

# Consolidated Summary Report <under Japanese GAAP>

For the nine months ended September 30, 2017

October 31, 2017

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya  
 Code number : 2811 URL <http://www.kagome.co.jp>  
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Quarterly securities report issuing date: November 10, 2017  
 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, 2017

(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, 2017	160,808	6.5	9,923	18.9	10,482	22.6	7,180	47.8
September 30, 2016	150,929	3.9	8,344	96.8	8,552	94.7	4,857	135.2

(Reference) Comprehensive income September 30, 2017: 7,158million yen (— %); September 30, 2016: (6,572) million yen (— %)

	Earnings Per Share	Diluted Earnings per Share
Nine months ended September 30, 2017	yen 81.07	yen 81.03
September 30, 2016	48.94	48.93

## (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, 2017	216,410	102,977	44.9	1,095.99
December 31, 2016	219,804	97,991	42.1	1,043.89

(Reference) Shareholders' equity as of September 30, 2017: 97,101million yen; December 31, 2016: 92,432 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, 2016	—	—	—	24.50	24.50
December 31, 2017	—	—	—		
Fiscal year ending				28.00	28.00
December 31, 2017(Forecast)					

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

## 3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2017

(% 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, 2017	217,200	7.2	12,500	14.2	13,000	14.9	8,700	28.6	98.24

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

**4. Other** (For more details, please see “Other information” in page 7)

(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, 2017	99,616,944 shares	Dec. 31, 2016	99,616,944 shares
(B) Treasury stocks:	Sep. 30, 2017	11,019,916 shares	Dec. 31, 2016	11,070,797 shares
(C) Total stocks outstanding excluding treasury stocks:	Sep. 30, 2017	88,597,028shares	Dec. 31, 2016	88,546,147 shares
(D) Average outstanding stocks:	9 months ended Sep. 30, 2017	88,570,800shares	9 months ended Sep. 30, 2016	99,243,668 shares

\* Disclosure regarding the execution of the annual review process

This “Consolidated Summary Report” (“Tanshin”) is outside the scope of the external auditor’s annual review procedure which is required by “Financial Instruments and Exchange Act”. Therefore, the annual 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 annual financial statements)

Supplementary 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, 2017 to September 30, 2017) 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. The food industry saw steady individual consumption despite the progress in the diversification of values demanded by consumers such as quicker and easier use, health, and eating alone.

Under these circumstances, the Company has set the objective of becoming a “strong company that can maintain sustainable growth by working on solving social issues through food” as its future vision. In the three-year mid-term management plan starting from the fiscal year ended December 2016, the Company is working on the following four priority issues to further bolster its corporate value, with the aim of realizing its future vision: (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.

Net sales increased due to the strong sales performance of the main beverage business in the domestic business, among other factors.

Operating income also increased due to the reform of the profit structure through the efficient use of sales promotion costs as well as an increase in sales, mainly in the domestic business, among other causes.

As a result, for the first nine months under review on a consolidated basis, net sales increased to ¥160,808 million, up 6.5% year on year, operating income reached ¥9,923 million, up 18.9% year on year, ordinary income rose to ¥10,482 million, up 22.6% year on year, and net income attributable to owners of parent amounted to ¥7,180 million, up 47.8% year on year.

The business results by segment are as outlined below.

It should be noted that the reporting segment categories have been changed from the consolidated first quarter.

Name of segment	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	60,281	67,751	7,470	3,503	5,488	1,985
Food, etc.	48,937	50,301	1,364	2,677	3,589	911
Processed food	109,218	118,053	8,835	6,181	9,078	2,896
Agriculture	8,789	8,568	(220)	630	(245)	(876)
Others	12,636	13,512	875	567	498	(68)
Adjustments	(11,578)	(12,614)	(1,036)	—	—	—
Domestic business in total	119,066	127,519	8,453	7,379	9,330	1,951
International business	34,620	35,892	1,272	965	592	(372)
Adjustments	(2,758)	(2,604)	153	—	—	—
Total	150,929	160,808	9,879	8,344	9,923	1,578

### <Domestic Business>

Net sales of the domestic business increased to ¥127,519 million, up 7.1% year on year, and operating income rose to ¥9,330 million, up 26.4% 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 ¥118,053 million, up 8.1% year on year, and operating income rose to ¥9,078 million, up 46.9% year on year.

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

In the category of vegetable beverages, the Company focused on activities to stimulate demand for vegetable beverages in general by creating new value to be provided under the catch phrase “Vegetables for everyone with enjoyment and prudence,” aiming to offer “Health Beverages for Life” that meet consumers’ expectations for good health.

In tomato juice, the Kagome Tomato Juice, which we launched in February 2016 as Japan’s first food with functional claims that increases HDL (good) cholesterol, has gained in popularity among customers. Sales remained strong, reflecting an increase in the number of customers who continue to drink to control the level of cholesterol in blood.

As for the Yasai Seikatsu 100 series, we focused on a “Vegetables in the morning” proposal to help solve the problem of insufficient vegetable consumption at breakfast. We also focused on expanding sales of the Yasai Seikatsu 100 Smoothie series to develop new opportunities for drinking vegetable beverages. They have been well received by customers for their features of adequately satisfying the appetite, something no other existing vegetable beverages can provide, and meeting needs for a container with a cap that is suitable for snacks. As a result, sales remained strong.

The Yasai Ichinichi Kore Ippon series achieved strong sales due to our strengthened activities to convey the value of “Vegetable juice first,” or the effect of curbing the increase in blood sugar level after eating by drinking vegetable juice before eating.

Accordingly, net sales of the beverages category increased to ¥67,751 million, up 12.4% year on year, and operating income increased to ¥5,488 million, up 56.7% year on year.

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

Sales of tomato ketchup remained steady. For home use, we stepped up the campaigns for conveying the value of tomato ketchup and its promotion with the catch phrase “Control salt intake with tomatoes.” For business use, we focused on measures to stimulate demand with a dispenser designed primarily for buffets such as breakfast in hotels. We also focused on activities to stimulate overall demand for tomato ketchup by holding the “Kagome Napolitan Stadium 2017” in May 2017 to decide the best Napolitan spaghetti in Japan among local Napolitan spaghetts around the nation.

As for condiment made with tomatoes other than tomato ketchup, “Tomato Pazza,” a dish of seafood and vegetables made to suit one’s taste with liberal helpings of tomato sauce, received a high evaluation as the seafood dish with added vegetables, and we focused on developing dishes to suit a range of situations, including home cooking, takeout food and restaurants. In addition, we released the Tomato Pazza source, a special condiment on which users can rely to easily cook delicious tomato-based dishes, in August, 2017.

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 a strong performance in sales of supplements, the development of which we focused on as a mainstay product second to the core beverage “Tsubuyori Yasai” and other beverages.

As a result of these initiatives, net sales of the category of food, etc. increased to ¥50,301 million, up 2.8% year on year, and operating income increased to ¥3,589 million, up 34% 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 decreased 2.5% year on year to ¥8,568 million with an operating loss of ¥245 million in comparison with operating income of ¥630 million in the same period of the previous year.

As for fresh tomatoes, our main business, we focused on sales of high value-added products such as High Lycopene Tomatoes, which have significant quantities of lycopene, a nutrient component of tomatoes, and  $\beta$ -Carotene Tomatoes, which have a significant  $\beta$ -carotene content. However, net sales declined due to lower market prices as a result of an increase in the market distribution amount in each production area due to good weather during the beginning of the year.

Sales of mesclun greens and packaged salads, which we are cultivating as the new mainstay products after fresh tomatoes, remained firm.

### (3) Other businesses

Other businesses include transportation and warehousing, real estate leasing, parking, contracted service businesses and others. Net sales increased to ¥13,512 million, up 6.9% year on year, and operating income decreased to ¥498 million, down 12.1% year on year.

#### <International Business>

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

Net sales of this business increased to ¥35,892 million, up 3.7% year on year, and operating income decreased to ¥592 million, down 38.6% year on year.

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

KAGOME INC. (United States) saw a decrease in income due to a decline in sales to the Company although sales to global food service companies remained firm. Preferred Brands International, Inc.\* (United States) recorded strong sales. Holding da Industria Transformadora do Tomate, SGPS S.A. (Portugal) saw a decline in income due to a fall in the market price of tomato paste, among other factors. Kagome Australia Pty Ltd. (Australia) experienced a decline in sales due to a significant fall in crop yields of raw tomatoes, the main raw material for the subsidiary's products, affected by record rainfalls during the harvest season.

\*As announced in the Notice Regarding Conclusion of Agreement for Transfer of Shares of U.S. Subsidiary on August 14<sup>th</sup>, 2017, the Company signed an agreement to transfer all shares of Preferred Brands International, Inc. owned by the Company to Effem Holdings Limited. The transfer had not been completed as of the date of disclosure of the financial results for the first nine months under review.

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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, 2016	As of Sep. 30, 2017	As of Sep. 30, 2017
<b>Assets</b>			
<b>Current assets:</b>			
Cash and deposits	¥ 38,918	¥ 23,338	\$ 208,375
Notes and accounts receivable	33,617	36,439	325,348
Merchandise and finished goods	19,648	26,537	236,938
Work in process	932	533	4,759
Raw material and supplies	19,985	16,645	148,616
Other current assets	12,661	12,123	108,241
Allowance for doubtful accounts	(264)	(309)	(2,759)
<b>Total current assets</b>	<b>125,498</b>	<b>115,307</b>	<b>1,029,527</b>
<b>Fixed assets:</b>			
<b>Property, plant and equipment:</b>			
Buildings and structures, net	16,966	18,883	168,598
Machinery, equipment and vehicles, net	18,535	17,534	156,554
Tools and furniture, net	1,101	1,073	9,580
Land	13,241	12,820	114,464
Lease assets, net	650	811	7,241
Construction in progress	3,138	3,813	34,045
<b>Property, plant and equipment net</b>	<b>53,634</b>	<b>54,937</b>	<b>490,509</b>
<b>Intangible assets:</b>			
Goodwill	6,515	5,812	51,893
Trademark right	2,192	2,035	18,170
Customer relationship	2,496	2,281	20,366
Software	1,442	1,340	11,964
Other intangible assets	321	298	2,661
<b>Total intangible assets</b>	<b>12,968</b>	<b>11,767</b>	<b>105,063</b>
<b>Investments and other assets:</b>			
Investment securities	19,532	21,794	194,589
Other assets	8,245	12,674	113,161
Allowance for doubtful accounts	(75)	(70)	(625)
<b>Total investments and other assets</b>	<b>27,702</b>	<b>34,398</b>	<b>307,125</b>
<b>Total fixed assets</b>	<b>94,305</b>	<b>101,103</b>	<b>902,705</b>
<b>Total assets</b>	<b>¥ 219,804</b>	<b>¥ 216,410</b>	<b>\$ 1,932,232</b>

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 112 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of September 30, 2017.



	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2016	As of Sep. 30, 2017	As of Sep. 30, 2017
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Notes and accounts payable	¥ 13,729	¥ 22,751	\$ 203,134
Short-term borrowings	38,232	25,663	229,134
Current portion of long-term borrowings	8,285	10,448	93,286
Other payable	12,096	10,830	96,696
Income taxes payable	704	3,026	27,018
Accrued bonuses for employees	1,241	1,886	16,839
Accrued bonuses for directors	101	58	518
Other current liabilities	4,167	4,759	42,491
<b>Total current liabilities</b>	<b>78,558</b>	<b>79,425</b>	<b>709,152</b>
<b>Long-term liabilities:</b>			
Long-term borrowings	27,952	17,508	156,321
Provision for loss on guarantees	172	171	1,527
Net defined benefit liability	5,427	5,407	48,277
Other liabilities	9,701	10,920	97,500
<b>Total long-term liabilities</b>	<b>43,253</b>	<b>34,007</b>	<b>303,634</b>
<b>Total liabilities</b>	<b>121,812</b>	<b>113,433</b>	<b>1,012,795</b>
<b>Net Assets</b>			
<b>Shareholder's equity:</b>			
Common stock	19,985	19,985	178,438
Capital surplus	22,362	22,362	199,661
Retained earnings	66,492	71,383	637,348
Treasury stock	(27,163)	(27,028)	(241,321)
<b>Total shareholder's equity</b>	<b>81,677</b>	<b>86,703</b>	<b>774,134</b>
<b>Accumulated other comprehensive income :</b>			
Unrealized gain on available-for-sale securities	6,487	8,230	73,482
Deferred gains or losses on derivatives under hedge accounting	4,287	2,494	22,268
Foreign currency translation adjustments	1,276	877	7,830
Remeasurements of defined benefit plans	(1,296)	(1,204)	(10,750)
<b>Total accumulated other comprehensive income</b>	<b>10,754</b>	<b>10,398</b>	<b>92,839</b>
Subscription rights to shares	44	88	786
Non-controlling interests	5,514	5,787	51,670
<b>Total net assets</b>	<b>97,991</b>	<b>102,977</b>	<b>919,438</b>
<b>Total liabilities and net assets</b>	<b>¥ 219,804</b>	<b>¥ 216,410</b>	<b>\$ 1,932,232</b>

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 112 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of September 30, 2017.

## (2) Consolidated Statements of Income and Comprehensive Income

	Millions of Yen		Thousands of U.S. dollars
	Nine months ended Sep. 30, 2016	Nine months ended Sep. 30, 2017	Nine months ended Sep. 30, 2017
<b>Net sales</b>	¥ 150,929	¥ 160,808	\$ 1,435,786
<b>Cost of sales</b>	82,714	87,934	785,125
<b>Gross profit</b>	68,214	72,873	650,652
<b>Selling, general and administrative expenses</b>	59,869	62,950	562,054
<b>Operating income</b>	8,344	9,923	88,598
<b>Other income</b>			
Interest income	178	330	2,946
Dividend income	240	260	2,321
Share of profit of entities accounted for using equity method	38	16	143
Insurance income	193	3	27
Gain on valuation of derivatives	-	402	3,589
Other	260	257	2,295
<b>Total other income</b>	912	1,271	11,348
<b>Other expenses</b>			
Interest expenses	152	383	3,420
Foreign exchange losses	333	139	1,241
Other	218	189	1,688
<b>Total other expenses</b>	704	712	6,357
<b>Ordinary income</b>	8,552	10,482	93,589
<b>Extraordinary gain</b>			
Gain on sales of fixed assets	1,688	316	2,821
Gain on sales of investment securities	-	31	277
Gain on transfer of business	-	330	2,946
Compensation income for expropriation	46	-	-
<b>Total extraordinary gain</b>	1,735	678	6,054
<b>Extraordinary loss</b>			
Loss on disposal of fixed assets	65	54	482
Loss on valuation of investment securities	22	-	-
Loss on disaster	130	-	-
Expense for voluntary recall of goods	752	-	-
Business structure improvement expenses	740	-	-
<b>Total extraordinary loss</b>	1,711	54	482
<b>Profit before income taxes</b>	8,576	11,106	99,161
<b>Income taxes</b>			
Income taxes - current	3,208	3,891	34,741
Income taxes - deferred	265	(191)	(1,705)
<b>Total income taxes</b>	3,474	3,700	33,036
<b>Net income</b>	¥ 5,102	¥ 7,405	\$ 66,116
<b>Profit attributable to Shareholders of parent</b>	<b>4,857</b>	<b>7,180</b>	<b>64,107</b>
Profit (loss) attributable to non-controlling interests	244	224	2,000
<b>Other comprehensive income</b>			
Unrealized gain on available- for- sale securities	(368)	1,743	15,563
Deferred gains or losses on derivatives under hedge accounting	(5,853)	(1,791)	(15,991)
Foreign currency translation adjustments	(5,508)	(288)	(2,571)
Remeasurements of defined benefit plans	53	91	813
Share of other comprehensive income of an affiliate by the equity method	2	(2)	(18)
<b>Total other comprehensive income</b>	(11,674)	(247)	(2,205)
<b>Comprehensive income</b>	¥ (6,572)	¥ 7,158	\$ 63,911
Comprehensive income attributable to Shareholders of parent	(5,762)	6,816	60,857
Comprehensive income attributable to non-controlling interests	(809)	342	3,054

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 112 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of September 30, 2017