

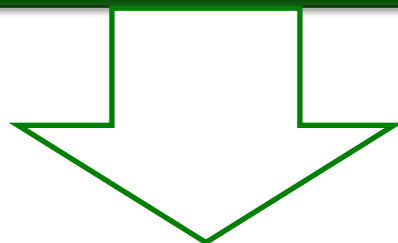
	Net sales			
	FY2016	FY2017	Change	Rate of change
Domestic processed food business	1,469	1,575	+106	+7%
Domestic agriculture business	115	117	+2	+2%
International business	474	508	+34	+7%
Intersegment transactions	-33	-28	+4	—
Total	2,025	2,172	+146	+7%

	Operating income			
	FY2016	FY2017	Change	Rate of change
Domestic processed food business	81	105	+24	+30%
Domestic agriculture business	9	1	-7	-85%
International business	12	12	+0	+0%
Intersegment transactions	7	6	-2	—
Total	109	125	16	+14%

◆ Expected dividends

◆ Expected dividends for FY2017 as of the beginning of the term:

27 yen per share



◆ Expected dividends for FY2017 after revision:

28 yen per share



Note

All information contained herein on the current plans, forecasts and strategies of Kagome that does not consist of historical facts is based on judgments made by Kagome's management from currently available information. We therefore request that you refrain from relying comprehensively and solely on these forecasts. Please note that actual results may differ materially from these forecasts due to various important factors that could have an impact on actual results, including but not limited to (1) weather, particularly low temperatures in summer, (2) product accidents such as contamination by foreign substances, (3) economic conditions, particularly consumer trends, surrounding the business domains of Kagome, and (4) Kagome's capability of continuing to plan and develop products and services that will be accepted by customers in the market exposed to fierce competition that is characterized by rapidly changing customer preferences. The purpose of these materials is to promote a greater understanding of Kagome, and not necessarily to solicit investment in Kagome. Market data, etc. stated herein are also prepared based on information that the Company deems to be reliable and accurate. However, please note that these data, including future as well as past data, could change without prior notice due to revisions, etc.