

“True to Nature,
the Flavor of
Kagome”



FY2013 2nd Quarter Consolidated Summary Report Materials

October 24, 2013 (Thursday)

Kagome Co., Ltd.(2811)

<http://www.kagome.co.jp/company/ir/index.html>

Consolidated results (FY2013 2nd Quarter cumulative total)

Unit: 100 million yen

	FY2011 results	FY2012 results	FY2013 forecast	FY2013 results	Compared to previous year		Compared to forecast	
					Increase/ decrease	Increase/decr ease ratio	Increase/ decrease	Increas/decre ase ratio
					Net Sales	943	1,059	1,050
Non-consolidated operating profit	57	75	63	50	-25	-33%	-13	-20%
Ratio	6.1%	7.1%	6.0%	4.8%				
Consolidated ordinary profit	60	79	65	55	-24	-31%	-10	-16%
Ratio	6.4%	7.4%	6.2%	5.3%				
Net income	30	57	41	40	-17	-30%	-1	-3%
Ratio	3.2%	5.4%	3.9%	3.9%				

Numbers less than 100 million yen are rounded up

- Sales decreased due to the price structure changes, but there was an substantive increase of 3%.
- We originally predicted decreased profit, but the results were less than our prediction.
- Net income was as forecasted.

Primary factors that impacted revenue

* Causes of decreased sales and profit as hypothesized at the beginning of the period + have been reflected in prediction

Changes to price structure

Constant sales promotion costs are deducted from beverages and food sales. Amount of impact on first half of period was 5.1 billion yen = **substantive sales increase of 3%**

Cheap yen

Increased cost prices for domestic business.

Inclusion of sales promotion costs

Due to the price structure changes, sales promotion costs according to the old standard—only existent in the month of the change (April 2013)—are included.

Increased fixed costs

Increased personnel costs, advertising and publicity costs, etc. with the aim of growth.

* Major causes of decreased profit during the period: separate results (non-consolidated operating profit decrease of 1.9 billion yen compared to forecast)

Beverages/food sales

800 million yen impact on profit due to failure to accomplish plan.

Sales promotion cost ratio

650 million yen impact on profit due to increased costs.

Sales costs

In the 1st Quarter, cost prices in the fresh vegetable business increased due to impacts from market circumstances. Changes were made to distribution ratios for businesses and products. The total impact on profit was 350 million yen.

Net sales by business (FY2013 2nd Quarter cumulative total)

* Domestic

Unit: 100 million yen

	FY2012	FY2012 (changed over)	FY2013	Substantive	
				Increase/decrease	Increase/decrease ratio
Beverages	533	504	492	-11	-2%
Food	137	115	116	+1	+1%
Gifts	54	54	57	+2	+4%
Fresh vegetables	52	52	56	+4	+7%
Direct marketing	40	40	44	+4	+10%
Institutional and industrial	128	128	131	+3	+3%
Other	75	75	80	+5	+6%
Domestic subtotal	1,019	968	976	+8	+1%

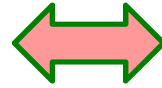
Changeover = Applied the FY2013 price structure standard to beverages and food.

- Beverages Vegetable beverages exceeded the previous year. Probiotics decreased by 10%. Beverages withdrawn from vending machines were -900 million yen.
- Food Basic seasonings were firm.
- Gift Products in paper containers/vegetable beverages grew. Distribution and product development were strengthened.
- Fresh vegetables Proposal power grew in cooperation with household products. Crop conditions were good.
- Direct marketing Advertising investment was increased. Supplements, etc. were strengthened.
- Institutional and industrial Once again, the results of strengthened sales power for major customers were seen.

Set new sales record

Vegetable beverages

Locally grown, nationally consumed marketing



Incremental reaction against the tomato boom of 2012

* “Yasaiseikatsu” seasonal products 1.7 billion yen **increase**

-> Chilled products 1.7 billion yen **increase**



- The “Chonoshuku” series was also favorable



* “Tomato Juice” 1.3 billion yen **decrease**
-> Dry products 1.7 billion yen **decrease**

Effects were also had by increased competition caused by the intense heat



- Straight juice (to be chilled) was favorable
- Recovered in August and September to 90% compared to the previous year
- 130% compared to FY2010

Despite the increase caused by marketing for locally grown, nationally consumed products, growth was not accomplished due to the “Tomato Juice” decrease.

Probiotics and food

* Probiotics



“Plant-based Lactic Acid Labre Light: One Day’s Worth of Iron,” released in September, was favorable. October exceed the previous year.

* Food

“Tomato Pack” series



In particular, “Kakeru Tomato” created new value due to the eating style of adding tomatoes to meals, as well as the paper containers, but sales of this product were temporarily suspended. It was once again sold on a nationwide basis from December.

- By adding new products with a focus on functionality, the probiotics business began recovering in September.
- Basic seasonings were favorable. Additionally, we hope to accomplish additional growth in the food business by creating new value.

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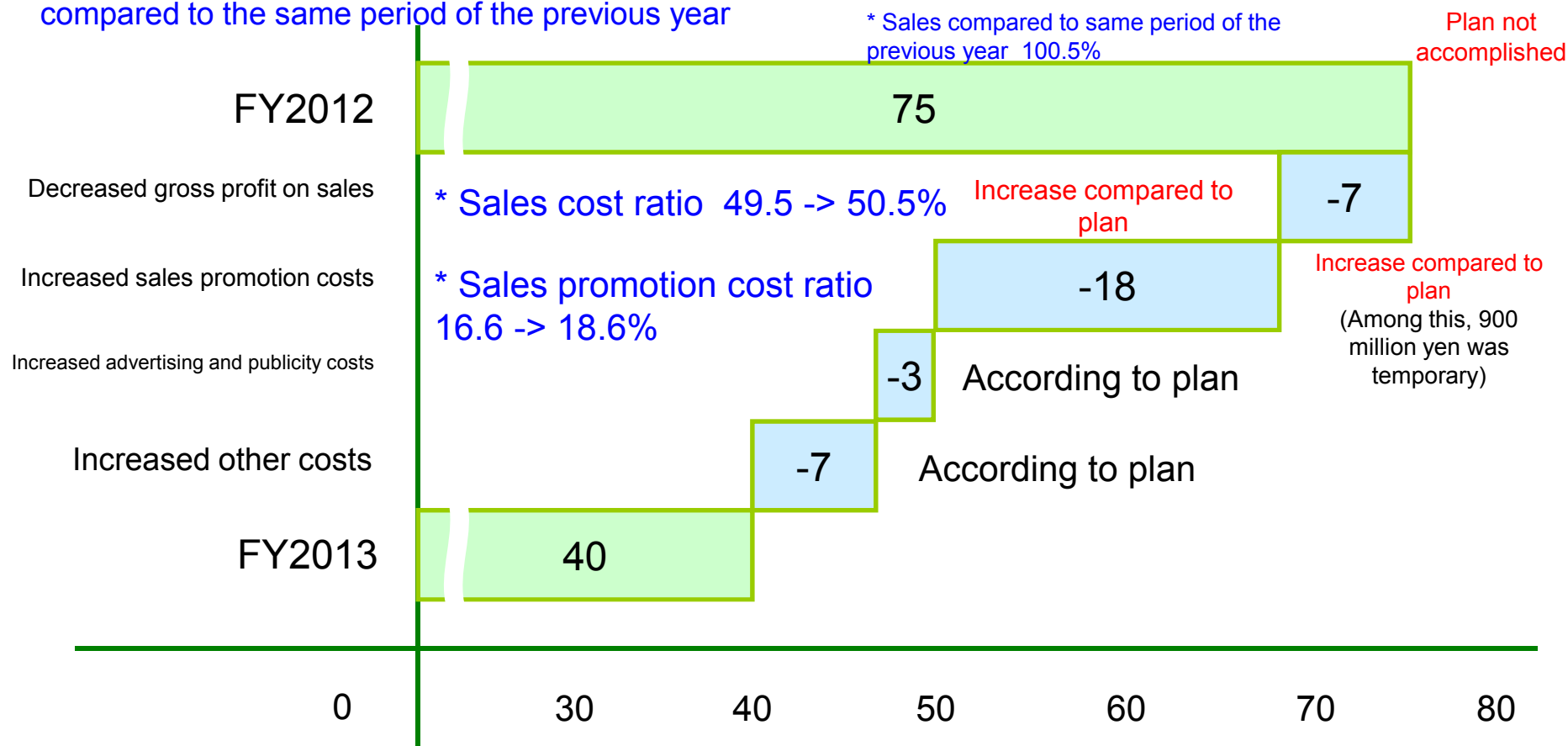
Set new sales record

Causes for non-consolidated operating profit increase/decrease (separate)

FY2012 results are changed over to the FY2013 standard

* 2nd Quarter cumulative total (April – September) compared to the same period of the previous year

Unit: 100 million yen (numbers below are rounded up)



The sales promotion cost ratio grew due to reactions to the tomato boom, additional methods taken because of the failure to accomplish the sales plan, increased competition due to the intense heat, and more limited-time products.

Net sales by business (FY2013 2nd Quarter cumulative total)

* Overseas countries

Unit: 100 million yen

	FY2012	FY2013	Increase/decrease	
			amount	ratio
United States	53	65	+12	+22%
Europe	22	51	+29	+132%
Australia	24	18	-6	-24%
Global tomato total	99	134	+35	+35%
Asia	12	15	+3	+25%
Overseas country subtotal	111	149	+38	+34%

- U.S. Increased significantly due to the weak yen. In the U.S., the business for major food service companies was favorable.
- Europe The Portuguese company H.I.T. became a subsidiary, so there was a net increase for sales in the 1st Quarter.
- Australia The sales amount decreased. Profit increased because of lower cost prices for processed tomato products made from 2013 crops.
- Asia Beverages production in Hangzhou for Hong Kong was increased. Another reason for the increase was the weak yen.

* Consolidated

	FY2012	FY2012 (changed over)	FY2013	substantive	
				Increase/decrease	Increase/decrease ratio
Transactions in segment	-72	-72	-88	-	-
Consolidated (Domestic+ Overseas)	1,059	1,008	1,037	+29	+3%

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- Stock holdings were sold off due to withdrawal from vending machines, so net income was mostly in accordance with our prediction.
- In the first half of the year, growth could not be accomplished for the domestic beverages and food businesses, and sales promotion costs increased. This led to decreased profit.
- Other businesses were favorable, both in Japan and overseas.

Consolidated results forecast (FY2013)

* Net sales plan by segment

Unit: 100 million yen

	FY2012	FY2012 (changed over)	FY2013	Compared to the same standard	
				Increase/decrease	Increase/decrease ratio
Beverages	961	911	901	-10	-1%
Food	276	231	233	+2	+1%
Gifts	79	79	83	+4	+5%
Fresh vegetables	89	89	95	+6	+6%
Direct marketing	77	77	87	+10	+13%
Institutional and industrial	250	250	261	+11	+4%
Other	138	138	148	+10	+8%
Domestic subtotal	1,870	1,776	1,808	+32	+2%
United States	118	118	139	+21	+18%
Europe	59	59	107	+48	+83%
Australia	38	38	37	-1	-2%
Global tomato total	214	214	283	+69	+32%
Asia	24	24	34	+10	+42%
Overseas country subtotal	238	238	317	+79	+33%
Transactions in segment	-146	-146	-175		
Consolidated (domestic + overseas)	1,962	1,868	1,950	+82	+4%

Changeover = Applied the FY2013 price structure standard to beverages and food.

* The changeover amount differs from the materials for the explanation of the FY2012 financial data. The impacts of price structure changes were recalculated.

Management issues in the second half of the year: creating new demand

Tomato Discoveries



GINZA
KAGOME × *Cozy Corner*



Kinukohime
parfait



New products

- Sales promotion for favorable, new products in autumn.
- Next spring, we will increase the number of new and revamped products.



Important points for management in the second half of the year are improving businesses for which domestic growth was not accomplished, and continually accomplishing good results in favorable businesses.

New businesses

OSOTSPA KAGOME

Thailand

- We launched a tomato beverage for consumers in September.
- We adopted the “one-shot” container, with small bottles, that is typical in Thailand. This will be carried out as a joint venture with a local corporation.

Institutional and industrial tomato seasonings, fresh tomatoes

China

- We expect increased demand for processed tomato products, and have begun the B2B business. We also intend to construct our own factory.
- We are advancing into an overseas country for the first time with the fresh tomato business. We will utilize the farming technologies and varieties we developed in Japan. This will be carried out as a joint venture with a local corporation.

“Tomato Essence” 45ml



Press Conference (10/9)

We will utilize the resources possessed by Kagome to respond to regional demand.

New businesses

Acquiring a seed business



- We have turned a company that carries out the seed development, production, and sales business on the global scale into a subsidiary.
- We aim for growth that utilizes the strengths of the Kagome Group—namely, as a company in the tomato business that conducts this business in a diverse range of areas, and accomplishes vertical integration in terms of tomato production, processing, and sales.
- By acquiring a seed business located at the very top of our value chain, we can strengthen our core.



We will accomplish regional expansion and aim for growth with a strengthened core.

Consolidated results forecast (FY2013)

* Entire year

Unit: 100 million yen

	FY2011	FY2012	FY2013	Compared to 4/13		
				Increase/decrease	Increase/decrease ratio	Increase/decrease
Net sales	1,800	1,962	1,950	-12	-1%	-10
Non-consolidated operating profit	85	93	68	-25	-27%	-21
Ratio	4.7%	4.7%	3.5%			
Consolidated ordinary profit	92	100	72	-28	-28%	-20
Ratio	5.1%	5.1%	3.7%			
Net income	42	65	47	-18	-28%	-6
Ratio	2.3%	3.3%	2.4%			

Numbers less than 100 million yen are rounded up

- We have revised both sales and profit, reflecting the failure to accomplish the plan in the first half of the year, as well as forecasts for the second.
- Looking at the second half of the year by itself, we plan to accomplish profit that is almost equal to the previous period.
- Net income was the second highest level in our history. Regarding dividends, we plan to increase dividends by two yen to 22 yen according to Next 50, our profit return policy.

Note

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