Consolidated Summary Report <under Japanese GAAP>

For the fiscal year ended December 31, 2016

February 2, 2017

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya
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Annual general meeting date: March 28, 2017 Dividend payment date: March 9, 2017
Securities report issuing date: March 17, 2017
Supplemental information for financial statements: Available
Schedule for "investor meeting presentation": Scheduled

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

1. Consolidated Financial Data for the Fiscal Year ended December 31, 2016

(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	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2016	202,534	3.5	10,946	62.8	11,315	61.3	6,764	96.6
December 31, 2015	195,619	—	6,723	—	7,015	—	3,441	—

(Reference) Comprehensive income December 31, 2016: 3,233 million yen (357.9 %); December 31, 2015: 706 million yen (— %)

	Earnings Per Share	Diluted Earnings per Share	Net income to Net Assets Attributable to KAGOME Shareholders	Ordinary Income to Total Assets	Operating Income to Net Sales
Fiscal year ended	yen	yen	%	%	%
December 31, 2016	68.30	68.28	6.4	5.3	5.4
December 31, 2015	34.64	34.63	2.9	3.4	3.4

(Reference) Equity in earnings by the equity method December 31, 2016: 46 million yen; December 31, 2015: 70 million yen

The Company has changed its fiscal year end from March 31 to December 31 from the fiscal year ended December 31, 2014.Since the fiscal year end changed, the fiscal year ended December 31, 2015 is not comparable with the fiscal year 2014 with different duration. Therefore, the changes for the fiscal year 2015 are not available.

(2) Financial Conditions

	Total Assets	Total Net Assets	Net Assets Attributable to KAGOME Shareholders to Total Assets	Total Net Assets per Common Stock
Fiscal year ended	million yen	million yen	%	yen
December 31, 2016	219,804	97,991	42.1	1,043.89
December 31, 2015	208,885	126,344	57.2	1,201.96

(Reference) Shareholders' equity as of December 31, 2016: 92,432 million yen; December 31, 2015: 119,480 million yen

(3) Conditions of Cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end of the period
Fiscal year ended	million yen	million yen	million yen	million yen
December 31, 2016	18,824	(18,576)	6,904	28,313
December 31, 2015	12,039	(11,023)	1,555	21,075

2. Dividends on Common Stock

	Dividends per Share					Total dividends	Dividend payout ratio	Dividend on Net Assets ratio
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended	yen	yen	yen	yen	yen	million yen	%	%
December 31, 2015	—	—	—	22.00	22.00	2,188	63.5	1.8
December 31, 2016	—	—	—	24.50	24.50	2,179	35.9	2.2
Fiscal year ending December 31, 2017(Forecast)	—	—	—	27.00	27.00		28.5	

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 2Q ending June 30, 2017	101,000	2.7	5,100	(7.3)	5,300	(6.1)	3,500	8.9	39.53
For the year ending December 31, 2017	210,000	3.7	11,500	5.1	11,900	5.2	8,400	24.2	94.87

4. Other (For more details, please see "Other information" in page 11)

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

(A) Changes due to revision of accounting standards: Yes.

(B) Changes due to reasons other than (A): None.

(C) Changes in accounting estimates: None.

(D) Retrospective restatements: None.

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

(A) Total stocks outstanding including treasury stocks:	Dec. 31, 2016	99,616,944 shares	Dec. 31, 2015	99,616,944 shares
(B) Treasury stocks:	Dec. 31, 2016	11,070,797 shares	Dec. 31, 2015	212,282 shares
(C) Average outstanding stocks:	Fiscal year ended December 31, 2016	99,046,140 shares	Fiscal year ended December 31, 2015	99,345,929 shares

(Reference) Non-consolidated Financial Data

1. Non-consolidated Financial Data for the Fiscal Year ended December31, 2016

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

	Net Sales		Operating Income		Ordinary Income		Net Income	
Fiscal year ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2016	158,128	4.6	8,987	54.0	9,514	45.8	3,018	(6.8)
December 31, 2015	151,156	—	5,836	—	6,526	—	3,237	—

	Earnings Per Share	Diluted Earnings per Share
Fiscal year ended	yen	yen
December 31, 2016	30.47	30.46
December 31, 2015	32.59	32.58

The Company has changed its fiscal year end from March 31 to December 31 from the fiscal year ended December 31, 2014.Since the fiscal year end changed, the changes for the fiscal year ended December 31, 2015 with twelve-month reporting period comparing with the consolidated results for fiscal year 2014 with a nine-month reporting period from April 1, 2014 to December 31, 2014 are not available.

(2) Financial Conditions

	Total Assets	Total Net Assets	Net Assets Attributable to KAGOME Shareholders to Total Assets	Total Net Assets per Common Stock
Fiscal year ended	million yen	million yen	%	yen
December 31, 2016	184,323	86,785	47.1	979.61
December 31, 2015	175,994	115,436	65.6	1,161.08

(Reference) Shareholders' equity as of December 31, 2016: 86,740 million yen; December 31, 2015: 115,417 million yen

* 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 the Results for the Current Fiscal Year

(1) Analysis of Operating Results

During the consolidated year under review (January 1, 2016, to December 31, 2016), the state of the Japanese economy saw a delay in improvement in some areas but continued to see gradual recovery for the most part due to the economic measures implemented by the Japanese government and the Bank of Japan. Harsh conditions remained, however, for the food industry. Factors included rises in raw material unit prices and distribution costs, and market contraction due to population decline.

It was under such circumstances that Kagome implemented its three-year Mid-Term Management Plan, which commenced from this consolidated year under review and continues through the year ending December 31, 2018. Priority issues of the year included the following: 1) Increasing the value of existing businesses and categories, 2) Creating a new business model through innovation, 3) Promoting globalization, and 4) Enhancing productivity through working style reform. We strove to boost Kagome's social and economic value by addressing these issues. As part of such efforts, we established Kagome Agri-Business Research and Development Center Unipessoal Lda. in Portugal in March 2016 with the objective of developing a new agriculture-related business in the global arena. We also established Kagome Axis Co., Ltd., where operations commenced in April 2016 with the objective of consolidating and standardizing Kagome's back-office operations toward achievement of reforms to our working style and our earnings structure. In other moves, we concluded a business alliance agreement with Ingomar Packing Company, LLC of the United States. Ingomar Packing is an industry leader in the processed tomato market. At the same time, we acquired a 20% membership interest in the limited liability company. (This transaction was carried out through Kagome Inc., a consolidated subsidiary.) We believe that this move will contribute greatly to business expansion of the two companies in the processed tomato market, where growth in demand is expected to continue.

In regards to net sales, we saw an increase in domestic business revenues. The main factor was brisk sales in our core beverage business. Meanwhile, although our international business grew on a local currency basis—with Preferred Brands International, Inc. (PBI), which became a Kagome consolidated subsidiary at the end of May 2015, contributing throughout the year to this growth—net sales fell in yen terms due to the appreciation of the yen that continued from the beginning of the year.

In regards to operating income, all domestic businesses ended the year with earnings growth. In addition to increased net sales, factors included the positive impact of our efforts to reform the earnings structure, such as cost reductions, elimination of underperforming products, and effective utilization of sales promotion expenses. The international business also saw an increase in operating income. Reasons included a reduction in the depreciation of good will for the global tomato business as a whole, net increase in the consumer business resulting from the consolidation of PBI, and disposal of underperforming businesses in Asia.

In regards to extraordinary gain or loss, we have posted gains through the sale of real estate owned by the Kagome Group and condemnation proceeds. As for extraordinary losses, we have declared casualty loss from the 2016 Taiwan Earthquake and the 2016 Kumamoto Earthquakes. Expenses related to the voluntary recall of certain institutional and industrial canned diced tomato products, and losses related to the Kagome Shizuoka Plant, which will be shut down, have been posted as restructuring costs. Also included were the impairment loss of assets owned by Kagome Foods India Pvt. Ltd. (a Kagome subsidiary in India) and by Kagome Co., Ltd.

As a result, net sales for the consolidated year under review rose 3.5% from the same period of the previous year to ¥202.534 billion. Operating income was up 62.8% from the same period of the previous year to ¥10.946 billion. Ordinary income was 61.3% higher than the same period of the previous year, ending the year at ¥11.315 billion. Profit attributable to shareholders of parent was ¥6.764 billion, which was up 96.6% from the same period of the previous year.

An overview of business results by segment is as follows.

Note that we have changed the classifications of segments for reporting. Starting with this consolidated fiscal year, we have reviewed business performance management categories and changed the categorization of business segments. Special gifts that are part of internet and catalog sales, disaster prevention supplies, and sales promotions to corporations had been included under "Beverages" and "Institutional and Industrial," but are now integrated together into "Gifts." We have prepared numbers by segment for the previous fiscal year according to the new classifications.

(Unit: millions of yen)

Segment name	Net sales			Operating income		
	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016	Increase or Decrease	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016	Increase or Decrease
Beverages	74,197	79,649	5,452	2,239	4,008	1,768
Food	23,232	22,946	(286)	1,777	2,266	488
Gifts	8,378	8,523	145	154	370	215
Agriculture	10,982	11,487	505	732	862	130
Direct marketing	8,777	9,444	667	888	1,133	245
Institutional and industrial	25,941	26,349	408	126	365	238
Other	15,491	16,753	1,262	601	688	87
Domestic business total	167,000	175,154	8,154	6,520	9,695	3,175
International institutional and industrial	40,350	37,834	(2,515)	886	1,200	313
Seeds and seedlings	3,756	3,400	(356)	(221)	(93)	127
Global tomato business total	44,106	41,235	(2,871)	665	1,106	441
Consumer business	3,839	6,153	2,313	(462)	143	606
International business total	47,946	47,388	(557)	203	1,250	1,047
Subtotal	214,947	222,543	7,596	6,723	10,946	4,222
Deletions and adjustments	(19,327)	(20,008)	(680)	—	—	—
Total	195,619	202,534	6,915	6,723	10,946	4,222

<Domestic Businesses>

Net sales for domestic businesses were up 4.9% from the same period of the previous year at ¥175.154 billion. Net sales for each business were as follows.

(1) Beverage Business

In the vegetable beverage category, we focused on developing and providing new value for consumers while aiming to be "Health Beverages for Life" that can deliver on the expectations consumers have for maintaining good health. We carried out activities to spark demand for vegetable drinks as a whole, using "Building a Healthy Body" as the catchphrase.

In tomato juice, we submitted necessary information as Japan's first "food with function claim" that boosts high-density lipoprotein (HDL), or "good" cholesterol. Sales were launched in February 2016 with this claim on the label, and sales proceeded well.

In the Yasaiseikatsu 100 series, we released Yasaiseikatsu Peel & Herb 200ml in February 2016 as part of a new vegetable beverage concept. Ideal for consumers in search of refreshment, we focused on developing this product on the market to make it a staple. In April 2016, we launched the Yasaiseikatsu 100 Smoothie in Paper Container, Tetra Prisma® Aseptic 330ml, which is more filling, better meets consumers' vegetable ingestion needs, and is optimal as a healthy snack. It was well received by consumers, and the product lineup has been expanded. We also strengthened related marketing activities, adding integrated activities—such as public relations partnerships with local governments and developing the health value of vegetables based on research—in addition to product marketing, adverting and in-store promotions. The Yasaiseikatsu 100 seasonal products, with nationwide consumption of local products as its theme, were also very well received by consumers.

In the Yasai Ichinichi Kore Ippon series, in August 2016, we verified through human studies that the concept of "vegetable juice first" (drinking vegetable juice before meals) has the same effect in curbing the rise of blood sugar levels after meals as in "vegetables first" (eating vegetables before meals). We strengthened in-store marketing activities to communicate this value.

Finally, in GREENS—a new type of vegetable beverage made possible by Kagome's proprietary cold coarse-straining production method that emphasizes the freshness (color, fragrance and texture) of ingredients—we introduced seasonal ingredients and proposed good flavors that change with each season. Furthermore, we expanded the sales area in November 2016 to the current sales area of Tokyo and nine prefectures.

As a result of implementing these measures, net sales of the vegetable beverage category increased as compared with the same period of the previous year.

Meanwhile, in the probiotics category, we focused our activities on the Labretta Project, beginning in June 2016. The project positions increasing constipation among children as a social issue and aims to eliminate it entirely. The move was intended to further bolster our marketing efforts that communicate the value of Shokubutsusei Nyusankin Labre, such as “improved bowel function” and “plant-based lactic acid.” Product wise, we released in September 2016, Shokubutsusei Nyusankin Labre Apple 80ml, a flavor that children will find delicious. However, despite such measures, net sales for the probiotics category fell due to intensified competition.

As a result, net sales for the beverage business increased 7.3% from the same period the previous year, to ¥79.649 billion.

(2) Food Business

Tomato ketchup performed well as a result of greater communication of the value of tomato ketchup as well as intensified promotion with “controlling salt intake with tomatoes” as the catchphrase.

In tomato condiments, we strengthened the proposal of Tomato Pazza nationwide—a menu item in which a seafood-item of the cook’s choosing and vegetables are braised in tomato sauce. In addition to the concept of increasing flavor while reducing salt intake and cooking time, the proposal of a seafood menu that allowed vegetables to be consumed at the same time was also very well received by consumers. Company-wide marketing efforts were carried out to make the dish not only an item for home cooking but also to establish it as restaurant and pre-cooked menu items.

Despite these efforts, elimination of underperforming products and other factors resulted in a decline of net sales for the food business, which ended the year under reporting at ¥22.946 billion, which was down 1.2% as compared with the same period of the previous year.

(3) Gifts Business

Sales of our gifts business are focused around the Chugen mid-year and Seibo year-end gift-giving markets. For this reason, we focused our efforts on developing a market outside of these gift-giving practices. Although the overall gift product market has been suffering due to a decline in demand for gift-giving products, we focused on the sale of products that have the value that are distinctive of Kagome, such as good health, good taste, caring, and a sense of cache. Our proposals—which included the development of consigned goods—were made toward diverse, new channels and demands, including online and catalog direct marketing, stockpiles for disaster preparedness, corporate giveaways, and souvenirs.

As a result, net sales for the gifts business were up 1.7% from the same period of the previous year, ending the year at ¥8.523 billion.

(4) Agriculture Business

In regards to fresh tomatoes, which are the core offerings, we strengthened sales of high value-added products, such as high lycopene tomatoes, in line with the greater interest being shown in vegetables that contain ingredients with distinctive functional characteristics. Sales in this area performed well. Although shipping volumes of fresh tomatoes were unstable due to unseasonable weather, we boosted our response capability towards demand, including the flexible optimization of the product lineup. In addition, the expansion of our crop acreage from the previous year also contributed to an increase of net sales.

Sales promotion of the Packed Salads series towards married couples with no children and single women was also successfully strengthened for steady expansion of sales. The series, launched in April 2015, utilizes distinctive ingredients such as high lycopene tomatoes and baby leaf greens.

As a result, net sales of the agriculture business increased 4.6% over the same period of the previous year to ¥11.487 billion.

(5) Direct Marketing Business

In the core vegetable beverage products category, Tsubuyori Yasai saw good sales. Meanwhile, in supplements, which is a category that we are focusing on to become a pillar alongside beverages, we saw steady expansion of sales in Plant-Based Supplement Sulforaphane and Lycopene Cholestefine, a food with function claims. Additionally, the limited edition Yasai o Ajiwau Potage (potage soup for enjoying the taste of vegetables) also did well.

As a result, net sales in the direct marketing business were up 7.6% from the same period of the previous year to ¥9.444 billion.

(6) Institutional and Industrial Business

Social and environmental changes, such as the need to simplify the cooking process, are creating new food market opportunities in the institutional and industrial use market. Toward those business categories where market expansion can be expected amid this kind of environment, Kagome engaged in the proposal of products and menus that utilize the fresh colors and flavor of vegetables, which generally performed well.

As a result, net sales in the institutional and industrial business increased 1.6% over the same period of the previous year to ¥26.349 billion.

(7) Other Businesses

Net sales from other domestic businesses, including transportation and warehousing, real-estate rental, parking lot, solar power generation, and contracted services, in total were up 8.1% from the same period of the previous year to ¥16.753 billion.

<International Business>

Net sales in the international business decreased 1.2% from the same period of the previous year to ¥47.388 billion. Note that the appreciation of the yen had a negative impact of ¥5.498 billion compared to the same period of the previous year.

The circumstances for each segment are as follows.

(1) Global Tomato Business

[International Institutional and Industrial]

The U.S. subsidiary Kagome Inc. saw steady performance in sales toward major foodservice clients. The Portuguese subsidiary Holding da Industria Transformadora do Tomate, SGPS S.A. had strong net sales toward major food companies in Europe. Australian subsidiary Kagome Australia Pty Ltd. saw an increase in export sales toward Southeast Asia. Taiwan Kagome Co., Ltd. saw an impact of the 2016 Taiwan Earthquake but finished the year with net sales that were at the same level as the previous year. As announced on September 30, 2016, in the “Notice of Request to Begin Civil Rehabilitation Proceedings for an Overseas Subsidiary,” Italian subsidiary Vegitalia S.p.A. filed for a debt restructuring agreement pursuant to Section 182-bis of the Italian Bankruptcy Law (equivalent to Japan’s civil rehabilitation proceedings), for which it received approval.

As a result, net sales in the international institutional and industrial business saw earnings growth in local-currency terms. However, due to the negative impact of the appreciation of the yen, this category saw a 6.2% decline in net sales from the same period of the previous year to ¥37.834 billion.

[Seeds and Seedlings]

The U.S. subsidiary United Genetics Holdings LLC saw strong sales. However, due to factors that included the negative impact of the appreciation of the yen, net sales of the seeds and seedlings business were down 9.5% from the same period of the previous year to ¥3.4 billion.

(2) Consumer Business

Net sales of the U.S. subsidiary PBI increased significantly. In addition to the net increase resulting from the 12 months in this year under review (there were only seven months in the fiscal year ended December 31, 2015), sales to existing customers also proceeded well.

In Asia, net sales of Chinese subsidiary Kagome (Shanghai) Beverage Co., Ltd. and Thai subsidiary Osotspa Kagome Co., Ltd. fell from the elimination of underperforming businesses.

As a result, despite the negative impact of the appreciation of the yen, net sales of the consumer business were up 60.3% from the same period of the previous year, finishing the year at ¥6.153 billion.

[Outlook for the Next Fiscal Year]

	Net sales (In millions of yen)	Operating income (In millions of yen)	Ordinary income (In millions of yen)	Profit attributable to shareholders of parent (In millions of yen)	Net income per share (In yen)
Fiscal year ending December 31, 2017 (Forecast)	210,000	11,500	11,900	8,400	94.87
Fiscal year ended December 31, 2016	202,534	10,946	11,315	6,764	68.30
Rate of change	3.7%	5.1%	5.2%	24.2%	38.9%

The food industry in Japan is expected to see a continuation of uncertain circumstances. They include continued reduction of market size caused by a shrinking population, rising costs of imported raw materials, and changes in world affairs. It was under such circumstances that we launched the Mid-Term Management Plan for the three years between FY2016 and FY2018. The first year, FY2016, was off to a good start, with the business plan being revised upwardly in some areas. In FY2017, the second year of this plan, we will aim for continued growth. We will continue promotion of efforts related to priority issues and reform of our earnings structure, and work towards achievement of the goals of the Mid-Term Management Plan in the final year of the plan. In the Mid-Term Management plan, we will focus on addressing challenges such as increasing the value of existing businesses and categories, creating a new business model through innovation, promoting globalization, reforming our earnings structure, and enhancing productivity through working style reform so as to increase Kagome’s social and economic values.

<Domestic Business>

We will strengthen mutual cooperation between Kagome businesses such as beverage, foods, institutional and industrial, and agriculture. At the same time, we will unfold a consistent corporate marketing strategy through the integration of marketing functions, including product planning and development, promotion, and collection of consumer information. We will aim through such measures to increase the value of existing businesses and categories as well as create a new business model through innovation. We plan to establish the Business Planning Department in January 2017 to contribute to the extension of healthy life expectancy and roll out, in cooperation with FiNC Inc., a business that supports health.

By reinforcing our supply chain management functions, we will promote streamlining by carrying out centralized control of procurement, manufacturing, marketing, and distribution. We will also promote inventory reduction and other measures, and aim for a further improvement of our earnings capacity. Additionally, In December 2016, an agreement to inaugurate a joint venture distribution business was concluded between four Japanese food manufacturers, including Kagome. We aim to resolve issues related to food distribution and achieve a further streamlining of our distribution structure in these and other ways.

<International Business>

In regards to the global tomato business as a whole, we will aim for further growth by reinforcing vertical collaboration between the tomato-related businesses owned by Group companies, such as seeds and seedling development, cultivation, processing and sales, and maximizing customer value.

The consumer business will collaborate with PBI, which is well-versed in local marketing, and engage in the development of a health food and beverage business in the U.S. as well as realize its growth. As for businesses in Asia, we will aim to monetize the businesses by redeveloping the business strategy and optimizing business content.

The forecast above is a forward-looking statement that was prepared based on economic circumstances at the time of preparing this summary of financial results. Actual performance may differ from the financial outlooks herein for various unforeseeable reasons.

(2) Explanation of Financial Standing

At the end of this consolidated year under review, Kagome’s total assets increased by ¥10.918 billion from the end of the previous consolidated year.

Current assets increased by ¥9.595 billion from the end of the previous consolidated year.

Going into detail, the reasons were as follows. While marketable securities aimed at short-term fund management decreased by ¥13.115 billion from cashing in; inventories (the total of “Merchandise and finished goods,” “Work in progress” and “Raw material and supplies”) decreased by ¥5.047 billion due to inventory reduction and exchange rate impact; and Derivatives decreased by ¥4.622 billion due to the further appreciation of the yen in regards to the foreign exchange forwards possessed by Kagome; “Cash and deposits” increased by ¥30.504 billion due to the cashing in of marketable securities, fund procurement through a syndicated loan, and other reasons.

Fixed assets increased by ¥1.323 billion from the end of the previous consolidated year

“Property, plant and equipment” increased ¥12 million as compared to the end of the previous consolidated year. This was because while it decreased by ¥4.729 billion due to depreciation and exchange rate impact, there were fixed investments totaling ¥6.648 billion to expand our lineup of equipment and build rental facilities.

“Intangible assets” decreased by ¥1.706 billion from the end of the previous consolidated year due to amortization of goodwill and exchange rate impact.

“Investments and other assets” increased by ¥3.017 billion from the end of the previous consolidated year. This was largely due to acquiring new shareholder interest in Ingomar.

Liabilities increased by ¥39.271 billion from the end of the previous consolidated year.

The major breakdown is as follows. “Short-term borrowings” increased by ¥27.452 billion due to the procurement of purchase funds for the public offering of treasury stock and such; “Long-term borrowings” increased by ¥9.701 billion due to fund procurement through syndicated loans and such, (including current portion of long-term borrowings); and “Other payable” increased by ¥2.657 billion due to such reasons as construction of rental facilities. Meanwhile, “Notes and accounts payable” decreased by ¥1.475 billion.

Net assets decreased by ¥28.352 billion from the end of the previous consolidated year.

This was due to the increase in “Treasury stock” by ¥26.848 billion (an equivalent decrease in net assets) with the public offering and purchase of treasury stock as well as reintroduction of employee stock ownership ESOP trust. Others included “Retained earnings,” which increased by ¥6.764 billion due to “Profit attributable to shareholders of parent;” a decrease of ¥2.188 billion due to distribution of surplus money; and a decrease of capital surplus by ¥1.370 billion due to reasons such as additional acquisition of shares in subsidiaries; decrease of “Non-controlling interests” by ¥1.329 billion; and decrease of “Accumulated other comprehensive income” by ¥3.405 billion due to continuing strong yen.

As a result, the shareholder equity ratio was 42.1% and net assets per share was ¥1,043.89.

(Explanation of Status Regarding Consolidated Cash Flows)

Cash and cash equivalents at the end of period was ¥28.313 billion, which was an increase of ¥7.238 billion from the end of the previous consolidated year.

The status of each type of cash flow is as follows.

Cash flows from operating activities resulted in net revenue of ¥18.824 billion (net revenue of ¥12.039 billion at the same period the previous year). The main factors were a profit before income taxes of ¥11.269 billion, depreciation and amortization of ¥5.732 billion, a decrease of ¥4.041 billion in inventories (all of which were net cash revenue); and an increase of ¥1.748 billion in notes and accounts receivable, a decrease of ¥1.374 billion in accounts payable - other, and an expenditure of ¥4.264 billion for income taxes paid and other such expenses (all of which were net cash expenditures).

Cash flows from investing activities resulted in net expenditures of ¥18.576 billion (net expenditures of ¥11.023 billion at the same period the previous year). The main factors were ¥2.210 billion in proceeds from sales of fixed assets, and expenditures of ¥10.676 billion on disbursement for time deposits, ¥6.836 billion for acquisition of fixed assets, and ¥3.741 billion for the acquisition of shares and capital of subsidiaries.

Cash flows from financing activities resulted in net revenue of ¥6.904 billion (net revenue of ¥1.555 billion at the same period the previous year). Main factors included incomes of ¥28.160 billion in increase (decrease) in short-term borrowings and ¥11.333 billion in proceeds from long-term borrowings, and expenditures of ¥26.848 billion from decrease (increase) of treasury shares, ¥2.715 billion from acquisition of shares in subsidiaries from non-controlling shareholders, and ¥2.187 billion in dividends paid.

The state of cash flow associated indicators for the Kagome Group is as follows.

Item	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended December 31, 2014	Fiscal year ended December 31, 2015	Fiscal year ended December 31, 2016
Shareholder's equity ratio (%)	60.1	59.1	58.8	57.2	42.1
Equity ratio based on market price (%)	105.1	94.5	89.2	100.7	117.8
Years of debt redemption (years)	3.2	―	20.5	3.1	4.0
Interest coverage ratio (times)	26.6	―	5.8	66.2	95.6

(Note) Shareholder's equity ratio : (Shareholder's equity) / (Total assets)
Equity ratio based on market price : (Total market value of shares) / (Total assets)
Years of debt redemption : (Interest-bearing debt) / (Operating cash flow)
Interest coverage ratio : (Operating cash flow) / (Interest paid)

1. Each indicator is calculated using consolidated financial figures.
2. Equity ratio based on market price is calculated as closing share price at fiscal year-end multiplied by total number of issued shares at fiscal year-end (excluding treasury stock).
3. Cash flows from operating activities are based on cash flows from operating activities on the consolidated statement of cash flows. Interest-bearing debt includes all liabilities on the consolidated statement of financial position that pay interest. Interest paid is based on interest paid on the consolidated statement of cash flows.
4. There are no years of debt redemption or interest coverage ratio listed for the year ended March 31, 2014, because cash flows from operating activities were in negative figures.
5. The year ended December 31, 2014, saw an irregular financial closing based on 9 months due to a change in the fiscal term. Therefore, the years of debt redemption and interest coverage ratio shown are figures for cash flows from operating activities and interest paid for a 9-month period.

(3) Basic Policy Related to Benefit-Sharing and Dividends for the Current Year Under Review and the Next Fiscal Year

Under the recognition that redistributing profits to shareholders is one of its high-priority managerial issues, Kagome will aim for a steady cash dividend payment, targeting a dividend payout ratio of around 40% on a basis of the consolidated financial performance.

In regards to dividends for the current year under review, an annual cash dividend of ¥24.5 per share (an increase of ¥2.5 from the forecast at the beginning of the fiscal year) has been decided from the perspective of making the total amount of cash dividends the same in scale as the amount in the forecast at the beginning of the fiscal year against the decrease in the total number of issued shares (after excluding treasury stock) with the acquisition of treasury stock.

As for dividends for the next fiscal year, we plan a dividend of ¥27 per share, which is an increase of ¥2.5 yen from the dividend of the current year.

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1. Other Information

(1) Changes in significant subsidiaries

Not applicable.

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

(Changes in accounting policies)

(Application of Accounting Standard for Business Combinations and other Standards)

Starting with the fiscal year ended December 31, 2016, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21; September 13, 2013, hereinafter “Business Combinations Accounting Standard”), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22; September 13, 2013, hereinafter “Consolidation Accounting Standard”) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7; September 13, 2013, hereinafter “Business Divestitures Accounting Standard”) and other standards. Accordingly, the Company’s accounting policies have been changed, the difference arising from a change in the Company’s ownership interest in a subsidiary over which the Company continues to have control is recorded as capital surplus and acquisition-related costs are expensed in the consolidated fiscal year when they are incurred. In addition, for business combinations to be performed at and after the beginning of the fiscal year 2016, a method was changed to recognize an adjustment to the provisional amount arising from the finalization of the tentative accounting treatment relating to the allocation of acquisition cost in the consolidated financial statements for the fiscal year where the date of business combination belongs. Additionally, the Company has changed the presentation of net income and other related items, and the presentation of “minority interests” to “non-controlling interests”. To reflect this change in presentation, the reclassification of accounts has been made to the consolidated financial statements for the fiscal year ended December 31, 2015.

In the consolidated statements of cash flows for the fiscal year, cash flows from purchase or sale of the shares and capital of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from financing activities” and cash flows from purchase related costs of the shares and capital of subsidiaries with changes in the scope of consolidation or costs related to purchase or sale of the shares and capital of subsidiaries with no changes in the scope of consolidation are included in “Cash flows from operating activities”. Regarding the consolidated statements of cash flows for the fiscal year, the Company has applied the transitional treatments stipulated in Paragraph 26-4 of “Practical Guidelines on Accounting Standards for Preparing Consolidated Statements of Cash Flows” and has not reclassified the comparative information.

The Business Combinations Accounting Standard and others were adopted in accordance with transitional treatments stipulated in Paragraph 58-2(4) of the Business Combinations Accounting Standard, Paragraph 44-5(4) of the Consolidation Accounting Standard and Paragraph 57-4(4) of the Business Divestitures Accounting Standard, and they have been prospectively adopted from the beginning of the fiscal year 2016.

As a result, the effect of this change on the consolidated statements of income and comprehensive Income is immaterial. And capital surplus decreased by 1,370 million yen at the end of this fiscal year.

2.Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2015	As of Dec. 31, 2016	As of Dec. 31, 2016
Assets			
Current assets:			
Cash and deposits	¥ 8,413	¥ 38,918	$ 335,500
Notes and accounts receivable	32,088	33,617	289,802
Marketable securities	13,115	-	-
Merchandise and finished goods	20,874	19,648	169,379
Work in process	1,041	932	8,034
Raw material and supplies	23,698	19,985	172,284
Deferred tax assets	634	660	5,690
Derivatives	10,297	5,675	48,922
Other current assets	6,044	6,325	54,526
Allowance for doubtful accounts	(305)	(264)	(2,276)
Total current assets	115,903	125,498	1,081,879
Fixed assets:			
Property, plant and equipment:			
Buildings and structures, net	17,089	16,966	146,259
Machinery, equipment and vehicles, net	19,674	18,535	159,784
Tools and furniture, net	1,138	1,101	9,491
Land	13,684	13,241	114,147
Lease assets, net	430	650	5,603
Construction in progress	1,605	3,138	27,052
Property, plant and equipment net	53,622	53,634	462,362
Intangible assets:			
Goodwill	7,616	6,515	56,164
Trademark right	2,392	2,192	18,897
Customer relationship	2,777	2,496	21,517
Software	1,522	1,442	12,431
Other intangible assets	365	321	2,767
Total intangible assets	14,675	12,968	111,793
Investments and other assets:			
Investment securities	19,764	19,532	168,379
Long-term loans receivable	2,010	1,691	14,578
Deferred tax assets	994	93	802
Other assets	1,987	6,460	55,690
Allowance for doubtful accounts	(72)	(75)	(647)
Total investments and other assets	24,684	27,702	238,810
Total fixed assets	92,982	94,305	812,974
Total assets	¥ 208,885	¥ 219,804	$ 1,894,862

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 116 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2016.

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2015	As of Dec. 31, 2016	As of Dec. 31, 2016
Liabilities			
Current liabilities:			
Notes and accounts payable	¥ 15,204	¥ 13,729	$ 118,353
Short-term borrowings	10,780	38,232	329,586
Current portion of long-term borrowings	834	8,285	71,422
Other payable	9,438	12,096	104,276
Income taxes payable	2,206	704	6,069
Deferred tax liabilities	2,788	1,104	9,517
Accrued bonuses for employees	572	1,241	10,698
Accrued bonuses for directors	56	101	871
Derivatives liabilities	13	12	103
Other current liabilities	3,827	3,050	26,293
Total current liabilities	45,722	78,558	677,224
Long-term liabilities:			
Long-term borrowings	25,701	27,952	240,966
Deferred tax liabilities	2,792	3,704	31,931
Net defined benefit liability	4,915	5,427	46,784
Provision for loss on guarantees	-	172	1,483
Other liabilities	3,409	5,996	51,690
Total long-term liabilities	36,818	43,253	372,871
Total liabilities	82,541	121,812	1,050,103
Net Assets			
Shareholder's equity:			
Common stock	19,985	19,985	172,284
Capital surplus	23,733	22,362	192,776
Retained earnings	61,916	66,492	573,207
Treasury stock	(314)	(27,163)	(234,164)
Total shareholder's equity	105,320	81,677	704,112
Accumulated other comprehensive income :			
Unrealized gain on available-for-sale securities	6,444	6,487	55,922
Deferred gains or losses on derivatives under hedge accounting	6,952	4,287	36,957
Foreign currency translation adjustments	1,787	1,276	11,000
Remeasurements of defined benefit plans	(1,024)	(1,296)	(11,172)
Total accumulated other comprehensive income	14,160	10,754	92,707
Subscription rights to shares	19	44	379
Non-controlling interests	6,844	5,514	47,534
Total net assets	126,344	97,991	844,750
Total liabilities and net assets	¥ 208,885	¥ 219,804	$ 1,894,862

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 116 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2016.

(2) Consolidated Statements of Income and Comprehensive Income

	Millions of Yen		Thousands of U.S. dollars
	Fiscal year ended Dec. 31, 2015	Fiscal year ended Dec. 31, 2016	Fiscal year ended Dec. 31, 2016
Net sales	¥ 195,619	¥ 202,534	$ 1,745,983
Cost of sales	110,304	111,607	962,129
Gross profit	85,314	90,927	783,853
Selling, general and administrative expenses	78,590	79,981	689,491
Operating income	6,723	10,946	94,362
Other income			
Interest income	230	255	2,198
Dividend income	276	314	2,707
Share of profit of entities accounted for using equity method	70	46	397
Insurance income	73	194	1,672
Other	490	413	3,560
Total other income	1,141	1,224	10,552
Other expenses			
Interest expense	158	195	1,681
Foreign exchange losses	337	293	2,526
Other	353	366	3,155
Total other expenses	850	854	7,362
Ordinary income	7,015	11,315	97,543
Extraordinary gain			
Gain on sales of fixed assets	81	1,689	14,560
Gain on sales of investment securities	297	-	-
Gain on change in equity	152	-	-
Compensation income for expropriation	-	236	2,034
Gain on forgiveness of debts	68	307	2,647
Total extraordinary gain	600	2,233	19,250
Extraordinary loss			
Loss on disposal of fixed assets	156	167	1,440
Impairment loss	69	606	5,224
Loss on valuation of investment securities	32	223	1,922
Loss on disaster	-	62	534
Expense for voluntary recall of goods	-	414	3,569
Business structure improvement expenses	548	631	5,440
Provision for loss on guarantees	-	172	1,483
Total extraordinary loss	806	2,279	19,647
Profit before income taxes	6,808	11,269	97,147
Income taxes			
Income taxes - current	3,706	2,208	19,034
Income taxes - deferred	(197)	1,917	16,526
Total income taxes	3,509	4,125	35,560
Net income	¥ 3,299	¥ 7,144	$ 61,586
Profit attributable to Shareholders of parent	**3,441**	**6,764**	**58,310**
Profit (loss) attributable to non-controlling interests	(141)	379	3,267
Other comprehensive income			
Unrealized gain on available- for- sale securities	1,653	43	371
Deferred gains or losses on derivatives under hedge accounting	(2,367)	(2,667)	(22,991)
Foreign currency translation adjustments	(1,849)	(1,014)	(8,741)
Remeasurements of defined benefit plans	(33)	(275)	(2,371)
Share of other comprehensive income of an affiliate by the equity method	2	4	34
Total other comprehensive income	(2,593)	(3,910)	(33,707)
Comprehensive income	¥ 706	¥ 3,233	$ 27,871
Comprehensive income attributable to Shareholders of parent	1,303	3,359	28,957
Comprehensive income attributable to non-controlling interests	(597)	(125)	(1,078)

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 116 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2016

(3) Consolidated Statements of Changes in Net Assets

Millions of Yen

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	**Total Shareholders' Equity**	Unrealized Gain (Loss) on Available-for-sale-Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	**Total Accumulated other Comprehensive Income**	Subscription rights to shares	Non-controlling interests	**Total Net Assets**
Balance, Jan. 1, 2015	**¥ 19,985**	**¥ 23,733**	**¥ 60,116**	**¥ (517)**	**¥ 103,317**	**¥ 4,790**	**¥ 9,321**	**¥ 3,178**	**¥ (992)**	**¥ 16,297**	**¥ 12**	**¥ 4,939**	**¥ 124,566**
Cash dividends			(1,641)		**(1,641)**								**(1,641)**
Profit attributable to Shareholders of parent			3,441		**3,441**								**3,441**
Repurchase of treasury stock				(2)	**(2)**								**(2)**
Disposal of treasury stock				205	**205**								**205**
Change in treasury shares of parent arising from transactions with non-controlling shareholders					**–**								**–**
Net changes of items other than shareholders' equity						1,653	(2,368)	(1,390)	(32)	**(2,137)**	7	1,905	**(225)**
Total changes of items during period	–	–	1,799	203	**2,003**	1,653	(2,368)	(1,390)	(32)	**(2,137)**	7	1,905	**1,777**
Balance, December 31, 2015	**19,985**	**23,733**	**61,916**	**(314)**	**105,320**	**6,444**	**6,952**	**1,787**	**(1,024)**	**14,160**	**19**	**6,844**	**126,344**
Cash dividends			(2,188)		**(2,188)**								**(2,188)**
Profit attributable to Shareholders of parent			6,764		**6,764**								**6,764**
Repurchase of treasury stock				(27,094)	**(27,094)**								**(27,094)**
Disposal of treasury stock				245	**245**								**245**
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(1,370)			**(1,370)**								**(1,370)**
Net changes of items other than shareholders' equity						43	(2,665)	(511)	(271)	**(3,405)**	25	(1,329)	**(4,709)**
Total changes of items during period	–	(1,370)	4,576	(26,848)	**(23,642)**	43	(2,665)	(511)	(271)	**(3,405)**	25	(1,329)	**(28,352)**
Balance, December 31, 2016	**¥ 19,985**	**¥ 22,362**	**¥ 66,492**	**¥ (27,163)**	**¥ 81,677**	**¥ 6,487**	**¥ 4,287**	**¥ 1,276**	**¥ (1,296)**	**¥ 10,754**	**¥ 44**	**¥ 5,514**	**¥ 97,991**

Thousands of U.S. Dollars

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	**Total Shareholders' Equity**	Unrealized Gain (Loss) on Available-for-sale-Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	**Total Accumulated other Comprehensive Income**	Subscription rights to shares	Non-controlling interests	**Total Net Assets**
Balance, December 31, 2015	**$ 172,284**	**$ 204,595**	**$ 533,759**	**$ (2,707)**	**$ 907,931**	**$ 55,552**	**$ 59,931**	**$ 15,405**	**$ (8,828)**	**$ 122,069**	**$ 164**	**$ 59,000**	**$ 1,089,172**
Cash dividends			(18,862)		**(18,862)**								**(18,862)**
Profit attributable to Shareholders of parent			58,310		**58,310**								**58,310**
Repurchase of treasury stock				(233,569)	**(233,569)**								**(233,569)**
Disposal of treasury stock				2,112	**2,112**								**2,112**
Change in treasury shares of parent arising from transactions with non-controlling shareholders		(11,810)			**(11,810)**								**(11,810)**
Net changes of items other than shareholders' equity						371	(22,974)	(4,405)	(2,336)	**(29,353)**	216	(11,457)	**(40,595)**
Total changes of items during period	–	(11,810)	39,448	(231,448)	**(203,810)**	371	(22,974)	(4,405)	(2,336)	**(29,353)**	216	(11,457)	**(244,414)**
Balance, December 31, 2016	**$ 172,284**	**$ 192,776**	**$ 573,207**	**$ (234,164)**	**$ 704,112**	**$ 55,922**	**$ 36,957**	**$ 11,000**	**$ (11,172)**	**$ 92,707**	**$ 379**	**$ 47,534**	**$ 844,750**

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 116 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2016.

(4) Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. dollars
	Fiscal Year ended Dec. 31, 2015	Fiscal Year ended Dec. 31, 2016	Fiscal Year ended Dec. 31, 2016
Cash flows from operating activities:			
Profit before income taxes	¥ 6,808	¥ 11,269	$ 97,147
Depreciation and amortization	5,894	5,732	49,414
Impairment loss	250	990	8,534
Amortization of goodwill	1,230	752	6,483
Interest and dividend income	(506)	(569)	(4,905)
Interest expense	158	195	1,681
Increase (decrease) in accrued bonuses	200	714	6,155
Increase (decrease) in other provisions	109	147	1,267
Increase (decrease) in net defined benefit liability	207	147	1,267
Share of loss (profit) of entities accounted for using equity method	(70)	(46)	(397)
Loss (gain) on sales of investment securities	(297)	-	-
Loss (gain) on valuation of securities	97	223	1,922
Loss (gain) on sales and disposal of fixed assets- net	75	(1,521)	(13,112)
Loss (gain) on change in equity	(152)	-	-
Gain on forgiveness of debts	(68)	(307)	(2,647)
Compensation income for expropriation	-	(236)	(2,034)
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	1,312	(1,748)	(15,069)
Decrease (increase) in inventories	(1,273)	4,041	34,836
Decrease (increase) in accounts receivable- other	(386)	164	1,414
Increase (decrease) in notes and accounts payable	612	(1,374)	(11,845)
Increase (decrease) in accounts payable- other	(1,132)	2,173	18,733
Proceeds from lease and guarantee deposits received	-	1,255	10,819
Decrease (increase) in other current assets	(46)	156	1,345
Increase (decrease) in other current liabilities	(49)	(110)	(948)
Other- Increase (decrease)- net	230	542	4,672
Subtotal	13,204	22,591	194,750
Cash received from interest and dividend income	534	541	4,664
Cash paid for interest expense	(181)	(196)	(1,690)
Income taxes paid	(1,517)	(4,264)	(36,759)
Proceeds from compensation for expropriation	-	153	1,319
Net cash provided by (used in) operating activities	12,039	18,824	162,276
Cash flows from investing activities:			
Disbursement for time deposits	(443)	(10,676)	(92,034)
Proceeds from withdrawal of time deposits	1,110	546	4,707
Purchases of marketable and investment securities	(59)	(64)	(552)
Proceeds from sales and redemption of securities	4,420	-	-
Acquisition of fixed assets	(6,974)	(6,836)	(58,931)
Proceeds from sales of fixed assets	221	2,210	19,052
Payments of loans receivable	(0)	(0)	(0)
Collection of loans receivable	292	58	500
Purchase of shares and capital of subsidiaries resulting in change in scope of consolidation	(9,612)	-	-
Purchase of shares of subsidiaries and associates	(1)	(3,741)	(32,250)
Other- Increase (decrease)- net	23	(73)	(629)
Net cash provided by (used in) investing activities	(11,023)	(18,576)	(160,138)
Cash flows from financing activities:			
Increase (decrease) in short- term borrowings	4,018	28,160	242,759
Proceeds from long- term borrowings	688	11,333	97,698
Repayments of long- term borrowings	(2,259)	(904)	(7,793)
Repayments of finance lease obligations	(85)	(57)	(491)
Proceeds from share issuance to non-controlling shareholders	722	195	1,681
Dividends paid	(1,646)	(2,187)	(18,853)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(2,715)	(23,405)
Dividends paid to non-controlling interests	(86)	(72)	(621)
Decrease (increase) in treasury shares	203	(26,848)	(231,448)
Net cash provided by (used in) financing activities	1,555	6,904	59,517
Foreign translation adjustment on cash and cash equivalents	(456)	86	741
Net increase (decrease) in cash and cash equivalents	2,114	7,238	62,397
Cash and cash equivalents at beginning of period	18,960	21,075	181,681
Cash and cash equivalents at end of period	¥ 21,075	¥ 28,313	$ 244,078

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 116 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2016