

# **FY2015**

# **Consolidated Summary Report**

Wednesday, February 10, 2016  
Kagome Co., Ltd. (2811)  
<http://www.kagome.co.jp/company/ir/index.html>

# Consolidated results for FY2015



## ◆ Consolidated results

<b>Net sales</b>	<b>¥195.6 B</b>	<b>+ ¥1.6 B</b>	<b>+ 0.8%</b>	<b>▲ ¥4.4 B</b>
<b>Operating income</b>	<b>¥6.7 B</b>	<b>+ ¥2 B</b>	<b>+ 43.8%</b>	<b>▲ ¥400 M</b>
<b>Ordinary income</b>	<b>¥7 B</b>	<b>+ ¥1.5 B</b>	<b>+ 27.9%</b>	<b>▲ ¥600 M</b>
<b>Net income</b>	<b>¥3.4 B</b>	<b>▲ ¥1.4 B</b>	<b>29.7%</b>	<b>▲ ¥600 M</b>

# Consolidated results for FY2015



## ◆ Consolidated sales/profits

	FY2014		FY2015			Profit margin on net sales	
			Change	Change rate	Compared to released figures	FY2014	FY2015
<b>Net sales</b>	1,940	1,956	+16	+ 0.8%	▲ 44		
Domestic businesses	1,718	1,670	▲ 48	▲ 2.8%	—		
International businesses	408	479	+71	+ 17.4%	—		
Intersegment transactions	▲ 187	▲ 193	▲ 7	-	—		
<b>Operating income</b>	47	67	+20	+ 43.8%	▲ 4	2.4%	3.4%
Domestic businesses	55	65	+10	+ 18.5%	—		
International businesses	▲ 8	2	+10	—	—		
<b>Ordinary income</b>	55	70	+15	+ 27.9%	▲ 6	2.8%	3.6%
<b>Net income</b>	49	34	▲ 15	▲ 29.7%	▲ 6	2.5%	1.8%

\* Intersegment transactions for each business have been eliminated/adjusted

- Both income and profit increased (the only decrease was in net income, which fell due to gains from the sale of fixed assets in the previous year).
- Domestic: Income fell, while profits increased. Increased productivity, reduced costs, and other factors helped secure an increase in profits despite spikes in raw material prices.
- Overseas: Both income and profit increased due to strong sales in the United States and revisions to subsidiary expenses.
- Sales and profits fell short of their initial estimates.

# Earnings by segment FY2015



## ◆ Net sales/operating income (Japan)

Unit: 100 million yen

Unit: 100 million yen

	Net sales				Operating income			
	FY2014	FY2015	Change	Change rate	FY2014	FY2015	Change	Change rate
<b>Domestic businesses</b>	<b>1,718</b>	<b>1,670</b>	<b>▲48</b>	<b>▲2.8%</b>	<b>55</b>	<b>65</b>	<b>+10</b>	<b>+18.5%</b>
Beverages	810	744	▲65	▲8.1%	28	23	▲5	▲17.9%
Consumer packaged food	234	232	▲1	▲0.6%	16	18	+2	+10.5%
Gifts	79	80	+1	+0.8%	▲2	1	+3	—
Fresh vegetables	94	110	+16	+17.1%	2	7	+6	+366.2%
Direct marketing	85	88	+2	+2.9%	1	9	+8	+932.6%
Institutional and industrial	261	261	▲1	▲0.2%	5	2	▲4	▲70.1%
Other	155	155	▲0	▲0.0%	6	6	+0	+4.9%

- Beverages: Competition with other beverage categories intensified. Despite revising advertising costs and taking other measures, increases in raw material prices led to decreases in income and profit.
- Consumer packaged food: While sales of tomato ketchup were strong under a new pricing scheme, sauces struggled. Closing out sales of unprofitable products helped secure an increase in profits.
- Gifts: Advances in new channel development, including online and catalog-based direct marketing and disaster-preparedness products, pushed increases in both income and profit.
- Fresh vegetables: Fresh tomatoes performed well, leading to record-setting net sales. Efforts to improve demand-supply response capabilities and other factors lifted profits to an increase.
- Direct marketing: Direct marketing-exclusive vegetable beverages, supplements, and other products sold well, leading to increases in both income and profit.
- Institutional and industrial: Income and profits dropped as consigned sales of tomato sauce, vegetable beverages, and other products fell while the exchange rate impact on imported materials had a negative impact.

# Earnings by segment FY2015

## ◆Net sales/operating income (Overseas)

Unit: 100 million yen

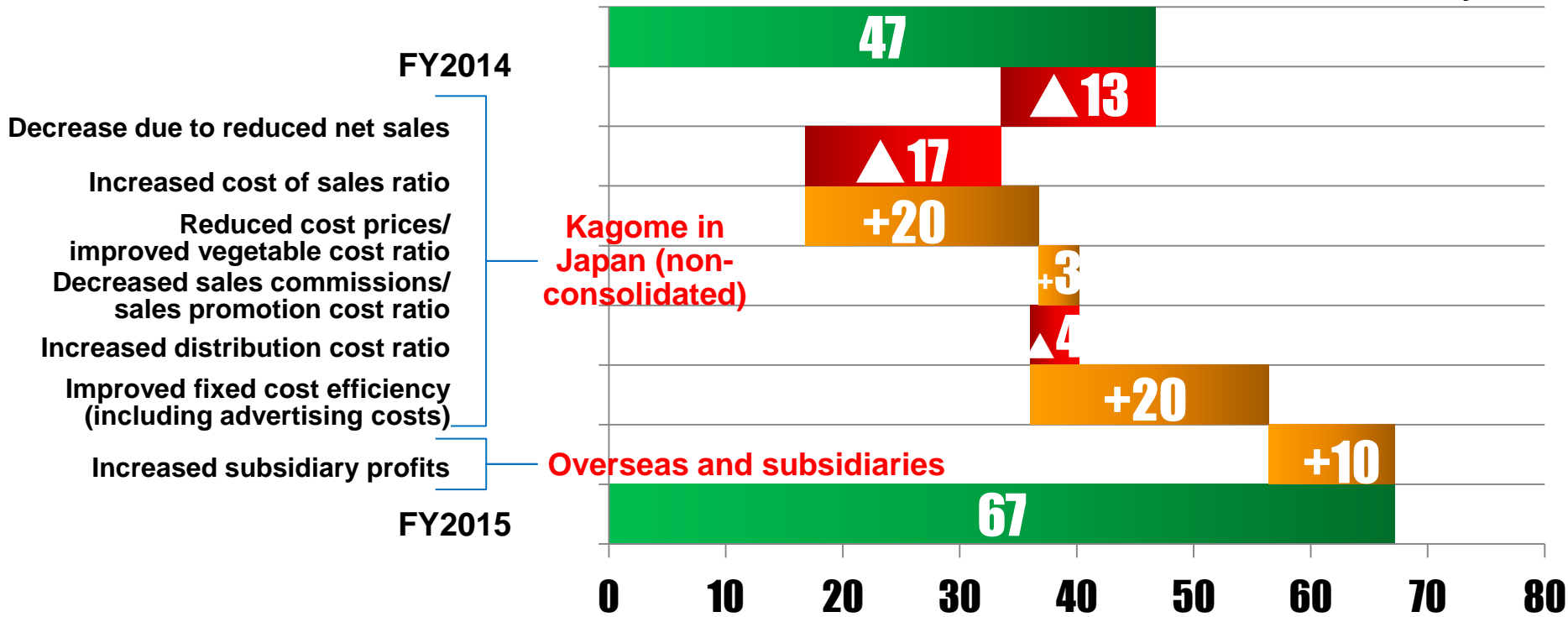
	Net sales				Operating income			
	FY2014	FY2015	Change	Change rate	FY2014	FY2015	Change	Change rate
<b>International businesses</b>	408	479	+ 71	+ 17.4%	▲ 8	2	+ 10	—
<b>Global tomato business</b>	401	441	+ 40	+ 10.0%	▲ 3	7	+ 9	—
International institutional and industrial	369	404	+ 34	+ 9.3%	▲ 2	9	+ 10	—
<b>Seeds and seedlings</b>	32	38	+ 6	+ 18.7%	▲ 1	▲ 2	▲ 1	—
<b>Consumer business</b>	8	38	+ 31	+ 410.5%	▲ 6	▲ 5	+ 1	—

- International institutional and industrial: Sales to major food service customers were strong, fueling increases in both income and profit.
  - Seeds and seedlings: Sales were strong in the United States and Turkey. The exchange rate impact and other factors, however, led to a decrease in profits.
  - Consumer: Net sales at PBI (US) experienced a net increase, but sales of vegetable beverages in Asia were sluggish. Overall, the segment posted increased income but decreased profits.
- \* For Asia, Kagome recorded extraordinary losses of ¥500 million in FY2015 after making revisions to the business structure.

# Factors behind Increasing/ Decreasing Consolidated Operating Income FY2015



Unit: 100 million yen



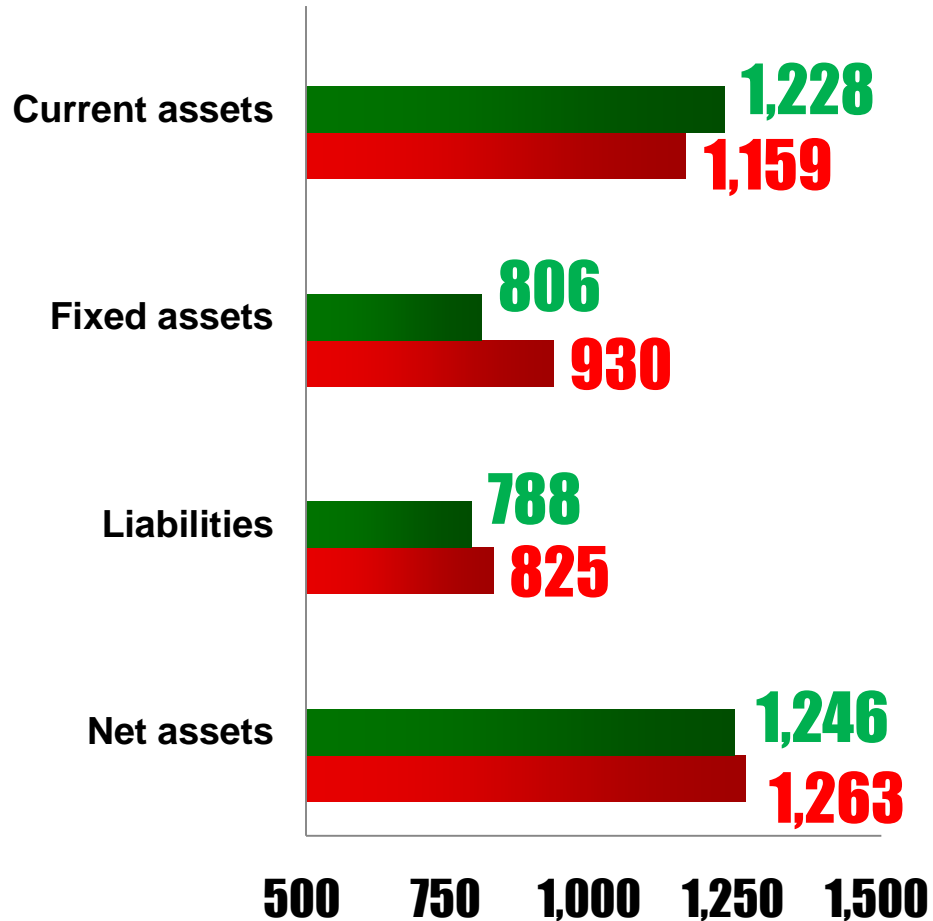
- Domestic businesses battled falling sales, spikes in raw material costs, and rising distribution expenses.
- Raw material cost-reduction efforts and improved profits in the fresh vegetable business offset the increases in raw material costs.
- Effective use of advertising costs and improved productivity led to a decrease in fixed costs.
- Thanks to the growth of US businesses and revisions to company expenses, overseas business recorded positive results.

# Changes in the Consolidated Balance Sheets FY2015



Unit: 100 million yen

■: December 31, 2014 ■: December 31, 2015



Unit: 100 million yen

## Current assets -69 [-21]

- Cash decrease **-26**
- Decrease in accounts receivable **-11**
- Decreased derivatives **-42**

## Fixed assets +124 [-17]

- Increase due to fixed investment **+77**
- Decrease due to depreciation **-69**
- Increase from the conversion of PBI into a consolidated subsidiary **+124**

## Liabilities +37 [-7]

- Increased interest-bearing debt **+16**
- Increase in trade payables **+10**

## Net assets +18

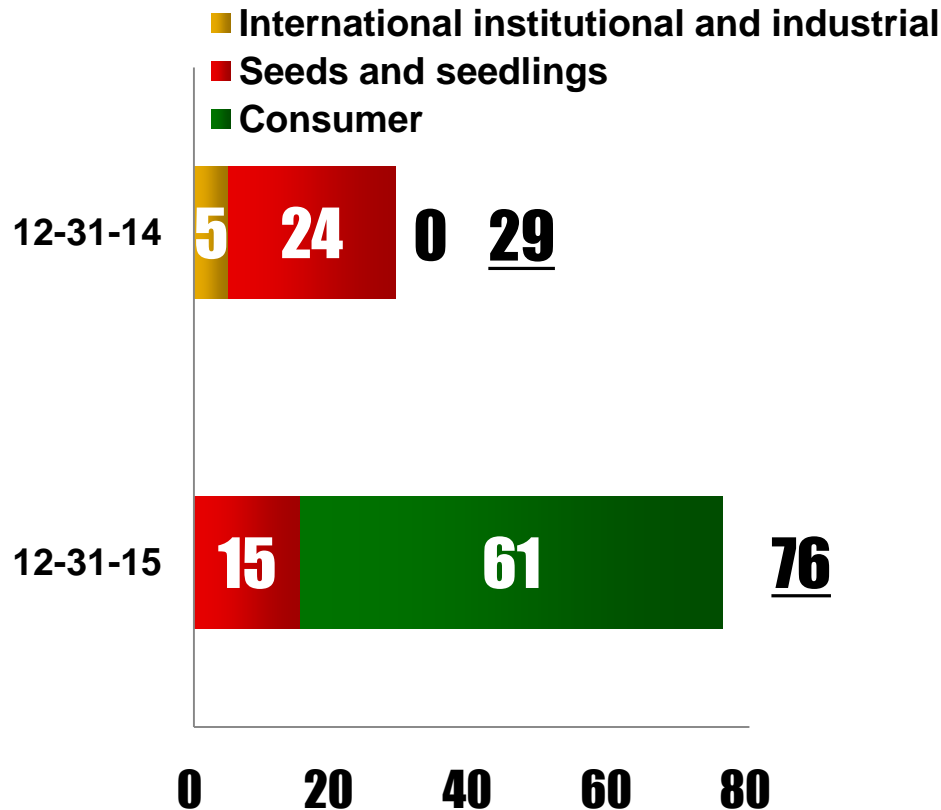
- Increase from net income **+34**
- Decrease due to dividends **-16**
- Decreased deferred gains or losses on hedges **-23**
- Increase in minority interests **+19**

\* Values in parentheses reflect the exchange rate impact on the financial statements of overseas subsidiaries

# Changes in goodwill FY2015



Unit: 100 million yen



Unit: 100 million yen

## International institutional and industrial -5

- Kagome Australia -5

## Seeds and seedlings -9

- UG -4
- UG-Turkey -5

## Consumer +61

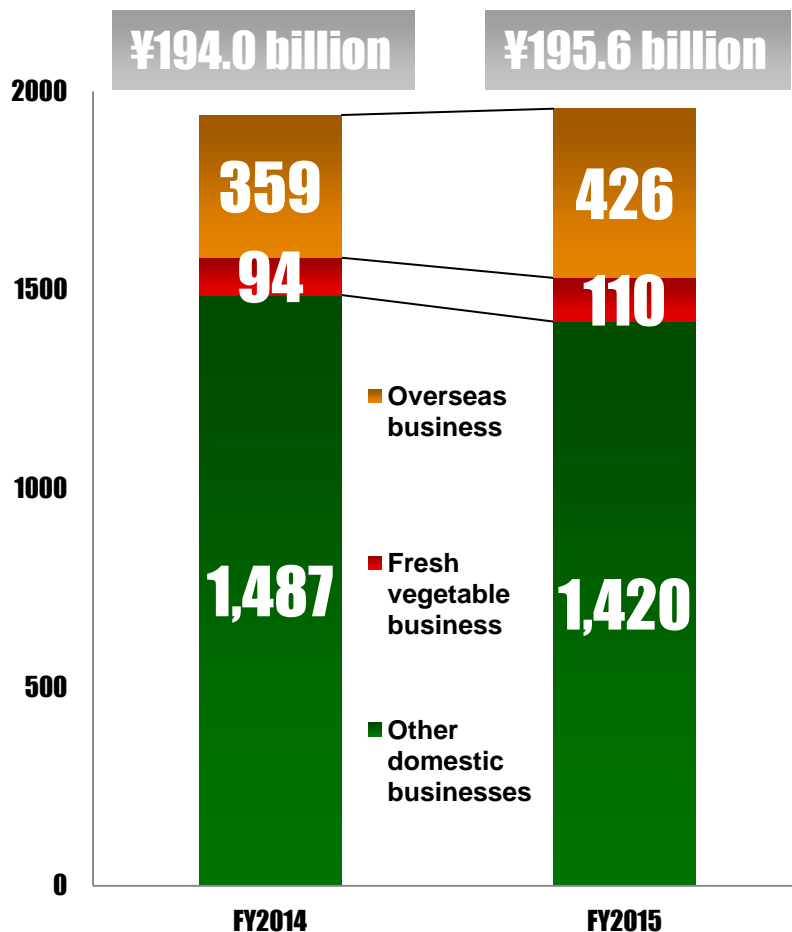
- PBI +61

- There was an increase of ¥6.1 billion in the consumer segment due to the acquisition of PBI.
- The amortization period for PBI goodwill is 20 years.



# FY2015 Topics

## Reforms to the earnings structure



• Overseas businesses  
Record-setting net sales:  
**¥42.6 billion**



• Fresh vegetable business  
Record-setting net sales:  
**¥11.0 billion**



⇒ Sales covered the sluggish performance of the domestic beverage business and topped last year's totals on a company-wide basis

\* Intersegment transactions for each business have been eliminated/adjusted

# FY2015 Topics



## Reforms to the earnings structure

Enhanced tomato ketchup value  
⇒ Omuraisu ("rice omelet") Stadium event

Enhanced vegetable beverage value  
⇒ New Leaf Pack containers



**Tomato ketchup sales  
Up 3% from the previous  
period (FY2015)**

**LEAF PACK sales  
Up 3% from the previous  
period (December 2015)**



## Work style reforms

**Establishing a comfortable work environment that lets all Kagome employees reach their full potential**

- Prohibition of overtime from 8 p.m. on  
⇒ Improved work efficiency

- Introduction of the summer time system  
⇒ Moved work hours up 30 minutes

Head Office employees worked an average of 64 overtime hours a year, a 26% reduction in overtime

Enhanced value through self-improvement



# FY2016-2018: Medium-Term Management Plan

# Mid-Term Management Plan: Vision



[Ten-Year Kagome Vision]

“Using food to help resolve societal issues and growing into a strong company with the capacity for continuous growth”



**Societal issues**

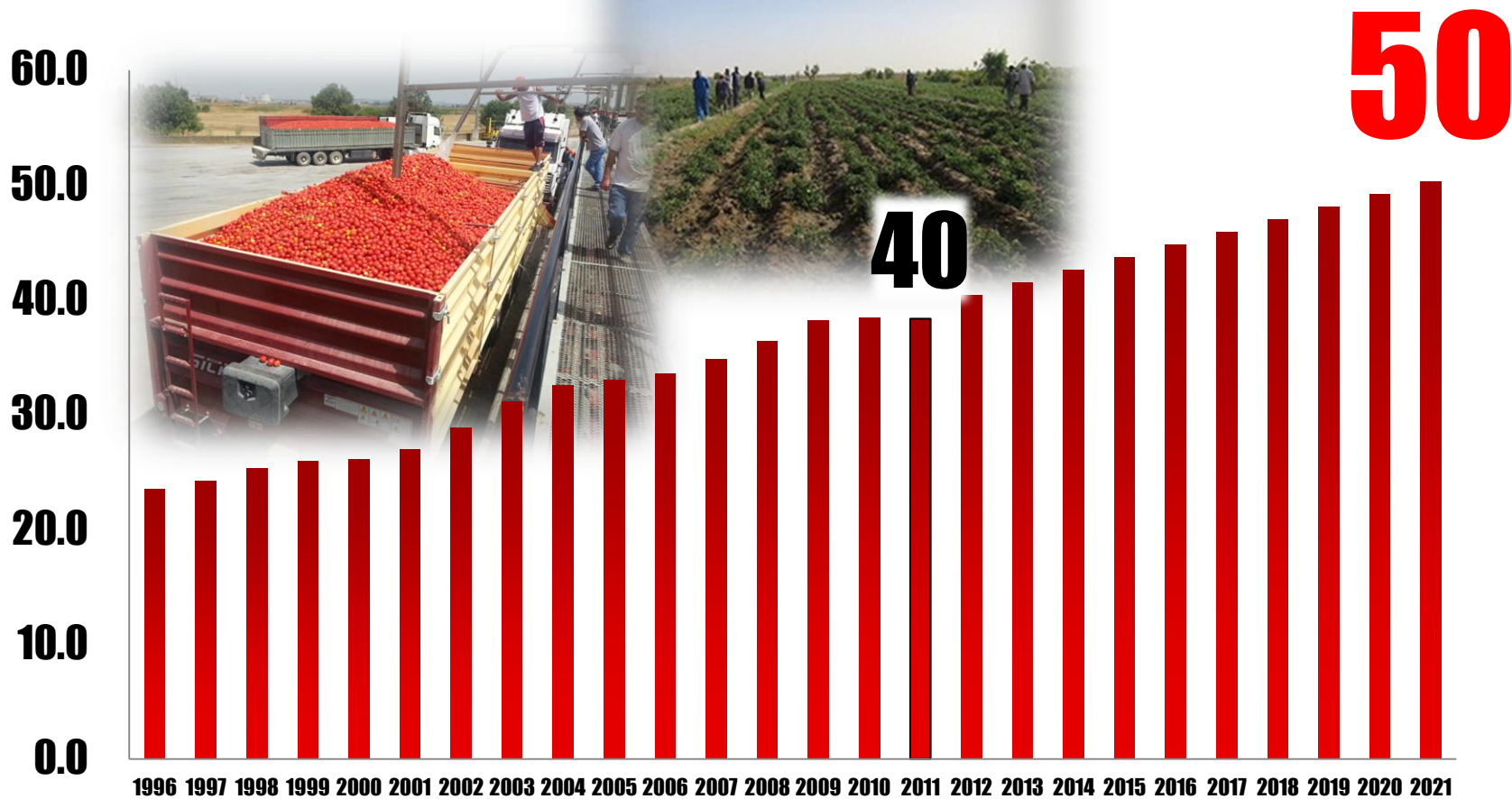
- Extending healthy life expectancy
- Creating local communities and reviving agriculture
- Food-related issues (Malnutrition and rising obesity rates)

# Mid-Term Management Plan: Vision



## ◆ Consumption of tomatoes for processing and forecasts of future trends

Unit: Million tons



According to Kagome data (with excerpts from 2012 WPTC data)  
Values for 2012 and thereafter were calculated by Kagome

# Mid-Term Management Plan: Numerical targets



Consolidated net sales: **¥220.0 billion** (up 12% on FY2015)

Consolidated ordinary (operating) profit margin: **5% ¥11.0 billion** (up 64% on FY2015)

ROE: **5%** Dividend payout ratio: **40%**

<Breakdown>	Overseas	Fresh vegetable business	Domestic businesses (not including the fresh vegetable)	Total
Sales	<b>¥55 billion</b>	<b>¥15 billion</b>	<b>¥150 billion</b>	<b>¥220 billion</b>
Operating income	<b>¥3 billion</b>	<b>¥1 billion</b>	<b>¥7 billion</b>	<b>¥11 billion</b>

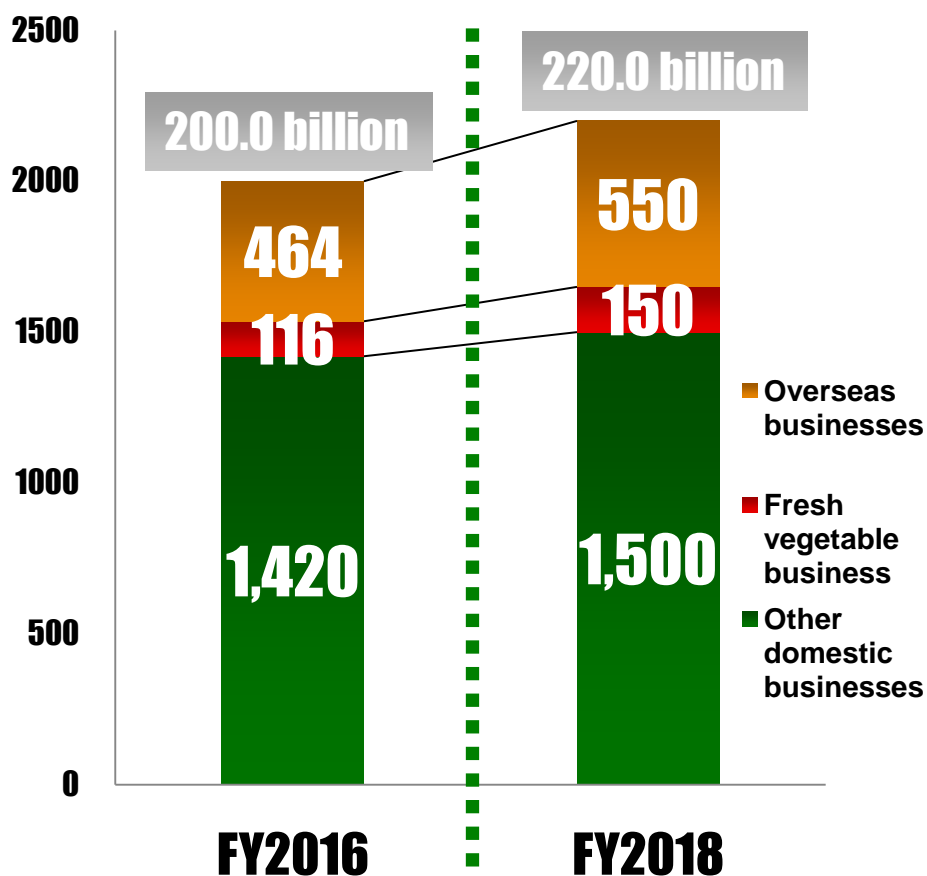
\* Intersegment transactions for each business have been eliminated/adjusted



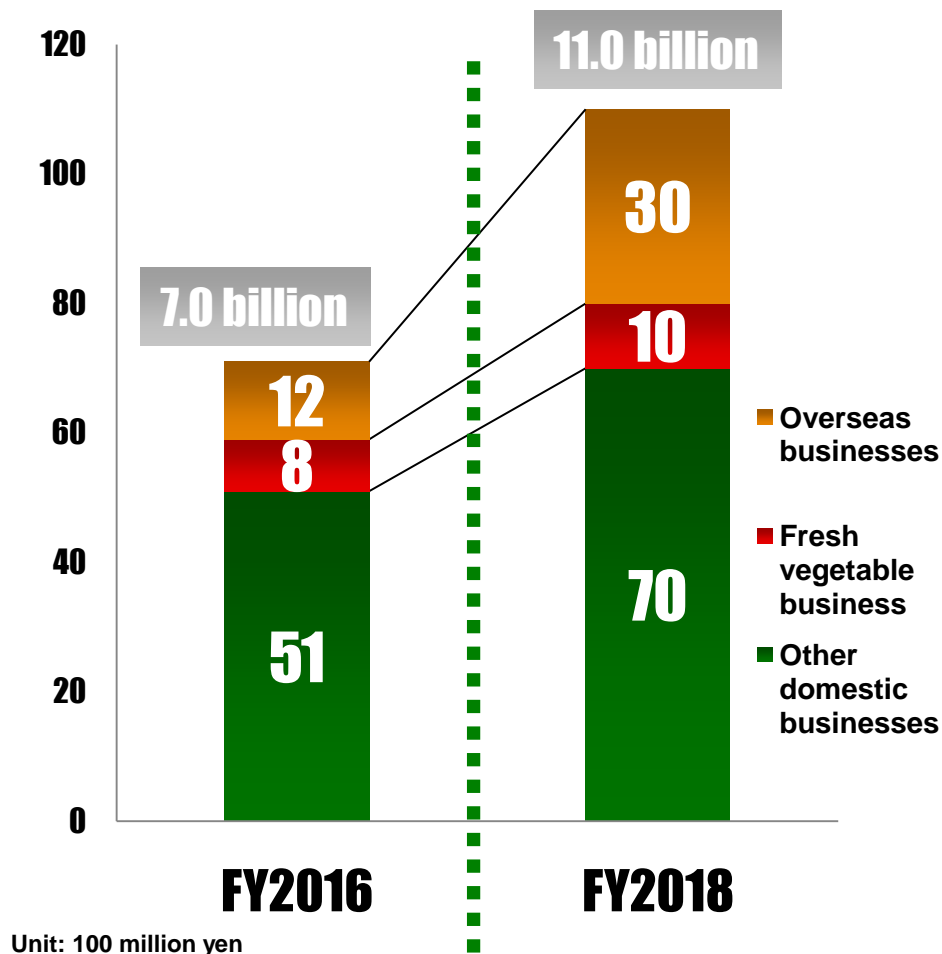
# Mid-Term Management Plan: Numerical targets



## ◆ Consolidated sales



## ◆ Consolidated ordinary (operating) income



\* Intersegment transactions for each business have been eliminated/adjusted

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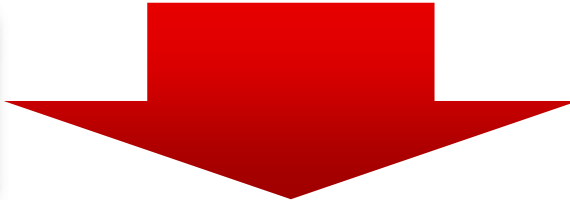
# Mid-Term Management Plan: Overseas businesses



Overseas net sales: **¥55 billion** (up 29% compared to FY2015)

Operating income: **¥3 billion** (a 15x increase compared to FY2015)

\* Intersegment transactions for each business have been eliminated/adjusted



## Solutions for global food services

- Improved Group-wide coordination on development sales and product development for major customers

## PBI acquisition/synergistic effects

- PBI organic growth
- Development of consumer business in North America

# Mid-Term Management Plan: Fresh vegetable business



Fresh vegetable  
business net sales:

# ¥15 billion

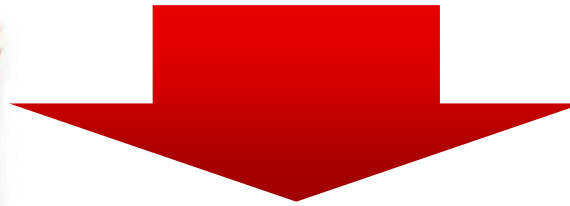
(up 36% compared  
to FY2015)

Operating income:

# ¥1 billion

(up 43% compared  
to FY2015)

\* Intersegment transactions for each business have been eliminated/adjusted



## Expanded packed salad business

- Expanded sales areas
- Expanded offerings of sprouted soybeans, kale, sprouts, and other functional vegetables

## Expanded fresh tomato business

- Expanded high value-added tomato business
- Cutting-edge agricultural technology

## Expanded mesclun business

- Ready to Eat product development

# \* Mid-Term Management Plan: Domestic businesses (not including the fresh vegetable business)

Domestic business net sales: **¥150 billion** (up 6% compared to FY2015)

\* Not including the fresh vegetable business

Operating income: **¥7 billion** (up 21% compared to FY2015)

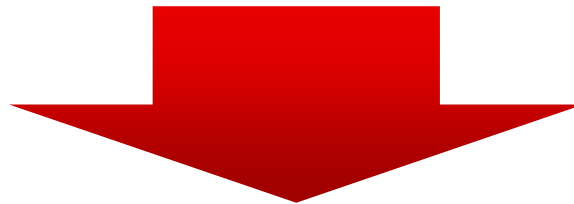
\* Not including the fresh vegetable business

\* Intersegment transactions for each business have been eliminated/adjusted



## Beverage business

- Function-labeled beverages
- "GREENS" fresh beverages



## Food business

- Fresh seasonings and fresh prepared foods
- Reduced-salt tomato ketchup menu

# Mid-Term Management Plan: Efforts to reform work styles, reform the earnings structure, and improve societal enterprise value

## Reforming the earnings structure and work styles

- **Launching the SCM Division**  
⇒ Ensuring centralized control of plans for sales, production, and procurement
- **Enhancing diversity**  
⇒ Creating a new diversity-focused department and utilizing a wide variety of human resources, regardless of gender, age, or nationality, both internally and externally
- **Establishing Kagome Axis Co., Ltd.**  
⇒ Consolidating/standardizing indirect operations and streamlining Group-wide business



## Efforts to improve societal enterprise value

- **Promoting healthy management**  
⇒ Becoming a "company with a healthy mind and a healthy body" and symbolizing the effort to extend people's healthy life expectancy
- **Establishing an audit and supervisory committee**  
⇒ Creating a governance structure subject to objective assessments



## Annual Consolidated Performance Forecast: Net Sales FY2016



Unit: 100 million yen

	FY2015	FY2016 Forecast		
			Change	Change rate
<b>Net sales</b>	<b>1,956</b>	<b>2,000</b>	<b>+ 44</b>	<b>+ 2.2%</b>
<b>Domestic businesses</b>	1,670	1,674	+ 4	+ 0.3%
<b>Beverages</b>	744	748	+ 4	+ 0.5%
<b>Consumer packaged food</b>	232	225	▲ 7	▲ 3.0%
<b>Gifts</b>	80	83	+ 3	+ 4.2%
<b>Fresh vegetables</b>	110	116	+ 6	+ 5.2%
<b>Direct marketing</b>	88	88	▲ 0	▲ 0.3%
<b>Institutional and industrial</b>	261	264	+ 4	+ 1.3%
<b>Other</b>	155	150	▲ 5	▲ 3.1%
<b>International businesses</b>	479	522	+ 42	+ 8.8%
<b>Global tomato business</b>	441	454	+ 13	+ 2.9%
International institutional and industrial	404	414	+ 11	+ 2.6%
<b>Seeds and seedlings</b>	38	40	+ 2	+ 5.7%
<b>Consumer</b>	38	68	+ 30	+ 77.1%
<b>Intersegment transactions</b>	▲ 193	▲ 196	▲ 3	—

## Annual Consolidated Performance Forecast: Profit FY2016



Unit: 100 million yen

	FY2015	FY2016 Forecast		
			Change	Change rate
<b>Operating income</b>	67	70	+ 3	+ 4.1%
<b>Domestic businesses</b>	65	59	▲ 7	▲ 10.1%
Beverages	23	17	▲ 5	▲ 23.8%
Consumer packaged food	18	19	+ 1	+ 6.4%
Gifts	1	2	+ 1	+ 75.8%
Fresh vegetables	7	8	+ 1	+ 9.8%
Direct marketing	9	7	▲ 2	▲ 17.5%
Institutional and industrial	2	2	+ 0	+ 10.5%
Other	6	4	▲ 2	▲ 38.6%
<b>International businesses</b>	2	12	+ 10	+ 482.3%
Global tomato business	7	12	+ 5	+ 78.0%
International institutional and industrial	9	12	+ 3	+ 34.5%
Seeds and seedlings	▲ 2	▲ 0	+ 2	—
Consumer	▲ 5	▲ 0	+ 5	—
<b>Intersegment transactions</b>	—	—	—	—
<b>Ordinary income</b>	70	75	+ 5	+ 6.9%
<b>Net income</b>	34	45	+ 11	+ 30.8%

## Cautionary Statement

The information outlined in this document, including Kagome's current plans, projections and strategies, contains statements that are not historical facts but are based on judgment of Kagome's management from information currently available. Accordingly, no undue reliance should be placed solely on these performance expectations. Please note that actual results could differ materially from the performance expectations due to various important factors, including, but not limited to: 1) weather, particularly low temperatures in summer; 2) product accidents such as contamination; 3) economic conditions in Kagome's markets, particularly consumption trends; 4) Kagome's ability to plan and develop products and services that will be accepted by customers in a highly competitive market characterized by rapidly changing customer preferences, etc. This document is intended to promote greater understanding of Kagome and not to necessarily encourage investment. Furthermore, Kagome prepared this document using market data and other information that the Company deemed sound and accurate. However, please be aware that Kagome may make revisions and other changes to its statements, including those concerning forecasts and past information, with no prior announcement.



# Reference: Year-on-year value ratios by vegetable beverage brand/temperature zone

## ◆ January-December comparison

Unit: 100 million yen

Brand/category	Temperature zone	FY2014 results	FY2015 results	Change	Ratio compared to previous year
Yasaiseikatsu	Dry	91	74	▲ 17	81.5%
	Chilled	346	323	▲ 23	93.3%
	Total	437	397	▲ 40	90.9%
Yasai Ichinichi Kore Ippon	Dry	21	19	▲ 2	91.9%
	Chilled	135	123	▲ 12	91.3%
	Total	156	142	▲ 13	91.4%
Tomato juice	Dry	65	59	▲ 5	91.9%
	Chilled	14	17	3	124.2%
	Total	78	76	▲ 2	97.5%