

## Consolidated Summary Report <under Japanese GAAP>

for the nine months ended December 31, 2013

January 27, 2014

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya  
 Code number : 2811 URL <http://www.kagome.co.jp>  
 Representative : Naoyuki Terada, Representative Director & President  
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 Quarterly securities report issuing date: February 7, 2014  
 Dividend payment date: -  
 Supplemental information for quarterly financial statements: None.  
 Schedule for quarterly "investor meeting presentation": None.

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

### 1. Consolidated Financial Data for the Nine Months ended December 31, 2013

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
	million yen	%	million yen	%	million yen	%	million yen	%
Nine months ended December 31, 2013	150,246	-1.9	7,326	-27.1	7,991	-24.6	5,628	-21.0
December 31, 2012	153,213	10.5	10,048	24.0	10,592	23.9	7,124	72.6

(Reference) Comprehensive income December 31, 2013: 11,211 million yen (37.2%), December 31, 2012: 8,174 million yen (234.8%)

	Earnings Per Share	Diluted Earnings per Share
Nine months ended	yen	yen
December 31, 2013	56.62	—
December 31, 2012	71.63	—

(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
December 31, 2013	194,232	114,476	56.8	1,110.75
March 31, 2013	168,965	104,432	60.1	1,020.86

(Reference) Shareholders' equity as of December 31, 2013: 110,233 million yen; March 31, 2013: 101,539 million yen

### 2. Dividends on Common Stock

	Dividends per Share				
	1 <sup>st</sup> quarter-end	2 <sup>nd</sup> quarter-end	3 <sup>rd</sup> quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2013	yen	yen	yen	yen	yen
ending March 31, 2014	—	—	—	20.00	20.00
ending March 31, 2014(Forecast)				22.00	22.00

(\*) Revision of forecasts for dividends on the presentation date of this Consolidated Summary Report: None.

### 3. Earnings Forecasts for the Fiscal Year ending March 31, 2014 (Consolidated)

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

	Net Sales		Operating Income		Ordinary Income		Net Income		Earnings Per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
For the year ending March 31, 2014	195,000	-0.6	6,800	-26.7	7,200	-28.2	4,700	-27.5	47.26

(\*) Revision of earnings forecasts on the presentation date of this Consolidated Summary Report: None.

#### 4. Explanation of Operations Results

The current fiscal year marks the inaugural year of our newly enacted “Next 50” mid-term management plan, which will run through FY2015. For the period covering the first three quarters (April 1 – December 31, 2013), KAGOME has been engaged with the plan’s major strategies, including “creating new demand” domestically, “multi-regional/global growth” overseas, “resource strengthening and coordination/appropriate allocations,” and “Think GREEN KAGOME” for growing together with society.

Though sales have decreased from the same period last year, this is due to the negative income effects (sales reductions and an equivalent amount of sales promotion cost reductions) that have resulted from price changes that went into effect in April 2013 for some of our primary products in the domestic tomato ketchup, sauce, pasta sauce and vegetable beverage product spaces. Assuming the application of the current pricing system to the same period last year yields a higher adjusted figure, so, for all intents and purposes, income has increased.

Domestically, beverages and food remain in essence unchanged from the previous year. However, institutional and industrial products, gift products, fresh vegetables, and direct marketing segments continue to grow, and these business segments recorded their highest sales figures to date.

Overseas, the Portuguese affiliated company Holding da Industria Transformadora do Tomate, SGPS S.A. was made a consolidated subsidiary at the end of June 2012. Sales for that company showed a net increase during the consolidated cumulative first quarter, and sales also increased due to the conversion rate of the weak yen. The result was increased income.

In terms of profits, the ratio of costs of sales increased by 3.2 percentage points compared to the same period last year. The principal reason for this was the above-mentioned reduction in sales that accompanied the price alterations of some primary products within Japan. The substantive increase in the ratio of costs of sales is 0.7 percentage points, this is largely due to exchange rates negatively impacting the Company; however, fresh tomato market conditions in the first quarter (April – June 2013) of the fiscal year also negatively affected the Company. The ratio of sales promotional costs to sales decreased 3.1 percentage points compared to the same period last year. The principal reason for this as well was the effect of price alterations, which, as stated above, resulted in reductions to income and an equivalent reduction in sales promotion costs. Meanwhile, for April 2013, the month in which the price alterations occurred, a one-time recording of sales promotion costs was made under the old price system. When considering the factors related to sales promotion costs, the ratio of sales promotion costs to sales has in actuality risen 0.4 percentage points. Advertising and promotional expenditure was used within the direct marketing segment to secure new customers, and as such increased by 174 million yen.

Overseas, a weakening of the yen in America, Europe and Australia led to increased revenues upon conversion, and in the local currency base as well, profits increased in all areas including America, Europe, Australia and Asia.

As a result of the above, net operating profit has decreased from the same period in the previous year.

For reference, a consolidated income statement for the consolidated first three quarters is given below detailing (1) the same period last year, (2) the same period last year adjusted to suppose the application of the current price structure at that time, and (3) the current consolidated first three quarters.

Item	Millions of Yen, %							
	(1) Previous Consolidated Cumulative		(2) Previous Consolidated Cumulative		(3) Current Consolidated Cumulative		Actual Increase/Decrease {(3)-(2)}	
	Third Quarter		Third Quarter <Post-Adjustment>		Third Quarter			
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent Change
Net sales	153,213	100.0	145,955	100.0	150,246	100.0	4,290	2.9
Cost of sales	76,974	50.2	76,974	52.7	80,227	53.4	3,252	4.2
Gross profit	76,238	49.8	68,981	47.3	70,018	46.6	1,037	1.5
Sales commissions	3,636	2.4	3,636	2.5	3,629	2.4	(6)	(0.2)
Sales promotion costs	28,921	18.9	21,663	14.8	23,725	15.8	2,061	9.5 (Note 2)
Advertising and promotional expenditure	5,280	3.4	5,280	3.6	5,454	3.6	174	3.3
Freight and storage expenses	7,854	5.1	7,854	5.4	8,426	5.6	572	7.3
Labor costs	11,580	7.6	11,580	7.9	11,939	7.9	358	3.1
Other	8,916	5.8	8,916	6.1	9,517	6.4	600	6.7
Selling, general and administrative expenses	66,189	43.2	58,932	40.3	62,692	41.7	3,760	6.4
Operating income	10,048	6.6	10,048	7.0	7,326	4.9	(2,722)	(27.1)

- Notes
1. Assuming the price system for the March 2014 period was applied to the March 2013 period.
  2. Includes a one-time 875 million yen temporary recording of sales promotion costs under the old price structure in April 2013, being the month in which the price structure alteration occurred. When deducted, the ratio of sales promotion costs to sales in (3) is 15.2%.

The ratio between (3) and (2) shows the actual fluctuation in profits. Sales increased, and the cost of sales ratio also increased primarily due to the negative effects of exchange rates and fresh tomato market conditions. The main reason for the increase in sales promotion costs was the abovementioned one-time recording of expenses using the old price structure in the month the price change occurred, and increased expenses for securing promotional vehicles. The increase in advertising and promotional expenditure and other expenses is due to their application as investment expenditures for the realization of “Next 50.”

As a result, sales for the current consolidated first three quarters have fallen 1.9% Year-over-Year (YoY) to 150.246 billion yen. Net operating profit has fallen 27.1% YoY to 7.326 billion yen, and ordinary profit has fallen 24.6% YoY to 7.991 billion yen. Furthermore, in August, the Company sold investment securities in its possession and recorded those gains as an extraordinary gain. Additionally, in December, the Company acquired additional shares of Tat Tohumculuk A.S., an affiliated company not accounted for by the equity method and in which the Company has a 29 percent equity interest; as a result of making it a consolidated subsidiary, the marginal gains generated in the staged acquisition were recorded as an extraordinary gain.

As a result, net profit for the quarter fell 21.0% YoY to 5.628 billion yen.

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

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

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

(2) Utilization of unique accounting methods: Yes.

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

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

(B) Changes due to reasons other than (A): Yes.

(C) Changes in accounting estimates: Yes.

(D) Retrospective restatements: None.

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

(A) Total stocks outstanding including treasury stocks:

December 31, 2013	99,616,944 shares	March 31, 2013	99,616,944 shares
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(B) Treasury stocks: December 31, 2013	374,587 shares	March 31, 2013	152,284 shares
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(C) Average outstanding stocks: Nine months ended December 31, 2013	99,401,999 shares
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Nine months ended December 31, 2012	99,465,196 shares
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\* Disclosure regarding the execution of the quarterly review process

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

\*Notes for using forecasted information etc.

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. In addition, in order for the company to adopt such estimations, forecasts, targets and plans regarding future events, certain assumptions have been made. 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.

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## **1. Other Information**

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

Not applicable.

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

Income taxes

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

### **(3) Changes in accounting policies, procedures, estimates, retrospective presentation etc.**

Changes in accounting policies that difficult to distinguish from changes in accounting estimates

Depreciation method of property, plant and equipment (excluding lease assets)

From April 1, 2013, KAGOME CO., LTD. and certain consolidated subsidiaries in Japan have changed their depreciation method of property, plant and equipment (excluding lease assets) from the declining-balance method to the straight-line method.

For the third quarter ended December 31, 2013, these changes increased operating income, ordinary income and income before income taxes and minority interests by 676 million yen, respectively.

**CONSOLIDATED BALANCE SHEETS**  
**AS OF MARCH 31, 2013 AND DECEMBER 31, 2013**

Millions of Yen

	31-Mar-13	31-Dec-13
	Amount	Amount
<b>Assets</b>		
<b>Current assets:</b>		
Cash and deposits	¥ 18,498	¥ 23,833
Notes and accounts receivable	27,175	28,415
Marketable securities	14,817	14,778
Merchandise and finished goods	15,031	18,740
Work in process	590	264
Raw material and supplies	14,515	17,522
Other current assets	8,316	15,230
Allowance for doubtful accounts	(111)	(334)
<b>Total current assets</b>	<b>98,835</b>	<b>118,452</b>
<b>Fixed assets:</b>		
<b>Property, plant and equipment:</b>		
Buildings and structures, net	14,611	15,113
Machinery, equipment and vehicles, net	13,809	14,647
Tools and furniture, net	869	1,065
Land	12,814	13,381
Lease assets, net	1,373	745
Construction in progress	787	2,048
<b>Total property, plant and equipment</b>	<b>44,265</b>	<b>47,001</b>
<b>Intangible assets:</b>		
Goodwill	1,996	4,166
Software	2,802	2,322
Other intangible assets	382	390
<b>Total intangible assets</b>	<b>5,182</b>	<b>6,880</b>
<b>Investments and other assets:</b>		
Investment securities	14,421	15,692
Other assets	6,352	6,290
Allowance for doubtful accounts	(90)	(84)
<b>Total investments and other assets</b>	<b>20,683</b>	<b>21,899</b>
<b>Total fixed assets</b>	<b>70,130</b>	<b>75,780</b>
<b>Total assets</b>	<b>¥ 168,965</b>	<b>¥ 194,232</b>

## Millions of Yen

	31-Mar-13	31-Dec-13
	Amount	Amount
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Notes and accounts payable	¥ 14,803	¥ 17,287
Short-term borrowings	7,010	12,465
Current portion of long-term borrowings	1,006	2,339
Other payable	11,594	9,362
Income taxes payable	2,283	1,672
Accrued bonuses for employees	2,386	1,187
Accrued bonuses for directors	76	59
Other current liabilities	2,687	4,614
<b>Total current liabilities</b>	<b>41,848</b>	<b>48,989</b>
<b>Long-term liabilities:</b>		
Long-term borrowings	15,522	22,946
Liabilities for employees' retirement benefits	2,839	3,192
Other liabilities	4,322	4,627
<b>Total long-term liabilities</b>	<b>22,684</b>	<b>30,766</b>
<b>Total liabilities</b>	<b>64,533</b>	<b>79,756</b>
<b>Net Assets</b>		
<b>Shareholder's equity:</b>		
Common stock	19,985	19,985
Capital surplus	23,733	23,733
Retained earnings	54,599	58,531
Treasury stock	(212)	(588)
<b>Total shareholder's equity</b>	<b>98,106</b>	<b>101,661</b>
<b>Accumulated other comprehensive income :</b>		
Unrealized gain on available-for-sale securities	2,254	2,718
Deferred gain on derivatives under hedge accounting	1,664	5,310
Foreign currency translation adjustments	(485)	543
<b>Total accumulated other comprehensive income</b>	<b>3,433</b>	<b>8,571</b>
<b>Minority interest</b>	<b>2,892</b>	<b>4,242</b>
<b>Total net assets</b>	<b>104,432</b>	<b>114,476</b>
<b>Total liabilities and net assets</b>	<b>¥ 168,965</b>	<b>¥ 194,232</b>



**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME  
FOR THE 3RD QUARTERS ENDED DECEMBER 31, 2012 AND 2013**

	Millions of Yen	
	2012	2013
	Amount	Amount
<b>Net sales</b>	¥ 153,213	¥ 150,246
<b>Cost of sales</b>	76,974	80,227
<b>Gross profit</b>	76,238	70,018
<b>Selling, general and administrative expenses</b>	66,189	62,692
<b>Operating income</b>	10,048	7,326
<b>Other income</b>		
Interest income	218	187
Dividend income	241	214
Equity in earnings of affiliates by the equity method	34	52
Foreign exchange gains	43	132
Other	276	276
<b>Total other income</b>	815	863
<b>Other expenses</b>		
Interest expense	198	110
Other	72	87
<b>Total other expenses</b>	271	198
<b>Ordinary income</b>	10,592	7,991
<b>Extraordinary gain</b>		
Gain on sales of fixed assets	320	323
Gain on sales of investment securities	1	677
Compensation income	494	—
Gain on negative goodwill	214	—
Gain on change in equity	48	—
Gain on step acquisitions	—	393
<b>Total extraordinary gain</b>	1,079	1,393
<b>Extraordinary loss</b>		
Loss on disposal of fixed assets	111	121
Impairment loss	12	—
Write-down of investment securities	17	—
Write-down of golf club memberships	4	—
Loss on business liquidation	20	—
<b>Total extraordinary loss</b>	166	121
<b>Income before income taxes and minority interests</b>	11,505	9,264
<b>Income taxes</b>		
Income taxes - current	4,513	3,547
Income taxes - deferred	(51)	(27)
<b>Total income taxes</b>	4,462	3,520
<b>Income before minority interests</b>	7,042	5,744
<b>Minority interests in net income (loss)</b>	(81)	115
<b>Net income</b>	¥ 7,124	¥ 5,628
Addition: Minority interests in net income (loss)	(81)	115
<b>Income before minority interests</b>	7,042	5,744
<b>Other comprehensive income:</b>		
Unrealized (loss) gain on available-for-sale securities	(154)	463
Deferred gain on derivatives under hedge accounting	1,362	3,623
Foreign currency translation adjustments	(422)	1,380
Share of other comprehensive income of an affiliate by the equity method	346	—
<b>Total other comprehensive income</b>	1,131	5,467
<b>Comprehensive income</b>	¥ 8,174	¥ 11,211
<b>Of which attributable to shareholders of the parent</b>	8,329	10,767
<b>Of which attributable to minority interests</b>	(154)	444

**CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE 3RD QUARTERS ENDED DECEMBER 31, 2012 AND 2013**

Millions of Yen

	2012	2013
<b>Cash flows from operating activities:</b>		
Income before income taxes and minority interests	¥ 11,505	¥ 9,264
Depreciation and amortization	3,942	3,827
Amortization of goodwill	530	613
Gain on negative goodwill	(214)	—
Interest and dividend income	(459)	(401)
Interest expense	198	110
Decrease in accrued bonuses	(886)	(1,234)
Increase in other provisions	319	284
Equity in earnings of affiliates by the equity method	(34)	(52)
Loss (gain) on sales of investment securities-net	16	(679)
Gain on disposal of fixed assets-net	(209)	(202)
Compensation income	(494)	—
Gain on step acquisitions	—	(393)
Changes in assets and liabilities:		
Decrease in notes and accounts receivable	91	415
Increase in inventories	(2,625)	(3,526)
Decrease (increase) in accounts receivable-other	(716)	312
Increase in notes and accounts payable	3,953	1,332
Decrease in accounts payable-other	(1,022)	(1,635)
Increase in other current assets	(465)	(533)
Increase in other current liabilities	169	499
Other-net	(91)	(35)
<b>Subtotal</b>	<b>13,507</b>	<b>7,965</b>
Cash received from interest and dividend income	471	353
Cash paid for interest expense	(195)	(94)
Cash received from compensation	494	—
Cash paid for income taxes	(5,539)	(4,322)
<b>Net cash provided by operating activities</b>	<b>8,739</b>	<b>3,901</b>
<b>Cash flows from investing activities:</b>		
Disbursement for time deposits	(20,000)	(11,804)
Proceeds from withdrawal of time deposits	20,050	9,000
Purchases of marketable and investment securities	(311)	(1,101)
Proceeds from sales of marketable and investment securities	2,305	1,632
Acquisition of fixed assets	(5,602)	(5,939)
Proceeds from sales of fixed assets	390	331
Payments of loans receivable	(450)	—
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	36	—
Proceeds from investment in capital in subsidiaries resulting in change in scope of consolidation	—	(2,808)
Purchase of stocks of an affiliate	—	(301)
Other increase	113	85
Other decrease	(166)	(117)
<b>Net cash used in investing activities</b>	<b>(3,633)</b>	<b>(11,024)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	10,483	3,657
Proceeds from long-term borrowings	9,599	8,728
Repayments of long-term borrowings	(8,807)	(1,069)
Repayments of lease obligations	(187)	(144)
Proceeds from stock issuance to minority shareholders	296	474
Dividends paid	(1,762)	(1,986)
Dividends paid to minority shareholders	(40)	(45)
Repurchase of treasury stock	(0)	(376)
<b>Net cash provided in financing activities</b>	<b>9,579</b>	<b>9,235</b>
Foreign translation adjustment on cash and cash equivalents	18	378
Increase in cash and cash equivalents	14,703	2,491
Cash and cash equivalents at the beginning of year	17,549	24,316
<b>Cash and cash equivalents at the end of 3rd quarter</b>	<b>¥ 32,252</b>	<b>¥ 26,808</b>