

Consolidated Summary Report <under Japanese GAAP>

For the nine months ended September 30, 2018

October 31, 2018

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya
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Quarterly securities report issuing date: November 9, 2018
 Supplemental information for financial statements: Available
 Schedule for "investor meeting presentation": None

Dividend payment date: -

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

1. Consolidated Financial Data for the Nine Months Ended September 30, 2018

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parent	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended September 30, 2018	157,069	(2.3)	9,182	(7.5)	9,346	(10.8)	7,224	0.6
September 30, 2017	160,808	6.5	9,923	18.9	10,482	22.6	7,180	47.8

(Reference) Comprehensive income as of September 30, 2018: 3,933 million yen ((45.0)%); September 30, 2017: 7,158 million yen (— %)

	Earnings Per Share	Diluted Earnings Per Share
Nine months ended September 30, 2018	yen 81.50	yen 81.42
September 30, 2017	yen 81.07	yen 81.03

(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
September 30, 2018	196,365	107,273	52.7	1,167.74
December 31, 2017	195,737	105,853	52.1	1,050.50

(Reference) Shareholders' equity as of September 30, 2018: 103,546 million yen; December 31, 2017: 101,949 million yen

2. Dividends on Common Stock

	Dividends per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended	yen	yen	yen	yen	yen
December 31, 2017	—	—	—	30.00	30.00
December 31, 2018	—	—	—	—	—
Fiscal year ending				35.00	35.00
December 31, 2018(Forecast)					

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

Fiscal year ending December 31, 2018(Forecast) Ordinary dividend: 30.00 yen; Anniversary dividend: 5.00 yen

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2018

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

	Net Sales		Operating Income		Ordinary Income		Net Income Attributable to Shareholders of Parent		Earnings Per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
For the year ending December 31, 2018	215,000	0.4	13,000	8.6	13,000	3.0	10,000	(1.0)	112.85

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

4. Other (For more details, please see “Other information” in page 8)

(1) Changes in significant subsidiaries during the year: 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 year.

(2) Application of special accounting method for preparing quarterly consolidated financial statements: 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 shares outstanding (common shares):

(A) Total stocks outstanding

including treasury stocks:

Sep. 30, 2018	99,616,944 shares	Dec. 31, 2017	99,616,944 shares
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(B) Treasury stocks:

Sep. 30, 2018	10,944,400 shares	Dec. 31, 2017	11,003,718 shares
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(C) Total stocks outstanding

excluding treasury stocks:

Sep. 30, 2018	88,672,544 shares	Dec. 31, 2017	88,613,226 shares
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(D) Average outstanding stocks:

9 months ended Sep. 30, 2018	88,641,707 shares	9 months ended Sep. 30, 2017	88,570,800 shares
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* This “Consolidated Summary Report” (“Tanshin”) is outside the scope of the external audit.

* 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 annual financial statements)

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

5. Qualitative Information Regarding Financial Results for the First Nine Months under Review

(1) Explanation of operating results

For the first nine months under review (January 1, 2018 to September 30, 2018) on a consolidated basis, the Japanese economy remained on a moderate recovery track thanks to the economic measures implemented by the government and the Bank of Japan, while the employment and income situations continued to improve. The food industry saw progress in the diversification of values demanded by consumers, such as faster and easier use, health, and eating alone.

Under these circumstances, the Company aimed to become a “strong company that can maintain sustainable growth by resolving social issues through food” under the three-year mid-term management plan starting from the fiscal year ended December 2016. Specifically, the Company is working on the following four priority issues to further enhance the social and economic value of the Company: (1) increasing the value of existing businesses and categories; (2) creating new business models through innovation; (3) promoting globalization; and (4) improving productivity through work style reform.

Despite the sales growth of the mainstay beverage business and direct marketing sales in the domestic business, net sales decreased following the sale of shares of Preferred Brands International, Inc. (hereinafter PBI), a consolidated subsidiary of the Company, in the previous fiscal year, and the accompanying decline in sales of this company in the international business.

Operating income decreased due to increases in advertising expenses and logistics expenses, mainly in the domestic business, and the stagnant market situations of fresh tomatoes, which worsened more from spring to summer in the agriculture business, among other factors.

As a result, for the first nine months under review on a consolidated basis, net sales decreased to 157,069 million yen, down 2.3% year on year, operating income decreased to 9,182 million yen, down 7.5% year on year, ordinary income declined to 9,346 million yen, down 10.8% year on year, and net income attributable to owners of parent rose 7,224 million yen, up 0.6% year on year.

In addition, the typhoons No. 20, 21 and 24 affected the business of the Group, causing damage to a subsidiary, Kada Greenfarm Co.,Ltd. and other companies. The specific amount of impact is being investigated as of the date of submission of this consolidated summary report.

The business results by segment are as outlined below.

Name of segment	(Million yen)					
	Net sales			Operating income		
	First nine months of the previous fiscal year	First nine months under review	Change	First nine months of the previous fiscal year	First nine months under review	Change
Beverages	67,751	67,962	210	5,488	5,015	(472)
Food, etc.	50,301	50,283	(18)	3,589	3,495	(93)
Processed food	118,053	118,245	191	9,078	8,511	(566)
Agriculture	8,568	8,900	331	(245)	(293)	(47)
Others	13,512	14,044	531	498	624	126
Adjustments	(12,614)	(13,134)	(519)	–	–	–
Domestic business in total	127,519	128,055	535	9,330	8,843	(487)
International business	35,892	34,052	(1,840)	592	339	(253)
Adjustments	(2,604)	(5,037)	(2,433)	–	–	–
Total	160,808	157,069	(3,738)	9,923	9,182	(740)

<Domestic Business>

Net sales of the domestic business increased to 128,055 million yen, up 0.4% year on year, and operating income decreased to 8,843 million yen, down 5.2% year on year. Net sales by business are as shown below.

① Processed food business

In the processed food business, the Company manufactures and sells beverages, condiments and other products.

Net sales of this business increased to 118,245 million yen, up 0.2% year on year, and operating income decreased to 8,511 million yen, down 6.2% year on year.

[Beverages: Yasai Seikatsu 100 series, tomato juice and others]

In the beverages category, the Company aims to increase the range of products meeting various health needs and suitable for various drinking scenarios and develop versatile and habitual drinking uses including increased functions under the catchphrase “To provide vegetables with ease and a delicious taste,” aiming to offer “Health Beverages for Life” that meet consumers’ expectations for good health.

The tomato juice has been sold as a food with functional claims with the indication “for people who care about blood cholesterol” since February 2016. And from January 2018, the indication “for people with elevated blood pressure” has been added. The tomato juice is sold as a food with two functional claims, and its sales have been strong.

As for the Yasai Seikatsu 100 series, a proposal for a “delicious taste stimulating a preference for vegetables” aimed at families through advertisements and campaigns led to the acquisition of new and repeat consumers of vegetable beverages and an increase in sales. In particular, the Yasai Seikatsu 100 Smoothie series successfully targeted women in their 20s to 40s as healthy beverages suitable for snacks that adequately satisfy the appetite, resulting in growth in beverage areas. Sales remained strong because more dedicated corners were established for the Smoothie in supermarkets.

The Yasai Ichinichi Kore Ippon series achieved stimulation of demands by proposing dieting with vegetable beverages by utilizing transportation advertising, among other means.

Accordingly, although sales of the Company’s own brand products increased, sales of products for drinking produced under contract decreased and as a result, net sales of the vegetable beverages category remained at the same level as that of the previous year, 67,962 million yen, and operating income decreased to 5,015 million yen, down 8.6% year on year mainly due to an increase in advertising expenses.

[Food, etc.: tomato ketchup, condiment, sauces, beverages for direct marketing sales/gifts and others]

With respect to tomato ketchup, for home use, we implemented the campaign for conveying the value of reduced salt food, etc. and the promotion utilizing Pocket Monsters. For business use, we focused on measures to stimulate demand with a dispenser designed primarily for buffets such as breakfast in hotels.

As for condiments made with tomatoes other than tomato ketchup, we focused on activities to contribute to the resolution of the problem of insufficient vegetable intake by promoting an increase in dishes using vegetables under the catchphrase “Eat more vegetables wisely with a delicious taste.” In particular, the intensified proposal in stores and through advertisements for tomato dishes cooked in 10 minutes using Basic Tomato Sauce attracted support mainly from housewives in their 30s and 40s, resulting in strong sales.

For other products designed as gifts, we focused on sales of products with unique values that only the Company can provide; specifically, health, delicious taste, compassion and exclusivity. In addition, products for direct marketing sales saw strong performance in sales of the core beverage Tsubuyori Yasai and supplements.

Accordingly, although sales of the Company’s own brand products increased, sales of products for business use produced under contract decreased and as a result, net sales in the category of food, etc. remained at the same level as that of the previous year, 50,283 million yen, and operating income decreased to 3,495 million yen, down 2.6% year on year.

② Agriculture business

In the agriculture business, the Company mainly sells fresh tomatoes, mesclun greens, packaged salads, etc.

Net sales of this business increased 3.9% year on year to 8,900 million yen with an operating loss of 293 million yen in comparison with the operating loss of 245 million yen a year earlier.

As for fresh tomatoes, our main business, we focused on sales of high value-added products containing abundant

lycopene, β -carotene, GABA and other specific nutrition, while increased attention was given to functional vegetables. Because of the stagnant market situations for fresh tomatoes which had worsened more from spring to summer, however, an operating loss was recorded although net sales increased.

In sales of mesclun greens, which we are cultivating as the new mainstay products after fresh tomatoes, Green Vege Bowl baby leaf mix and Green Vege Bowl baby leaf spinach distributed in the capital region around Tokyo, which can be eaten without washing, were popular due to that feature, resulting in increased sales.

③ Other businesses

Other businesses include transportation and warehousing, real estate leasing, contracted service businesses and others. Net sales increased to 14,044 million yen, up 3.9% year on year, and operating income increased to 624 million yen, up 25.3% year on year.

In addition, in April 2018, the Company and four other food manufacturers entered into an agreement for the launch of the integrated company for physical distribution from April 2019 for the purpose of promoting collaborative initiatives among food manufacturers toward the resolution of worsening problems with the physical distribution of food, including a sharp rise in logistics expenses.

<International Business>

In the international business, we operate the business under a core management strategy according to which vertically integrated business should be established from the development of tomato seeds, firming, product development, processing and sales.

Net sales of the business decreased to 34,052 million yen, down 5.1% year on year, and operating income decreased to 339 million yen, down 42.7% year on year.

In addition, due to the disposal by sales of the shares of PBI in November 2017, the net sales of PBI decreased. In comparison to the results, excluding those of PBI, for the first nine months of the previous fiscal year on a consolidated basis, net sales increased 10.6% year on year and operating income decreased 40.5% year on year.

Net sales of the major subsidiaries denominated in local currencies are as outlined below.

KAGOME INC. (United States) saw an increase in income due to a change in the time of dealing with the Company which was made in the previous consolidated fiscal year, but a decrease in profits mainly because of a temporary decline in production efficiency upon introduction of new production facilities. Holding da Industria Transformadora do Tomate, SGPS S.A. (Portugal) recorded an operating loss due to the low market price for tomato paste. Kagome Australia Pty Ltd. (Australia) recorded increases in both income and profits due to steady progress in business restructuring in addition to strong sales to major customers.

In addition, Kagome Senegal Sarl (the Republic of Senegal), which was established as the base in the previous consolidated fiscal year for the development of the tomato business within the Economic Community of West African States (ECOWAS), where demand is increasing, commenced sales of tomatoes for processing in the Republic of Senegal from the fiscal year under review.

(2) Explanation of the financial position

For the first nine months under review on a consolidated basis, total assets increased 628 million yen from the end of the previous fiscal year.

Current assets increased 950 million yen from the end of the previous fiscal year.

Cash and deposits decreased 1,862 million yen mainly due to new installation and replacement of the Company's production facilities. On the other hand, inventories (the total of merchandise and finished goods, work in process, and raw materials and supplies) increased 1,874 million yen due to seasonal factors.

Fixed assets decreased 322 million yen from the end of the previous fiscal year.

Property, plant and equipment increased 2,116 million yen from the end of the previous fiscal year.

The main factors contributing to the increase included fixed investments amounting to 7,545 million yen such as the installation and renewal of the Company's new and existing production facilities.

Main factors that offset the increase were depreciation of 3,604 million yen, sales of real estate of 1,015 million yen.

Investment securities decreased 2,008 million yen from the end of the previous fiscal year due to a fall in the market price and disposal thereof.

Liabilities decreased 791 million yen from the end of the previous fiscal year.

This decrease was caused by decreases in interest-bearing debt (the total of short-term borrowings, current portion of long-term borrowings, long-term borrowings, etc.) of 5,525 million yen as well as income taxes payable of 2,016 million yen, despite increases in notes and accounts payable – trade of 5,843 million yen due to seasonal factors.

Net assets increased 1,419 million yen from the end of the previous fiscal year. This increase was attributable to increases in retained earnings of 4,555 million yen as a result of an increase of 7,224 million yen due to posting of profit attributable to shareholders of parent and a decrease of 2,668 yen million due to dividends of surplus, although a decline in accumulated other comprehensive income of 3,115 million yen, mainly due to the continuing strong yen and a fall in the market price of investment securities.

As a result, the ratio of net assets attributable to KAGOME shareholders to total assets is 52.7%, and total net assets per common stock are 1,167.74 yen.

(3) Explanation of the consolidated forecasts and other forward-looking forecasted information

There is no change in the full-year forecast announced in the consolidated summary report for the year ended December 31, 2017 on February 1, 2018.

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1. Other Information

(1) Changes in Significant Subsidiaries

Not applicable.

(2) Application of special accounting method for preparing quarterly consolidated financial statements

Income taxes

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

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2017	As of Sep. 30, 2018	As of Sep. 30, 2018
Assets			
Current assets:			
Cash and deposits	¥ 22,150	¥ 20,288	\$ 179,540
Notes and accounts receivable	36,042	36,592	323,823
Merchandise and finished goods	21,143	23,120	204,602
Work in process	919	401	3,549
Raw material and supplies	19,636	20,051	177,442
Other current assets	10,127	10,440	92,389
Allowance for doubtful accounts	(351)	(276)	(2,442)
Total current assets	109,667	110,618	978,920
Fixed assets:			
Property, plant and equipment:			
Buildings and structures, net	18,824	18,727	165,726
Machinery, equipment and vehicles, net	17,821	18,796	166,336
Tools and furniture, net	942	1,043	9,230
Land	12,874	11,691	103,460
Lease assets, net	851	835	7,389
Construction in progress	1,935	4,272	37,805
Property, plant and equipment net	53,250	55,367	489,973
Intangible assets:			
Goodwill	503	134	1,186
Software	1,426	1,777	15,726
Other intangible assets	266	256	2,265
Total intangible assets	2,196	2,168	19,186
Investments and other assets:			
Investment securities	22,364	20,355	180,133
Other assets	8,339	7,927	70,150
Allowance for doubtful accounts	(82)	(71)	(628)
Total investments and other assets	30,621	28,211	249,655
Total fixed assets	86,069	85,747	758,823
Total assets	¥ 195,737	¥ 196,365	\$ 1,737,743

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of September 30, 2018.

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2017	As of Sep. 30, 2018	As of Sep. 30, 2018
Liabilities			
Current liabilities:			
Notes and accounts payable	¥ 16,554	¥ 22,398	\$ 198,212
Short-term borrowings	21,218	16,587	146,788
Current portion of long-term borrowings	1,447	1,748	15,469
Other payable	12,039	10,633	94,097
Income taxes payable	3,918	1,902	16,832
Accrued bonuses for employees	1,251	1,986	17,575
Accrued bonuses for directors	105	54	478
Other current liabilities	3,175	5,404	47,823
Total current liabilities	59,710	60,715	537,301
Long-term liabilities:			
Long-term borrowings	14,154	12,942	114,531
Provision for loss on guarantees	190	186	1,646
Net defined benefit liability	5,045	5,074	44,903
Other	10,782	10,173	90,027
Total long-term liabilities	30,173	28,376	251,115
Total liabilities	89,883	89,092	788,425
Net Assets			
Shareholder's equity:			
Common stock	19,985	19,985	176,858
Capital surplus	22,362	22,362	197,894
Retained earnings	74,303	78,859	697,867
Treasury stock	(26,985)	(26,828)	(237,416)
Total shareholder's equity	89,665	94,378	835,204
Accumulated other comprehensive income :			
Unrealized gain on available-for-sale securities	8,971	7,609	67,336
Deferred gains or losses on derivatives under hedge accounting	2,420	1,216	10,761
Foreign currency translation adjustments	1,754	1,127	9,973
Remeasurements of defined benefit plans	(864)	(785)	(6,947)
Total accumulated other comprehensive income	12,283	9,167	81,124
Subscription rights to shares	106	177	1,566
Non-controlling interests	3,798	3,549	31,407
Total net assets	105,853	107,273	949,319
Total liabilities and net assets	¥ 195,737	¥ 196,365	\$ 1,737,743

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of September 30, 2018.

(2) Consolidated Statements of Income and Comprehensive Income

	Millions of Yen		Thousands of U.S. dollars
	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2018	Nine months ended Sep. 30, 2018
Net sales	¥ 160,808	¥ 157,069	\$ 1,389,991
Cost of sales	87,934	85,920	760,354
Gross profit	72,873	71,149	629,637
Selling, general and administrative expenses	62,950	61,966	548,372
Operating income	9,923	9,182	81,257
Other income			
Interest income	330	187	1,655
Dividend income	260	278	2,460
Share of profit of entities accounted for using equity method	16	-	-
Gain on valuation of derivatives	402	20	177
Other	261	328	2,903
Total other income	1,271	814	7,204
Other expenses			
Interest expenses	383	289	2,558
Share of loss of entities accounted for using equity method	-	4	35
Foreign exchange losses	139	64	566
Other	189	292	2,584
Total other expenses	712	650	5,752
Ordinary income	10,482	9,346	82,708
Extraordinary gain			
Gain on sales of fixed assets	316	1,479	13,088
Gain on sales of investment securities	31	218	1,929
Gain on transfer of business	330	-	-
Total extraordinary gain	678	1,698	15,027
Extraordinary loss			
Loss on disposal of fixed assets	54	251	2,221
Loss on sales of investment securities	-	56	496
Total extraordinary loss	54	308	2,726
Profit before income taxes	11,106	10,736	95,009
Income taxes			
Income taxes - current	3,891	3,443	30,469
Income taxes - deferred	(191)	48	425
Total income taxes	3,700	3,492	30,903
Net income	¥ 7,405	¥ 7,244	\$ 64,106
Profit attributable to Shareholders of parent	7,180	7,224	63,929
Profit attributable to non-controlling interests	224	20	177
Other comprehensive income			
Unrealized gain on available- for- sale securities	1,743	(1,362)	(12,053)
Deferred gains or losses on derivatives under hedge accounting	(1,791)	(1,204)	(10,655)
Foreign currency translation adjustments	(288)	(823)	(7,283)
Remeasurements of defined benefit plans	91	79	699
Share of other comprehensive income of an affiliate by the equity method	(2)	0	0
Total other comprehensive income	(247)	(3,310)	(29,292)
Comprehensive income	¥ 7,158	¥ 3,933	\$ 34,805
Comprehensive income attributable to Shareholders of parent	6,816	4,108	36,354
Comprehensive income attributable to non-controlling interests	342	(174)	(1,540)

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of September 30, 2018.