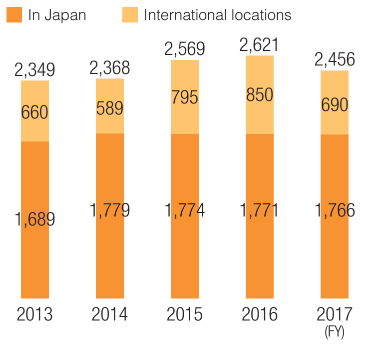
Key Financial and Non-Financial Data

Accounting Period (Fiscal Year)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Millions of U.S. dollars 2017
Profit and Loss (Unit: million yen)												
Net sales	¥200,483	¥175,134	¥171,937	¥181,304	¥180,047	¥196,233	¥193,004	¥159,360	¥195,619	¥202,534	¥214,210	1,895,664
Research and development expenses	2,895	2,541	2,577	2,567	2,655	3,009	3,084	2,566	3,240	3,219	3,346	
Advertising expenses	7,376	6,784	5,326	6,312	6,122	7,053	6,918	5,319	4,671	5,086	5,977	
Operating income	8,786	4,447	6,397	7,978	8,466	9,278	6,775	4,328	6,723	10,946	11,968	105,912
Operating income to net sales (%)	4.4	2.5	3.7	4.4	4.7	4.7	3.5	2.7	3.4	5.4	5.6	
Ordinary income	8,366	4,249	7,304	8,389	9,213	10,025	7,529	4,969	7,015	11,315	12,618	111,664
Profit attributable to shareholders of parent	4,167	2,000	2,981	2,473	4,217	6,480	5,105	4,366	3,441	6,764	10,100	89,381
Financial Transition (Unit: million yen)												
Total assets	¥138,682	¥140,938	¥134,005	¥142,661	¥148,207	¥168,965	¥183,621	¥203,413	¥208,885	¥219,804	¥195,737	1,732,186
Net assets	90,378	87,707	89,418	88,941	92,815	104,432	113,023	124,566	126,344	97,991	105,853	936,752
Interest-bearing debt	9,487	23,267	12,665	16,159	15,851	24,004	31,088	35,904	37,419	74,538	37,168	
Cash Flows (Unit: million yen)												
Cash flows from operating activities	¥2,225	¥4,137	¥15,230	¥18,241	¥11,757	¥7,407	¥(1,073)	¥1,753	¥12,039	¥18,824	¥16,598	146,885
Cash flows from investing activities	(14,999)	(5,431)	(6,458)	(19,093)	(4,985)	(1,781)	(3,941)	(7,110)	(11,023)	(18,576)	17,271	152,841
Cash flows from financing activities	(4,091)	4,433	(12,544)	1,414	(1,861)	1,050	2,322	1,793	1,555	6,904	(40,761)	(360,717)
Free cash flow	(8,325)	(1,559)	13,902	8,757	7,866	(1,417)	(12,661)	(4,269)	(4,011)	10,442	21,588	
Per Share Information (Unit: yen)												
Net income per share	41.85	20.09	29.97	24.87	42.40	65.15	51.39	44.01	34.64	68.30	114.03	
Net assets per share	887.26	866.10	885.16	880.13	920.81	1,020.86	1,094.07	1,204.77	1,201.96	1,043.89	1,150.50	
Annual dividend per share	15.0	15.0	15.0	15.0	18.0	20.0	22.0	16.5	22.0	24.5	30.0	
Key Management Indicators (Unit: %)												
Net assets to total assets	63.7	61.1	65.7	61.4	61.8	60.1	59.1	58.8	57.2	42.1	52.1	
Return on equity (ROE)	4.7	2.3	3.4	2.8	4.7	6.7	4.9	3.8	2.9	6.4	10.4	
Return on assets (ROA)	5.9	3.0	5.3	6.1	6.3	6.3	4.3	2.6	3.4	5.3	6.1	
Dividend payout ratio	35.8	74.7	50.1	60.3	42.5	30.7	42.8	37.5	63.5	35.9	26.3	
Dividend on net assets ratio	1.7	1.7	1.7	1.7	2.0	2.1	2.1	1.4	1.8	2.2	2.7	
Non-Financial Information												
Number of employees*2 (persons)	1,951	2,038	2,031	2,045	2,101	2,209	2,349	2,368	2,569	2,621	2,456	
Energy used*3 (thousands of gigajoules)	1,560	1,368	1,360	1,379	1,319	1,297	1,289	1,329	1,336	1,380	1,376	
Water used*3 (thousands of tons)	4,260	3,583	3,440	3,484	3,452	3,627	3,945	3,850	3,828	3,628	3,442	
CO_2 emissions*3 *4 (tons)	81,701	70,682	69,875	69,908	66,379	65,454	62,777	64,693	63,968	66,499	66,599	

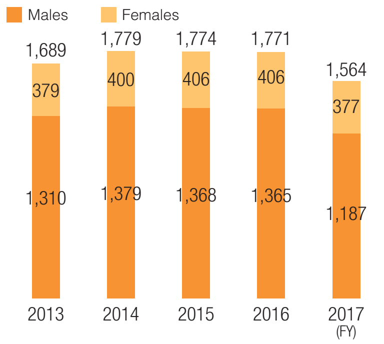
*1 The accounting period was changed in 2014, and FY2014 only covers the 9-month period from April 1 until December 31, 2014. *2 Scope: Kagome Group
*3 Scope: Kagome Co., Ltd. + Group companies in Japan (Kagome Axis, Kagome Distribution Service, four greenhouse farms)
*4 Company management fixed coefficient of 0.421 kg-CO_2/kWh was used as the electricity conversion factor for calculated values of CO_2

Number of employees (consolidated)
(Unit: persons)

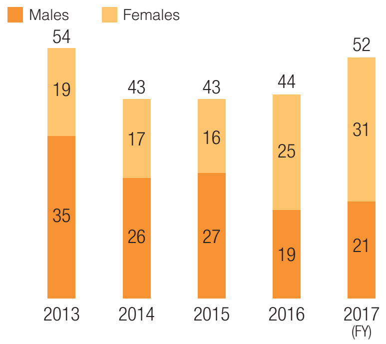


* Scope: Kagome Group

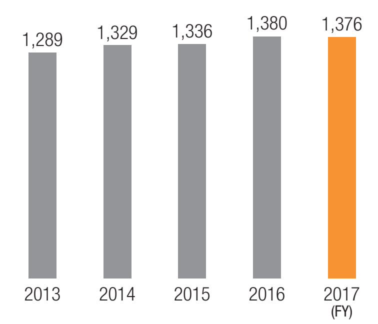
Number of employees (in Japan)
(Unit: persons)



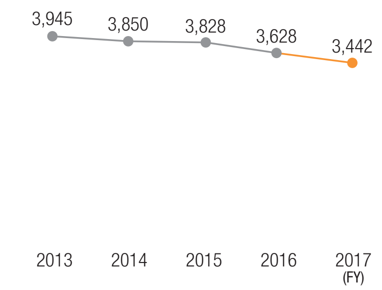
Number of newly hires
(Unit: persons)



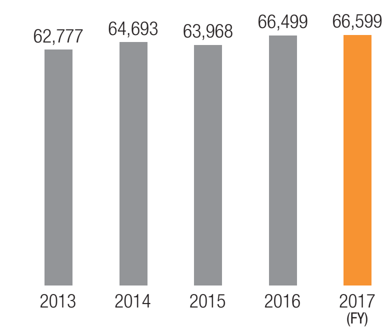
Energy used
(Unit: thousands of gigajoules)



Water used
(Unit: thousands of tons)



CO_2 emissions
(Unit: tons)



Proactive investment in creating a foundation for sustainable growth for 2019 and beyond

Yoshihide Watanabe
Director & Senior Managing Executive Office

[Review of the Fiscal Year Ended December 2017]

Improving Costs through Marginal Profit Based Management

In fiscal year 2017, our operating income to net sales was 5.6%, an increase of 2.2 points in comparison with the figure 3.4% at the time of the introduction of our 2016-2018 Mid-Term Management Plan. Our cost of sales ratio and SG&A (Selling, General and Administrative) expenses ratio have also improved, by 1.4 and 0.8 points respectively, and really feel that our policy of marginal profit based management is producing results.

The most significant variable expense in our cost of sales is the cost of raw ingredients. With regard to vegetable and fruit juices, by making use of different types of raw ingredients according to attributes such as production area, level of concentration and price, we were able to revise our costs while maintaining standards, quality and flavor. This enabled us to reduce associated expenses by over 500 million yen in fiscal year 2017.

We also worked to review and rethink unprofitable products. Naturally, when marginal profits are in the red, and even when they are not, we work to concentrate and consolidate our operations by considering the state of sales and how they relate to our production processes, and link this on to cost reductions and improvements in efficiency.

When considering variable expenses, sales promotion costs are another major significant factor. By introducing marginal profits as a KPI for our sales divisions, and thoroughly applying the profit management concept of "how to best increase profits rather than increasing sales" in the field, we have sought to ensure appropriate sales promotion costs. Additionally, we have also become able to make various proposals, from the perspective of using sales promotion costs efficiently, that lead directly to increased business performance and earnings for our customers. In this way, we have improved our cost ratio for sales promotion costs (also a variable expense) by 0.7 points in comparison with the time of the introduction of our Mid-Term Management Plan.

[Two Issues that Must Be Tackled]

Essential Requirements for Sustainable Growth

The fiscal year ending December 2018 will be the final year of our current Mid-Term Management Plan. While we consider the figure of 6% that we set as our target ratio for operating income to be an achievable level, we also value the importance of building a solid foundation to enable the stable growth of this amount. In order to do so, we recognize two major issues that Kagome must resolve right now.

The first issue is to achieve stable growth while a high percentage of our sales are comprised of beverage products.

While on one hand it is easier to generate sales with beverages in comparison with food products, they are also characterized by the fact that consumer commitment is low and customers are easily influenced by current trends or fads, and performance is therefore prone to be unstable. Beverages are the central focus of Kagome's business operations, and in order to achieve continuous stable growth it is essential for us to develop products based on new ideas, including surrounding categories. Our Smoothie series—which makes effective use of plant ingredients which had not been utilized in our Yasai Seikatsu 100 brand products until now (such as nut-type ingredients)—is a prime example.

Amidst all of this, and given the current situation in which the boundaries between existing categories and channels (such as between beverages and food products, and between consumer use and food service use) are becoming fainter and less distinct, we modified our business segments. This involved the consolidation of five separately classified segments into a single processed food products segment. It was also a message to those within the company that we want them to stop considering things in terms of existing frameworks, and to advance their work from a broader perspective, making wide-reaching collaborations."

The second issue is to increase the accuracy of our investment planning.

Looking back over the past 10 years, even with the exclusion of earthquake-related items, we have posted cumulative losses (including fixed asset disposal and impairment losses) totaling almost 10 billion yen (cumulative).

Many of these extraordinary losses were a result of what could be called strategic failures, in which we were unable to generate the sales or profits that were originally anticipated prior to making certain investments, and were therefore unable to find a way to collect on those investments. Based on our reflection upon these failures, in recent years, we have devised various unique approaches in terms of project risk management techniques, such as by setting a sufficient test marketing phase prior to carrying out such investments, or conducting monitoring from the initial year after an investment is made to prevent delays in launching associated operations. However, if cautious stance with regard to investments causes atrophy with regard to starting new business operations, it will lead to the even greater risk of insufficient growth potential for the future. For that reason, rather than considering investments on an individual, case-by-case basis, I would like us to engage more in approaches such as focusing on areas in which we should concentrate our resources as a Group, and conducting studies in advance with regard to anticipated issues.

Unless we resolve these issues and create a leaner organization for generating profits, then it will be difficult for us to achieve sustainable growth in our next mid-term management plan. We have therefore resolved to approach and tackle such issues with a strong sense of urgency/crisis.

[Capital Investment Policy]

Raising the Scale of Investment from 10 Billion to Between 12 and 13 Billion Yen

While in Japan the growth of our processed foods business is predicted to slump in the long term due to factors such as the shrinking of the market as a result of population decline, we have hopes for our domestic agri-business and international business segments to play a major role in future growth.

In our domestic agri-business, as Japan's entire agricultural industry aims to become a growth industry, there is significant room for Kagome to grow, thanks to its wealth of experience with tomatoes. In reality, however, there are many cases where actual business performance is influenced by market conditions, and risk countermeasures are a pressing concern.

In comparison with Kagome's business operations, agri-business requires a relatively low percentage fixed investment, and offers a comparatively high asset turnover ratio. This is because we are promoting contracted growing, in which we outsource production to local farmers. We then take delivery of produce from contracted farmers and sell them on a nationwide scale. It can surely be said that this is a business model that makes maximum effective use of our strength, in terms of the network that we have built up through our processed food operations.

In our international business, we expect demand for tomatoes for processing to grow in the long term, and are thinking that we will continue to expand our investments in this area in the future.

With regard to tomato sauce sales to global food services, we are engaging in capital investments with the aim of reducing costs (such as energy and transportation costs) from a long term perspective, by integrating various processes for processing our products. Our tomato processing operations can be broadly divided into two categories: primary processing, in which we manufacture tomato paste, and secondary processing, in which we manufacture culinary sauces and other products using that tomato paste as a raw ingredient. However, because the thinking with regard to hygiene management for these two categories is completely different, it is usually difficult for primary processing business operators to extend their operations to handle secondary processing. The realization of this business domain can be achieved only by Kagome, which is capable of secondary processing, integrating its upstream processing processes. In this way, we believe that we can build a unique business model that is only possible for Kagome.

With regard to capital investments in domestic factories, renewals and automation, which will ensure safety and security with regards to quality and respond to our efforts for work style reform are a priority issue. We will seek to secure production capabilities and space for factory expansions that will enable us to respond swiftly and flexibly to future growth in sales and changes in our business structure. Our policy is to create beneficial effects with our investments that exceed the increase in our depreciation costs and achieve a positive overall effect in terms of our profits and losses, by focusing on select investments.

For the last few years, depreciation costs have remained steady at around 6 billion yen. But over the coming few years, this burden of depreciation will increase by around 200 million yen every year. In terms of investment, the amount has remained fairly constant at around the 10 billion yen mark, but moving forward we will increase this to around 12 or 13 billion yen. This is anticipated to continue for several years.

Essentially, we plan to cover the amount of these planned investments with our own cash flow, although if they exceed this then we plan to borrow to cover the cost of these investments.

[Investing in our Foundation for Value Creation]

Improving Productivity and Building Systems to Support Our Strengths

With regard to improving productivity, we believe that there is room for improvement in terms of white-collar work. Firstly, we have made shortening working hours a priority, and are working with the aim of cutting annual working hours per person, which currently reach up to 1,980 hours, down to 1,800 hours.

Over the last two years, we have invested just under 2 billion yen into renewing our ERP (Enterprise Resource Planning) as part of our Infrastructure Renewal Project. We regard rebuilding our work processes and workflow as a pressing task, and will continue to invest proactively going forward.

While on one hand aiming to reduce workloads with regard to cost calculations, accounting systems and other aspects that form the basis of our ERP activities, we will also seek to build systems that pay particular attention to uniqueness with regard to aspects that could potentially be advantages for Kagome, such as information exchanges and sales forecasts in our sales divisions. We plan to continue investing around 1 billion yen annually in order to link these activities to achieving swift and accurate decision-making as a company.

We will also be investing approximately 200 million yen into talent management, with the aim of "visualizing" areas which until now have depended on the experience and gut instinct of our human resources departments.

Talent management is a means of developing human resources by managing individual career paths and utilizing that information to develop succession plans and tailor-made training, and to increase employees' feelings that they are doing a worthwhile job. At the same time, it also leads to improvements in productivity. As one aspect of this, we have established a new Career Advisor System. Through this system, staff with a detailed knowledge of the company's work and operations are conducting interviews with employees on a one-to-one basis and collecting information regarding their individual abilities, hopes and wishes with regard to their future careers.

[Creating Value by Utilizing Intangible Assets]

Aiming to Enable Longer, Healthy Lives

Kagome is working to tackle and resolve the social issue of enabling longer, healthy lives. As one aspect of this, our Innovation Division is working in collaboration with Hirosaki University to unravel the mechanisms that make consuming vegetables useful in maintaining health and preventing illness. We hope that the results of big data analyses of health checkups being carried out as part of this project can be applied as Kagome's own unique assets in developing future products and services.

We are also advancing our existing functionality research, and making efforts that will enable us to produce more factual, proof-based research results more efficiently, through proactive collaborations and coordination with external institutions.

[Towards 2019 and Beyond]

Increasing Returns through Investment to Achieve a Dividend Payout Ratio of 40%

With regard to our target ratio for operating income in our mid-term management plan for the next three-year period, we are currently at a stage where we are making considerations while considering various factors. At this present time, we are thinking less of an absolute target level and more of a moving target.

Profits are an important indicator, as a measure of how just much the value of our products is being recognized by our customers. At the same time, we cannot afford to value profits to the extent of sacrificing investment expenses for future growth. For these reasons, I would like us to continue to carefully watch market trends and ensure that we are not too late to follow them; and in terms of income ratio, too, to aim slightly higher than the average income ratio for food products companies.

Regarding shareholder returns, we will aim for a stable dividend payout ratio of 40%, using ordinary income after taxes (which constitutes continuous business performance excluding extraordinary gain) as our standard. To avoid reducing dividend payouts due to adverse short-term fluctuations in business performance, we hope to increase our returns through investment and answer to the expectations of our shareholders as soon as possible.

In the fiscal year ending December 2018, Kagome will mark the 120th anniversary of its founding. Kagome is a company that has achieved sustainable growth throughout its long history up until now. I would like our investors to look forward to even greater achievements from us in the future.

Business Performance and Financial Analysis (Fiscal Year 2017)

Conditions of Earnings and Profits

Net Sales

We saw an increase of 10,473 million yen (a 6.6% increase) in domestic business sales in comparison with the previous year, due to factors including brisk sales in our core beverage business.

In our international business, sales to major food service customers remained strong, while sales on a local currency basis fell due to factors such as heavy rainfall in Australia. In yen terms, net sales increased by 1,486 million yen (a 3.1% increase) in comparison with the previous year due to the effects of the depreciation of the yen in the currency market, which continued from the beginning of the year.

As a result of eliminations of the above results by net sales between consolidated companies, net sales for the consolidated fiscal year under review increased by 11,675 million yen (a 5.8% increase) to 214,210 million yen, compared with 202,534 million yen for the previous consolidated fiscal year.

Cost of sales and gross profit

Cost of sales for the consolidated fiscal year under review increased by 6,130 million yen (a 5.5% increase) to 117,738 million yen, compared with 111, 607 million yen for the previous consolidated fiscal year. The cost of sales ratio improved by 0.1 points, from 55.1% in the previous consolidated fiscal year to 55.0%. This was mainly due to cost reductions and elimination of underperforming products in domestic businesses, which had a positive effect on cost of sales.

As a result, gross profit for the consolidated fiscal year under review increased by 5,544 million yen (a 6.1% increase) to 96,472 million yen, compared with 90,927 million yen for the previous year.

Selling, general and administrative expenses and operating income

Selling, general and administrative expenses for the consolidated fiscal year under review increased by 4,522 million yen (a 5.7% increase) to 84,503 million yen, compared with 79,981 million yen for the previous consolidated fiscal year. The ratio of selling, general and administrative expenses to net sales was 39.4%, decreased by 0.1 points from 39.5% in the previous consolidated fiscal year. This was mainly due to effective utilization of sales promotion expenses in our domestic businesses.

As a result, operating income for the consolidated fiscal year under review increased by 1,022 million yen (a 9.3% increase) to 11,968 million yen, compared with 10,946 million yen for the previous consolidated fiscal year. The ratio of operating income to net sales was 5.6%, improved by 0.2 points from 5.4% in the previous consolidated fiscal year.

Other income or loss and ordinary income

Other income for the consolidated fiscal year under review increased by 335 million yen to 1,559 million yen, compared with 1,224 million yen for the previous consolidated fiscal year. This was due to the positive effect of fluctuations in the market value of company-owned derivatives. Other expenses for the consolidated fiscal year under review were 910 million yen, at around the same level as the previous consolidated fiscal year (854 million yen).

As a result, ordinary income for the consolidated fiscal year under review increased by 1,302 million yen (a 11.5% increase) to 12,618 million yen, compared with 11,315 million yen for the previous consolidated fiscal year. The ratio of ordinary income to net sales was 5.9%, improved by 0.3 points from 5.6% in the previous consolidated fiscal year.

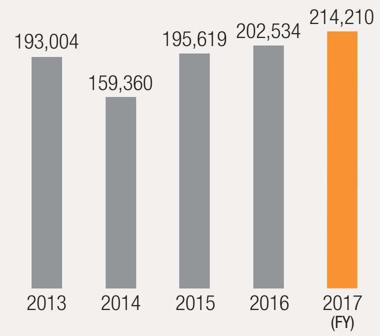
Extraordinary gain or loss

Extraordinary gain for the consolidated fiscal year under review increased by 2,356 million yen to 4,590 million yen, compared with 2,233 million yen for the previous consolidated fiscal year. This was mainly due to the sale of shares of the subsidiary Preferred Brands International, Inc. and partial sale of investment securities during the consolidated fiscal year under review, which resulted in posting a gain of 2,171 million yen on sales of shares of subsidiaries and associates and 1,721 million yen on sales of investment securities.

In addition to the above, for the consolidated fiscal year under review, we also posted a gain of 354 million yen on sales of fixed assets, a gain of 330 million yen on transfer of business due to

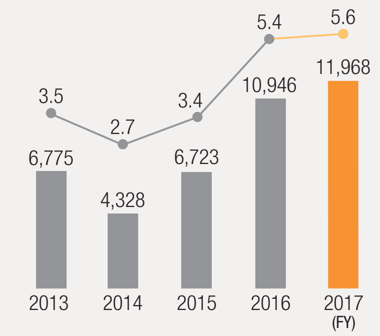
Net sales

(Unit: Millions of Yen)



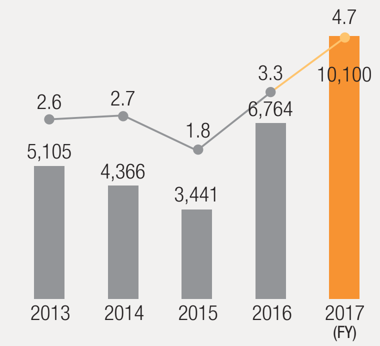
Operating Income / Operating Income to Net Sales

(Unit: Millions of Yen / %)



Profit Attributable to Shareholders of Parent / Return on Sales

(Unit: Millions of Yen / %)



the sale of subsidiary Kagome Axis Co., Ltd.'s insurance agency business and Kagome Distribution Service Co., Ltd.'s vehicle leasing business operations, and compensation income for expropriation of 11 million yen.

Extraordinary loss for the consolidated fiscal year under review decreased by 681 million yen to 1,598 million yen, compared with 2,279 million yen for the previous consolidated fiscal year.

For the consolidated fiscal year under review, the company posted a loss of 195 million yen on disposal of fixed assets (167 million yen for the previous consolidated fiscal year), impairment loss of 1,337 million yen on fixed assets owned by the company (606 million yen for the previous consolidated fiscal year) mainly due to reforms to the business structure of subsidiary Kagome Australia Pty Ltd., and loss on valuation of investment securities of 2 million yen (223 million yen for the previous consolidated fiscal year).

Income taxes and profit attributable to shareholders or parent

Total income taxes for the consolidated fiscal year under review increased by 1,107 million yen to 5,232 million yen, compared with 4,125 million yen for the previous consolidated fiscal year. Actual effective tax rate after application of deferred tax accounting was 33.5%, which is over the effective statutory tax rate in Japan.

Profit attributable to shareholders of parent for the consolidated fiscal year under review after deducting profit attributable to non-controlling interests from net income increased by 3,336 million yen to 10,100 million yen, compared to 6,764 million yen for the previous consolidated fiscal year.

Analysis of Assets and Liabilities

Assets

Kagome's total assets at the end of the consolidated fiscal year under review decreased by 24,066 million yen from the end of the previous consolidated fiscal year.

Current assets decreased by 15,830 million yen from the end of the previous consolidated fiscal year. This was due to a decrease of 16,768 million yen in "cash and deposits" due to repayment of interest-bearing debts, etc.

Fixed assets decreased by 8,236 million yen from the end of the previous consolidated fiscal year.

"Property, plant and equipment" decreased by 384 million yen from the end of the previous consolidated fiscal year. The main increase was 8,017 million yen in fixed investments due to renewal of manufacturing equipment, etc.

Main decreases were depreciation and amortization of 4,909 million yen, 1,436 million yen due to exclusion of Preferred Brands International, Inc. from consolidation, and impairment loss of 1,337 million yen.

"Intangible assets" decreased by 10,771 million yen from the end of the previous consolidated fiscal year.

This was due to total decrease of 9,475 million yen in goodwill, customer relationship and trademark rights, etc., due to the exclusion of Preferred Brands International, Inc. from consolidation.

"Investments and other assets" increased by 2,919 million yen from the end of the previous consolidated fiscal year due to increases in the market value of listed shares owned by the company.

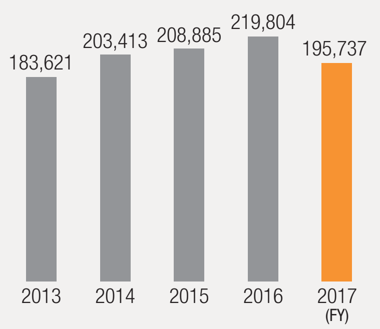
Liabilities and net assets

Liabilities decreased by 31,928 million yen from the end of the previous consolidated fiscal year. This was due to a 37,369 million yen decrease in interest-bearing debt (the sum total of "Short-term borrowings" and "Long-term borrowings" including "Current portion of long-term borrowings," and various other liabilities) due to factors such as repayment of funds for the public offering of treasury stocks carried out during the previous consolidated fiscal year and funds for stock acquisition for Preferred Brands International, Inc. In addition, "Income taxes payable" increased by 3,213 million yen due to an increase in taxable income, and "Notes and accounts payable" increased by 2,825 million yen. Net assets increased by 7,861 million yen from the end of the previous consolidated fiscal year. This was due to an increase of 7,988 million yen in shareholder's equity resulting from an increase of 10,100 million yen in "Retained earnings" due to "Profit attributable to shareholders of parent" and a decrease of 2,179 million yen due to distribution of surplus money.

As a result, the shareholder equity ratio was 52.1% and net assets per share were 1,150.50 yen.

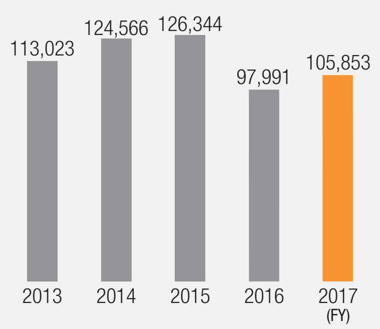
Total Assets

(Unit: Millions of Yen)



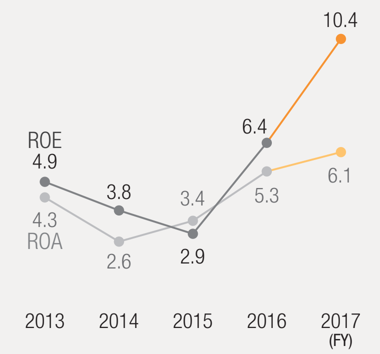
Total Net Assets

(Unit: Millions of Yen)



ROA (Return on Assets) / **ROE** (Return on Equity)

(Unit:%)



Consolidated Financial Statements

Consolidated Balance Sheets

	Millions of Yen As of Dec. 31, 2016	Millions of Yen As of Dec. 31, 2017	Thousands of U.S. dollars As of Dec. 31, 2017
Assets			
Current assets:			
Cash and deposits	38,918	22,150	196,018
Notes and accounts receivable	33,617	36,042	318,956
Merchandise and finished goods	19,648	21,143	187,106
Work in process	932	919	8,133
Raw material and supplies	19,985	19,636	173,770
Deferred tax assets	660	506	4,478
Derivatives	5,675	2,568	22,726
Other current assets	6,325	7,051	62,398
Allowance for doubtful accounts	(264)	(351)	(3,106)
Total current assets	125,498	109,667	970,504
Fixed assets:			
Property, plant and equipment:			
Buildings and structures, net	16,966	18,824	166,584
Machinery, equipment and vehicles, net	18,535	17,821	157,708
Tools and furniture, net	1,101	942	8,336
Land	13,241	12,874	113,929
Lease assets, net	650	851	7,531
Construction in progress	3,138	1,935	17,124
Property, plant and equipment net	53,634	53,250	471,239
Intangible assets:			
Goodwill	6,515	503	4,451
Trademark right	2,192	0	0
Customer relationship	2,496	-	-
Software	1,442	1,426	12,619
Other intangible assets	321	266	2,354
Total intangible assets	12,968	2,196	19,434
Investments and other assets:			
Investment securities	19,532	22,364	197,912
Long-term loans receivable	1,691	1,581	13,991
Deferred tax assets	93	95	841
Other assets	6,460	6,663	58,965
Allowance for doubtful accounts	(75)	(82)	(726)
Total investments and other assets	27,702	30,621	270,982
Total fixed assets	94,305	86,069	761,673
Total assets	219,804	195,737	1,732,186

	Millions of Yen As of Dec. 31, 2016	Millions of Yen As of Dec. 31, 2017	Thousands of U.S. dollars As of Dec. 31, 2017
Liabilities			
Current liabilities:			
Notes and accounts payable	13,729	16,554	146,496
Short-term borrowings	38,232	21,218	187,770
Current portion of long-term borrowings	8,285	1,447	12,805
Other payable	12,096	12,039	106,540
Income taxes payable	704	3,918	34,673
Deferred tax liabilities	1,104	14	124
Accrued bonuses for employees	1,241	1,251	11,071
Accrued bonuses for directors	101	105	929
Derivatives liabilities	12	2	18
Other current liabilities	3,050	3,158	27,947
Total current liabilities	78,558	59,710	528,407
Long-term liabilities			
Long-term borrowings	27,952	14,154	125,257
Deferred tax liabilities	3,704	3,882	34,354
Net defined benefit liability	5,427	5,045	44,646
Provision for loss on guarantees	172	190	1,681
Other	5,996	6,900	61,062
Total long-term liabilities	43,253	30,173	267,018
Total liabilities	121,812	89,883	795,425
Net Assets			
Shareholder's equity:			
Common stock	19,985	19,985	176,858
Capital surplus	22,362	22,362	197,894
Retained earnings	66,492	74,303	657,549
Treasury stock	(27,163)	(26,985)	(238,805)
Total shareholder's equity	81,677	89,665	793,496
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities	6,487	8,971	79,389
Deferred gains or losses on derivatives under hedge accounting	4,287	2,420	21,416
Foreign currency translation adjustments	1,276	1,754	15,522
Remeasurements of defined benefit plans	(1,296)	(864)	(7,646)
Total accumulated other comprehensive income	10,754	12,283	108,699
Subscription rights to shares	44	106	938
Non-controlling interests	5,514	3,798	33,611
Total net assets	97,991	105,853	936,752
Total liabilities and net assets	219,804	195,737	1,732,186

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2017.

Consolidated Statements of Income

	Millions of Yen Fiscal year ended Dec. 31, 2016	Millions of Yen Fiscal year ended Dec. 31, 2017	Thousands of U.S. dollars Fiscal year ended Dec. 31, 2017
Net sales	202,534	214,210	1,895,664
Cost of sales	111,607	117,738	1,041,929
Gross profit	90,927	96,472	853,735
Selling, general and administrative expenses	79,981	84,503	747,814
Operating income	10,946	11,968	105,912
Other income			
Interest income	255	409	3,619
Dividend income	314	341	3,018
Share of profit of entities accounted for using equity method	46	-	-
Insurance income	194	4	35
Gain on valuation of derivatives	-	391	3,460
Other	413	413	3,655
Total other income	1,224	1,559	13,796
Other expenses			
Interest expense	195	477	4,221
Share of loss of entities accounted for using equity method	-	44	389
Foreign exchange losses	293	41	363
Other	366	346	3,062
Total other expenses	854	910	8,053
Ordinary income	11,315	12,618	111,664
Extraordinary gain			
Gain on sales of fixed assets	1,689	354	3,133
Gain on sales of investment securities	-	1,721	15,230
Gain on sales of shares of subsidiaries and associates	-	2,171	19,212
Gain on transfer of business	-	330	2,920
Compensation income for expropriation	236	11	97
Gain on forgiveness of debts	307	-	-
Total extraordinary gain	2,233	4,590	40,619
Extraordinary loss			
Loss on disposal of non-current assets	167	195	1,726
Impairment loss	606	1,337	11,832
Loss on valuation of investment securities	223	2	18
Loss on disaster	62	-	-
Expense for voluntary recall of goods	414	-	-
Business structure improvement expenses	631	-	-
Provision for loss on guarantees	172	-	-
Other	-	62	549
Total extraordinary loss	2,279	1,598	14,142
Profit before income taxes	11,269	15,610	138,142
Income taxes			
Income taxes - current	2,208	4,688	41,487
Income taxes - deferred	1,917	544	4,814
Total income taxes	4,125	5,232	46,301
Net income	7,144	10,377	91,832
Profit attributable to shareholders of parent	6,764	10,100	89,381
Profit (loss) attributable to non-controlling interests	379	276	2,442

Consolidated Statements of Comprehensive Income

	Millions of Yen Fiscal year ended Dec. 31, 2016	Millions of Yen Fiscal year ended Dec. 31, 2017	Thousands of U.S. dollars Fiscal year ended Dec. 31, 2017
Other comprehensive income			
Unrealized gain on available-for-sale securities	43	2,484	21,982
Deferred gains or losses on derivatives under hedge accounting	(2,667)	(1,850)	(16,372)
Foreign currency translation adjustments	(1,014)	656	5,805
Remeasurements of defined benefit plans	(275)	435	3,850
Share of other comprehensive income of an affiliate by the equity method	4	(2)	(18)
Total other comprehensive income	(3,910)	1,723	15,248
Comprehensive income	3,233	12,100	107,080
Comprehensive income attributable to shareholders of parent	3,359	11,621	102,841
Comprehensive income attributable to non-controlling interests	(125)	479	4,239

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2017.

Consolidated Statements of Cash Flows

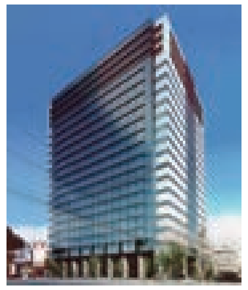
	Millions of Yen Fiscal year ended Dec. 31, 2016	Millions of Yen Fiscal year ended Dec. 31, 2017	Thousands of U.S. dollars Fiscal year ended Dec. 31, 2017
Cash flows from operating activities:			
Profit before income taxes	11,269	15,610	138,142
Depreciation and amortization	5,732	5,813	51,442
Impairment loss	990	1,337	11,832
Amortization of goodwill	752	722	6,389
Interest and dividend income	(569)	(750)	(6,637)
Interest expense	195	477	4,221
Increase (decrease) in accrued bonuses	714	18	159
Increase (decrease) in other provisions	147	93	823
Increase (decrease) in net defined benefit liability	147	242	2,142
Share of loss (profit) of entities accounted for using equity method	(46)	44	389
Loss (gain) on sales of investment securities	-	(1,721)	(15,230)
Loss (gain) on valuation of securities	223	2	18
Loss (gain) on sales of shares of subsidiaries and associates	-	(2,171)	(19,212)
Loss (gain) on sales and disposal of fixed assets- net	(1,521)	(158)	(1,398)
Loss (gain) on transfer of business	-	(330)	(2,920)
Gain on forgiveness of debts	(307)	-	-
Compensation income for expropriation	(236)	(11)	(97)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(1,748)	(2,993)	(26,487)
Decrease (increase) in inventories	4,041	(1,876)	(16,602)
Decrease (increase) in accounts receivable- other	164	(974)	(8,619)
Increase (decrease) in notes and accounts payable	(1,374)	3,113	27,549
Increase (decrease) in accounts payable- other	2,173	1,203	10,646
Proceeds from lease and guarantee deposits received	1,255	615	5,442
Decrease (increase) in other current assets	156	(260)	(2,301)
Increase (decrease) in other current liabilities	(110)	(255)	(2,257)
Other- Increase (decrease)- net	542	(53)	(469)
Subtotal	22,591	17,738	156,973
Cash received from interest and dividend income	541	772	6,832
Cash paid for interest expense	(196)	(449)	(3,973)
Income taxes paid	(4,264)	(1,474)	(13,044)
Proceeds from compensation for expropriation	153	11	97
Net cash provided by (used in) operating activities	18,824	16,598	146,885
Cash flows from investing activities:			
Disbursement for time deposits	(10,676)	(96)	(850)
Proceeds from withdrawal of time deposits	546	10,122	89,575
Purchases of marketable and investment securities	(64)	(682)	(6,035)
Proceeds from sales and redemption of securities	-	2,938	26,000
Acquisition of fixed assets	(6,836)	(9,202)	(81,434)
Proceeds from sales of fixed assets	2,210	1,830	16,195
Collection of loans receivable	58	263	2,327
Proceeds from transfer of business	-	868	7,681
Purchase of shares and capital of subsidiaries resulting in change in scope of consolidation	-	(90)	(796)
Purchase of shares of subsidiaries and associates	(3,741)	(48)	(425)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	11,246	99,522
Other- Increase (decrease)- net	(73)	122	1,080
Net cash provided by (used in) investing activities	(18,576)	17,271	152,841
Cash flows from financing activities			
Increase (decrease) in short- term borrowings	28,160	(17,918)	(158,566)
Proceeds from long- term borrowings	11,333	8,634	76,407
Repayments of long- term borrowings	(904)	(29,277)	(259,088)
Repayments of finance lease obligations	(57)	(123)	(1,088)
Dividends paid	(2,187)	(2,180)	(19,292)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(2,715)	-	-
Proceeds from share issuance to non-controlling shareholders	195	0	0
Dividends paid to non-controlling interests	(72)	(69)	(611)
Decrease (increase) in treasury shares	(26,848)	173	1,531
Other	-	0	0
Net cash provided by (used in) financing activities	6,904	(40,761)	(360,717)
Foreign translation adjustment on cash and cash equivalents	86	377	3,336
Net increase (decrease) in cash and cash equivalents	7,238	(6,513)	(57,637)
Cash and cash equivalents at beginning of period	21,075	28,313	250,558
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	(249)	(2,204)
Cash and cash equivalents at end of period	28,313	21,550	190,708

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 113yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2017.

Company Overview

Founded	1899
Established	1949
Head Office	3-14-15, Nishiki, Naka-ku, Nagoya, Aichi Phone: +81-52-951-3571 (Main) Fax: +81-52-968-2510
Tokyo Head Office	Nihonbashi-hamacho F-Tower, 3-21-1 Nihonbashi-hamacho, Chuo-ku, Tokyo Phone: +81-3-5623-8501 (Main) Fax: +81-3-5623-2331
Capital	19,985 million yen
Number of Employees	2,456 (consolidated)
Places of Business	Head Office, Tokyo Head Office, 1 division office, 8 branches, 6 plants, Innovation Division
Description of Business	Production and sales of food seasonings, preserved foods, beverages, and other food products; purchasing, production, and sales of seedlings, fruits, and vegetables


Head Office


Tokyo Head Office

Places of Business and Group Companies

Places of Business

Head Office
Tokyo Head Office
Innovation Division
Tokyo Laboratory

Business Office
- Hokkaido Branch
- Tohoku Branch
- Kita-Tohoku Business Office
- Tokyo Branch
- Kanagawa Branch
- Kanto Branch
- Nagoya Branch
- Shizuoka Business Office
- Hokuriku Business Office
- Osaka Branch
- Chu-Shikoku Branch
- Okayama Business Office
- Shikoku Business Office
- Kyusyu Branch
- Okinawa Business Office

Plants
- Ueno Plant
- Kozakai Plant
- Fujimi Plant
- Nasu Plant
- Ibaraki Plant
- Komaki Plant

Main Group companies

Domestic Subsidiaries and Associates

- Kada Greenfarm Co., Ltd. (Wakayama City, Wakayama)
- Hibikinada Greenfarm Co., Ltd. (Kitakyushu City, Fukuoka)
- Iwaki Onahama Greenfarm Co., Ltd. (Iwaki City, Fukushima)
- Kagome Axis Co., Ltd. (Nagoya City, Aichi)
- Kagome Distribution Service Co., Ltd. (Obu City, Aichi)

Overseas Subsidiaries and Associates

- Kagome Inc. (California, U.S.A.)
- Ingomar Packing Company, LLC (California, U.S.A.)
- United Genetics Holdings LLC (California, U.S.A.)
- Holding da Industria Transformadora do Tomate, SGPS S.A. (HIT) (Palmela City, Portugal)
- Vegitalia S.p.A. (Calabria, Italy)
- Kagome Australia Pty Ltd. (Victoria, Australia)
- Taiwan Kagome Co., Ltd. (Tainan City, Taiwan)

Status of Shares

Number of shares outstanding	99,616,944 shares
(Note) 1. Total number of authorized shares	279,150,000 shares
2. Number of shares per unit	100 shares
Number of shareholders	177,518

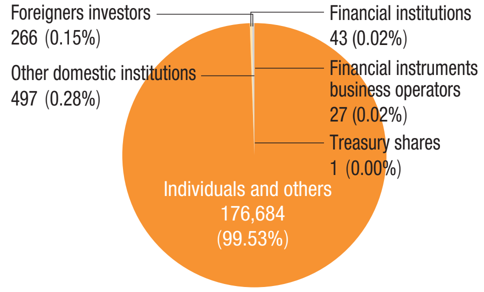
Major Shareholders

Names of Major Shareholders	Capital Contribution to the Company	
	Number of Shares Held (thousand shares)	Shareholding Ratio (%)
Japan Trustee Services Bank, Ltd. (account in trust)	9,418	10.59
The Master Trust Bank of Japan, Ltd. (account in trust)	4,981	5.60
Dynapac Co., Ltd.	4,899	5.51
Nissin Foods Holdings Co., Ltd.	1,559	1.75
Toshichika Kanie	1,412	1.59
Eikichi Kanie	1,145	1.29
JP MORGAN CHASE BANK 385151	1,035	1.16
Hisao Kawaguchi	983	1.11
Kagome Business Association	950	1.07
Kagome Employee Stock Ownership Plan	896	1.00
Total	27,283	30.67

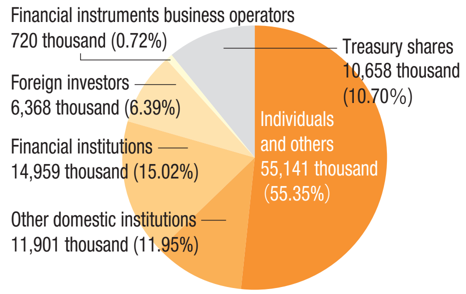
* The shareholding ratios were calculated without treasury shares (10,658 thousand shares). The treasury shares do not include 345 thousand shares of the Company owned by The Master Trust Bank of Japan, Ltd. (account in trust), which was established in the introduction of the employee incentive plan, "Employee Stock Ownership Plan (ESOP) Trust."

Status of Share Distribution

Distribution by Shareholder Type

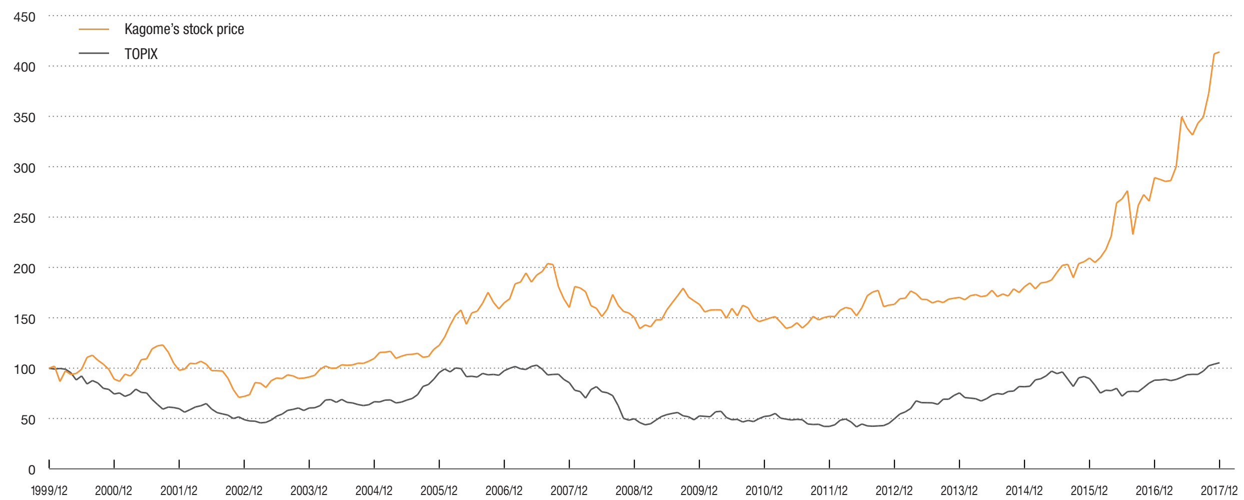


Distribution by Number of Shares



Stock Price Trend

Trends of the Company's stock price and Tokyo Stock Price Index (TOPIX)



* Month-end stock prices relative to the stock price as of December 31, 1999, being 100.

Changes in stock price, trading volume, and dividend (in yen)

Fiscal Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Stock price (fiscal year-end)	1,875	1,778	1,426	1,596	1,472	1,620	1,785	1,828	2,116	2,923	4,185
Volume (100 shares)	95,681	59,035	49,913	39,067	48,262	43,589	68,742	61,069	64,610	85,838	44,516
Annual dividend per share	15.00	15.00	15.00	15.00	18.00	20.00	22.00	16.50	22.00	24.50	30.00