

Results Briefing Materials for FY2016

Friday, February 3, 2017
Kagome Co., Ltd. (2811)
<http://www.kagome.co.jp/company/ir>

I. FY2016 Financial Results

- Net sales and profits at all levels marked record highs.
- Earnings structural reforms and way of working reforms gradually penetrated.
- Business activities that were well adjusted for diversified health awareness were factors for the strong performance.

II. Long-Term Vision and Progress of Mid-Term Management Plan

- Long-term vision for FY2025: “Shift from a tomato company to a vegetable company”
- Upward revisions to the mid-term management plan with FY2018 as the final year

III. Challenges for FY2017

- Further evolved response to diversified health awareness
- Earnings structural reforms: Efforts to reduce inventories
- Way of working reforms: Environmental improvement for a rewarding and fulfilling company

IV. FY2017 Results Forecasts

FY2016 Consolidated Results

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Consolidated results		Year on year		Compared to forecast
Net sales	¥202.5 B	+¥6.9 B	+4%	+¥2.5 B
Operating income	¥10.9 B	+¥4.2 B	+63%	+¥1.7 B
Ordinary income	¥11.3 B	+¥4.3 B	+61%	+¥1.9 B
Net income	¥6.8 B	+¥3.3 B	+97%	+¥1.9 B

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FY2016 Results by Segment

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Unit: 100 million yen

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	Net sales				Operating income			
	FY2015	FY2016	Change	Rate of change	FY2015	FY2016	Change	Rate of change
Domestic processed food business	1,560	1,637	+76	+5%	58	88	30	+53%
Domestic agriculture business	110	115	+5	+5%	7	9	+1	+18%
International business	479	474	-6	-1%	2	13	+10	+515%
Intersegment transactions	-193	-200	-7	-	-	-	-	-
Total	1,956	2,025	+69	+4%	67	109	+42	+63%

FY2016 Results by Segment

◆ Domestic processed food business and domestic agriculture business: Net sales and operating income

Unit: 100 million yen

	Net sales			
	FY2015	FY2016	Change	Rate of change
Domestic processed food business	1,560	1,637	+76	+5%
Beverages	742	796	+55	+7%
Food	232	229	-3	-1%
Gifts	84	85	+1	+2%
Direct marketing	88	94	+7	+8%
Institutional and industrial	259	263	+4	+2%
Others	155	168	+13	+8%
Domestic agriculture business	110	115	+5	+5%

Unit: 100 million yen

	Operating income			
	FY2015	FY2016	Change	Rate of change
	58	88	+30	53%
Beverages	22	40	+18	+79%
Food	18	23	+5	+28%
Gifts	2	4	+2	+140%
Direct marketing	9	11	+2	+28%
Institutional and industrial	1	4	+2	+189%
Others	6	7	+1	+15%
Domestic agriculture business	7	9	+1	+18%

FY2016 Results by Segment



Unit: 100 million yen

◆ Net sales in the international business

	Net sales				Impact of exchange rates			
	FY2015	FY2016	Changes	Rate of change	FY2016 (translated at exchange rates for FY2015)			
						Real change	Real growth rate	Impact of exchange rates
International business	479	474	-6	-1%	529	+49	10%	-55
Global tomato business	441	412	-29	-7%	460	+19	4%	-48
Global institutional and industrial	404	378	-25	-6%	423	+19	5%	-44
Seeds and seedlings	38	34	-4	-9%	38	+0	1%	-4
Consumer business	38	62	+23	+60%	68	+30	78%	-7

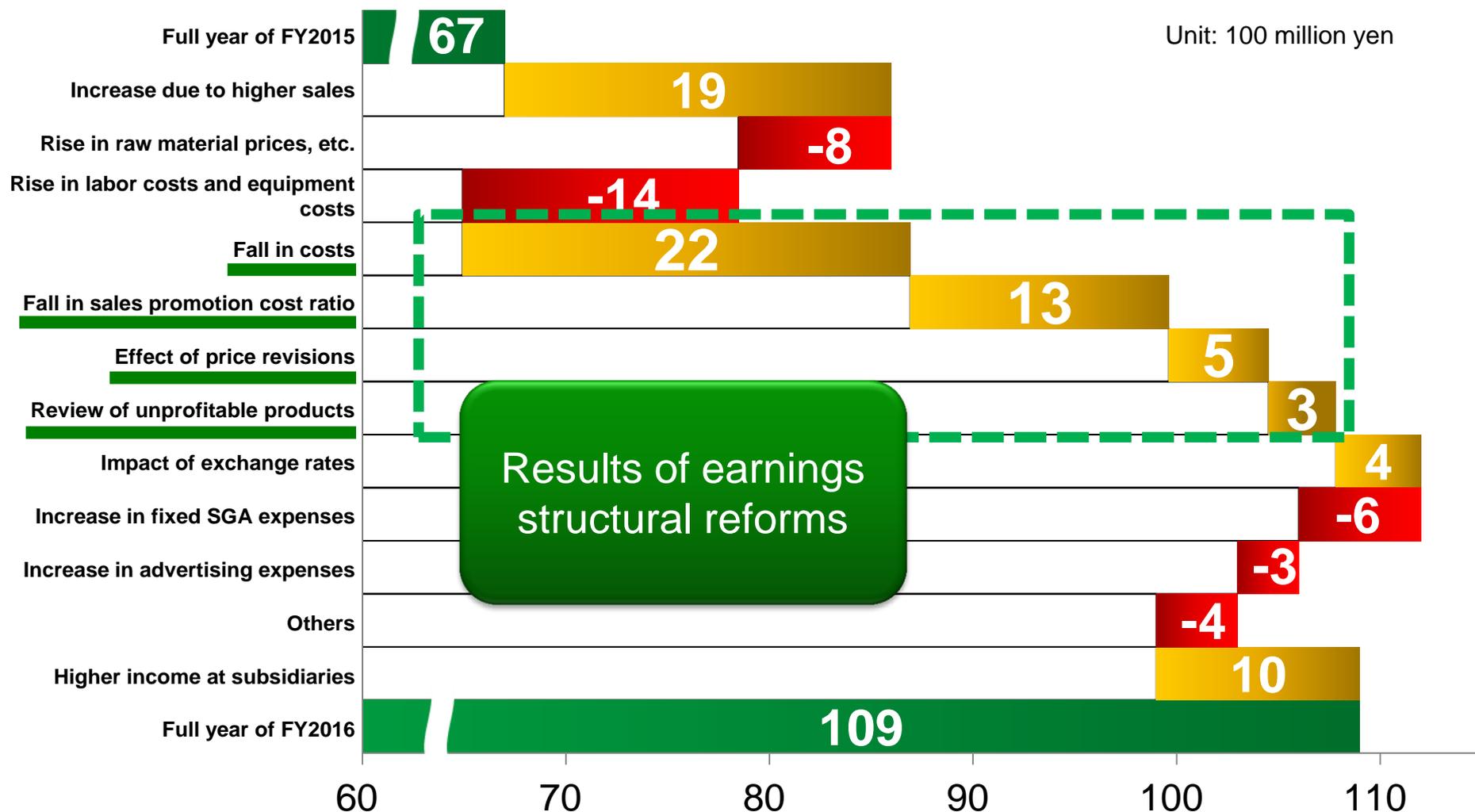
◆ Operating income in the international business

Unit: 100 million yen

	Operating income				Impact of exchange rates			
	FY2015	FY2016	Changes	Rate of change	FY2016 (translated at exchange rates for FY2015)			
						Real change	Real growth rate	Impact of exchange rates
International business	2	13	+10	+515%	14	+12	571%	-1
Global tomato business	7	11	+4	+66%	12	+5	81%	-1
Global institutional and industrial	9	12	+3	+35%	13	+4	49%	-1
Seeds and seedlings	-2	-1	+1	-	-1	+1	-	0
Consumer business	-5	1	+6	-	2	+6	-	-0

Factors Contributing to Changes in Consolidated Operating Income for FY2016

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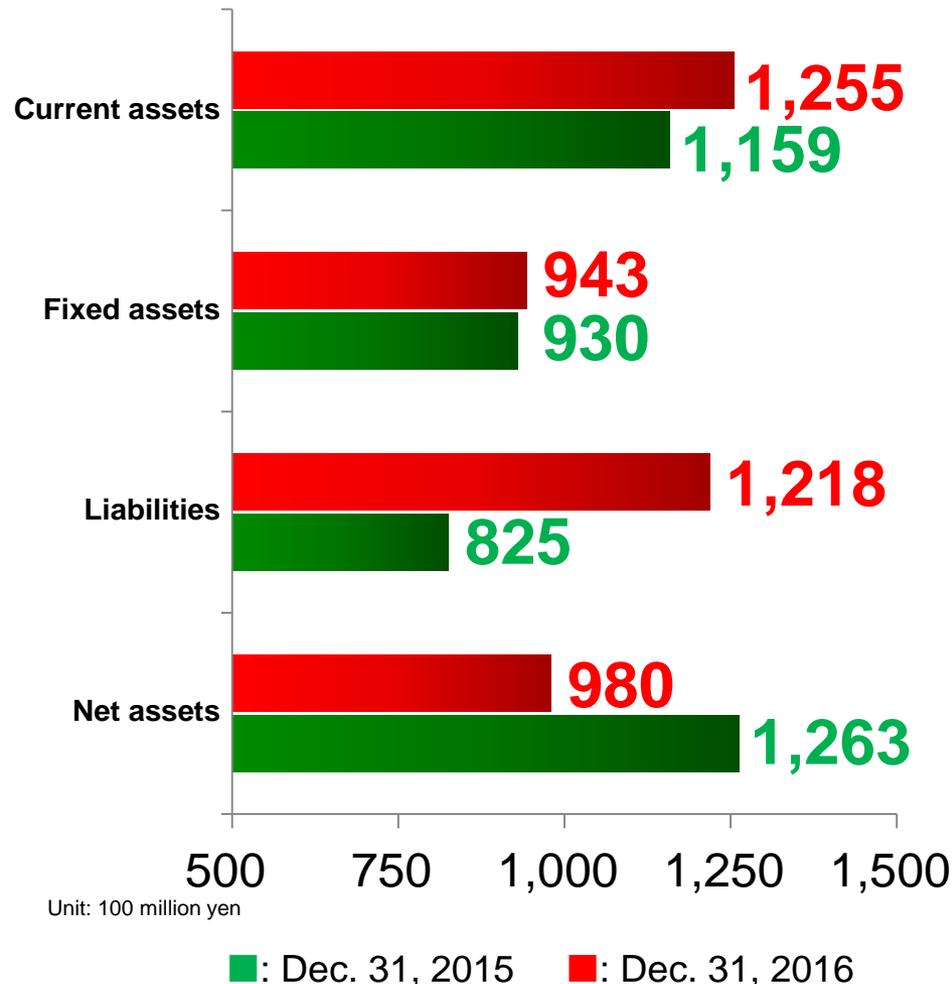
Changes on Consolidated Balance Sheet for FY2016



Total assets/liabilities and net assets

¥219.8 B (Impact of exchange rates: -¥3.0 billion)

Unit: 100 million yen



Current assets +96 (Impact of exchange rates: -15)

- Increase in cash	+175
- Decrease in inventories	-40
- Decrease in derivatives claims	-42

Fixed assets +13 (Impact of exchange rates: -15)

- Increase in fixed investments	+73
- Decrease due to depreciation/impairment losses	-75
- Acquisition of equity interest in Ingomar	+40

Liabilities +393 (Impact of exchange rates: -9)

- Increase in interest-bearing debt	+376
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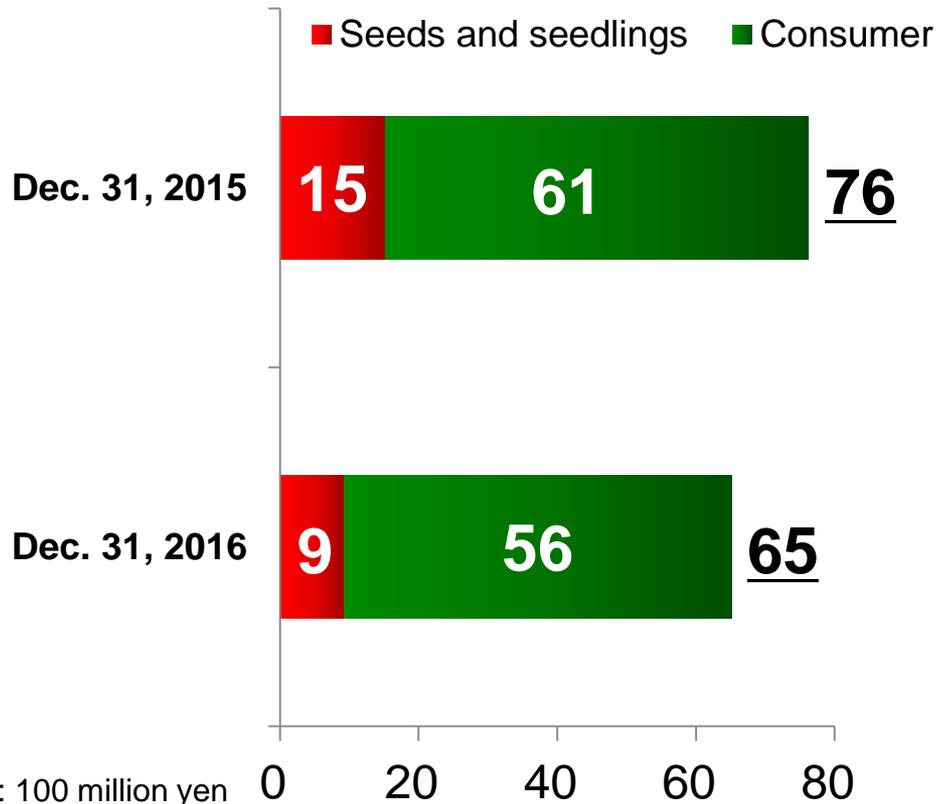
Net assets -284

- Increase due to net income	+68
- Decrease due to dividends	-22
- Decrease due to TOB of own shares	-268
- Decrease in deferred gains or losses on hedges	-27

* Values in parentheses are the impact of exchange rates on financial statements of overseas subsidiaries (the breakdowns do not include the impact of exchange rates).

Changes in Goodwill for FY2016

Goodwill ¥6.5 billion (- ¥1.1 billion)



Unit: 100 million yen

Seeds and seedlings -6

- UG	-4
- UG - Turkey	-2

Consumer -5

- PBI	-5
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- Decreased ¥800 million due to the amortization of goodwill (Seeds and seedlings: Amortization for 5 years; PBI: Amortization for 20 years)
- Decreased ¥300 million due to the impact of exchange rates associated with the stronger yen.

Cash Flows for FY2016

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Unit: 100 million yen

	FY2015	FY2016	Change
Cash flows from operating activities (A)	+120	+188	+68
Cash flows from investing activities (B)	-110	-186	-76
Disbursement and proceeds pertaining to time deposits and securities (C)	+50	-102	-152
Free cash flows (A+B-C)	-40	+104	+145
Cash flows from financing activities	+16	+69	+53

I. FY2016 Financial Results

II. Long-Term Vision and Progress of Mid-Term Management Plan

III. Challenges for FY2017

IV. FY2017 Results Forecasts

◆ Long-term vision



Shift from a tomato company
to a vegetable company



Extension of
healthy life expectancy

Net sales: **¥300 B**

Operating income: **¥20 B**



Increase the female employment ratio to 50% or more at all levels
(employees, management-level employees and officers)



For more sustainable growth

Upward revisions to quantitative targets for FY2018
in the mid-term management plan

Consolidated net sales: **¥220 billion** (as initially planned)

Consolidated operating income margin: **5%** → **6%**
¥11.0 billion → ¥13.2 billion

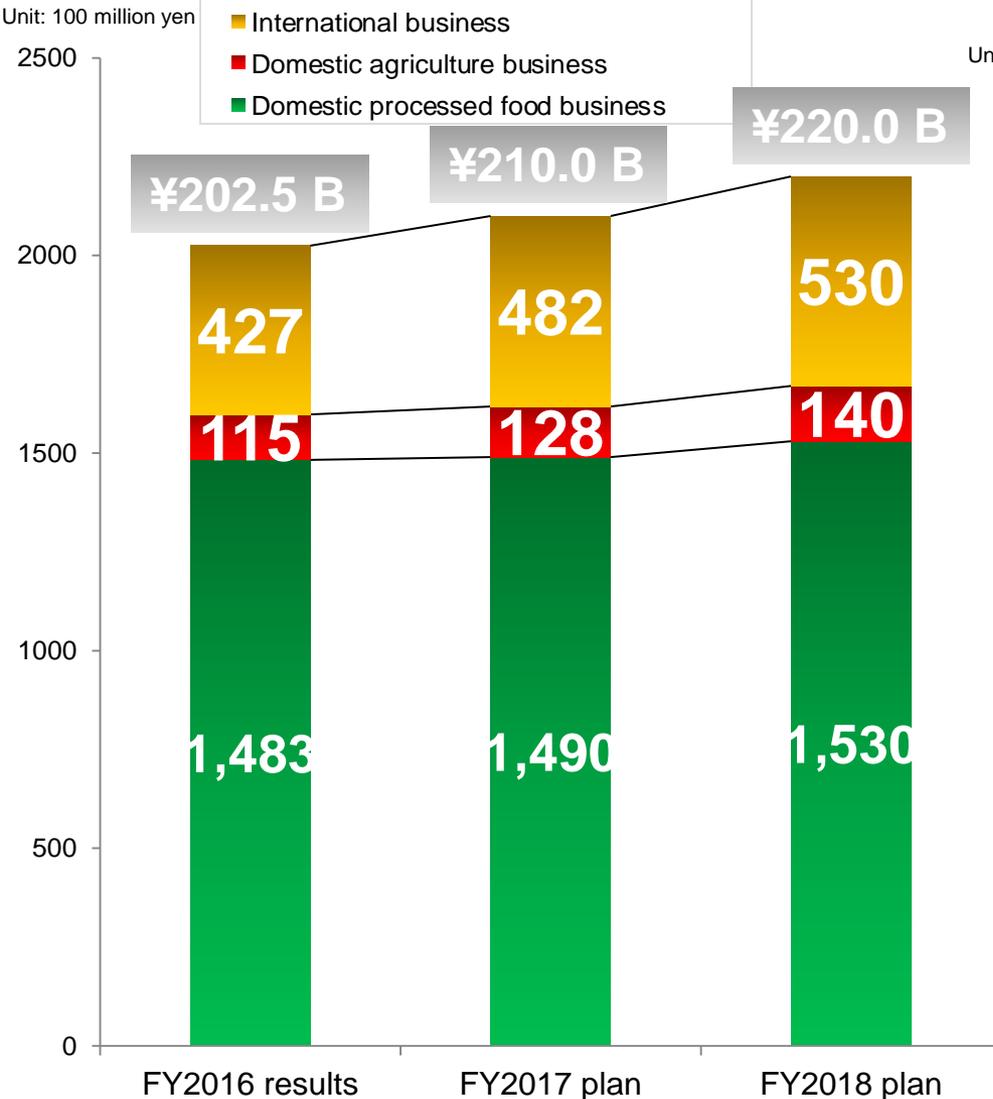
ROE: **5%** → **8%**

Progress of Mid-Term Management Plan



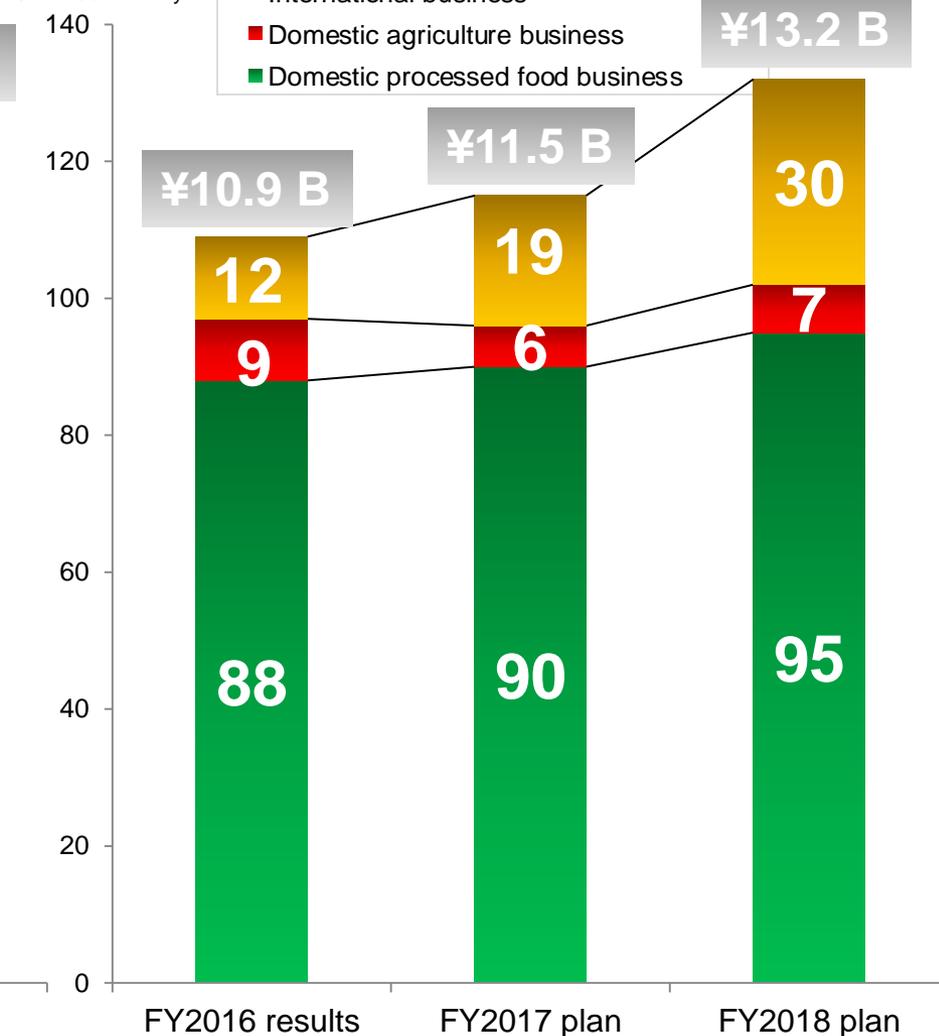
◆ Net sales plan

Unit: 100 million yen



◆ Operating income plan

Unit: 100 million yen

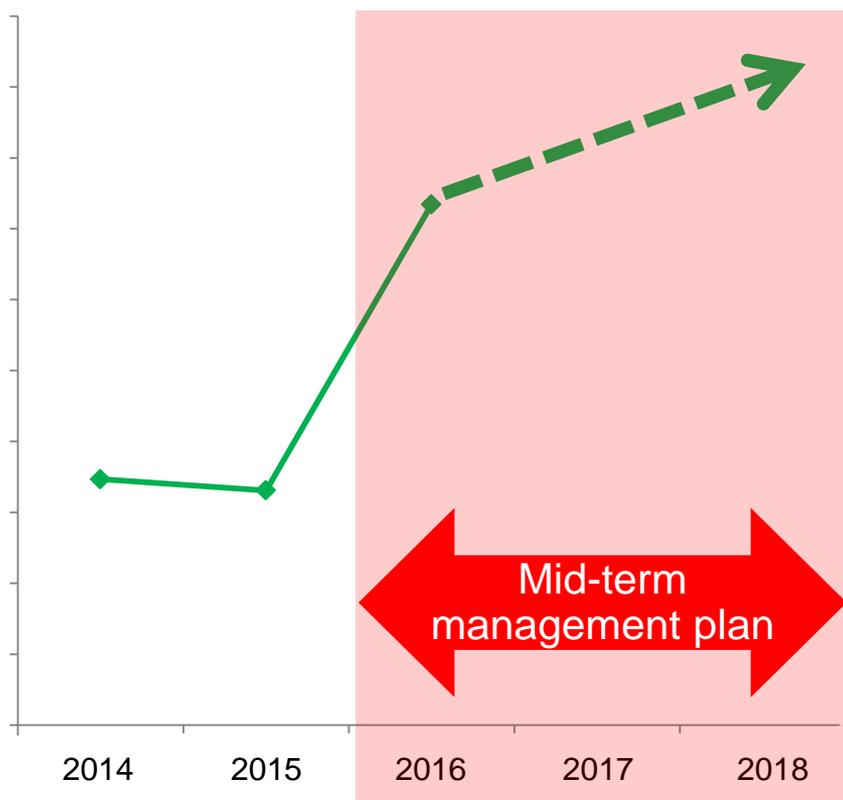


* Values for the businesses are after deletions and adjustments for intersegment transactions.

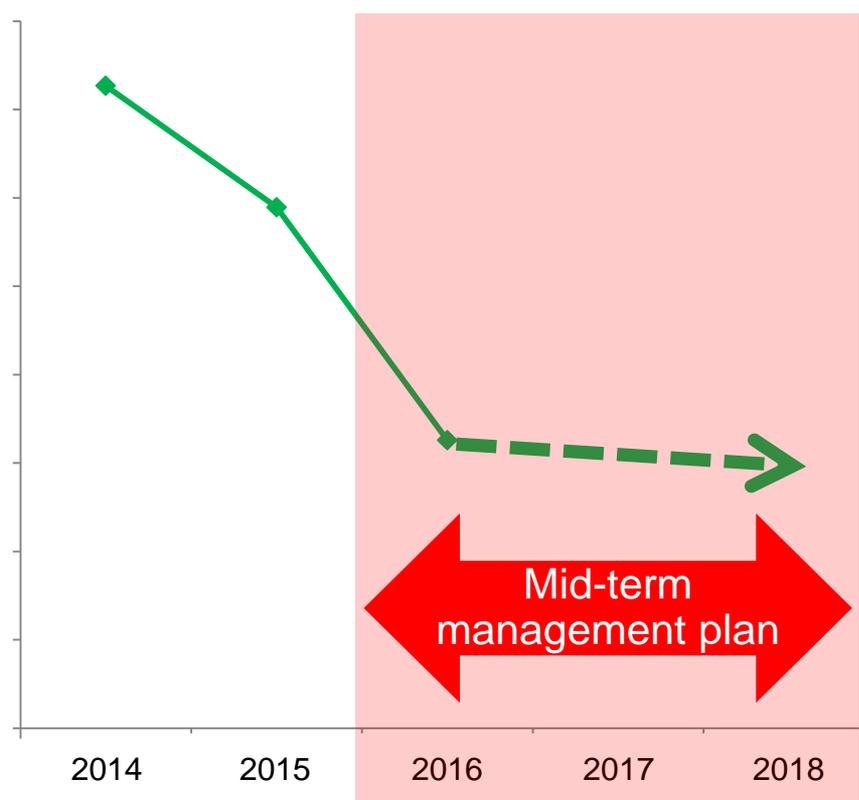
Progress of Mid-Term Management Plan



◆ Marginal income ratio



◆ Ratio of break-even point to sales



Aim to improve capital efficiency by setting the marginal income ratio and the ratio of the break-even point to sales as management indicators.

I. FY2016 Financial Results

II. Long-Term Vision and Progress of Mid-Term Management Plan

III. Challenges for FY2017

IV. FY2017 Results Forecasts

Focused Challenges for FY2017: Domestic Processed Food Business

Evolved response to diversified health awareness

Proposal of new foods with functional claims



[Domestic processed food business]

Sales plan

Operating income plan

101%

102%

Proposal of new beverage drinking scenarios



¥164.8 B

¥9.0 B

Proposal of low-salt menus

38%
Reduced salt



¥163.7 B

¥8.8 B

Proposal of tomato pazza menus



FY2016 FY2017

FY2016 FY2017

Focused Challenges for FY2017: Domestic Agriculture Business

Evolved response to diversified health awareness

Strengthened sales of super-vegetable series



Strengthened readiness for supply-demand conditions



Expansion of baby leaves



Expansion of packed salads



[Domestic agriculture business]

Sales plan

Operating income plan

111%

74%



Focused Challenges for FY2017: International Business



Evolved response to global food services

Expansion into the United States, Europe and Australia + Asia



Alliance with Ingomar



[World ranking of volume of tomatoes processed]

Ranking	Company name	Volume processed Thousand tons
1	Company M (U.S.)	3,900
2	Company C (China)	1,760
3	Ingomar	1,460
4	Company S (Portugal)	1,210
5	Company J (U.S.)	1,090



13	Kagome	596
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[International business]

Sales plan

Operating income plan

109%

154%

¥51.7 B

¥47.4 B

FY2016 FY2017

¥1.9 B

¥1.2 B

FY2016 FY2017

Focused Challenges for FY2017: Earnings Structural and Way of Working Reforms

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Earnings structural reforms

Inventory
reduction



Improved logistics
efficiency



Improved
production
efficiency



Way of working reforms

Rate of paid
holidays taken
70%



Work from home



Flextime system



I. FY2016 Financial Results

II. Long-Term Vision and Progress of Mid-Term Management Plan

III. Challenges for FY2017

IV. FY2017 Results Forecasts

FY2017 Full-Year Results Forecasts

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Unit: 100 million yen

	Net sales			
	FY2016	FY2017	Change	Rate of change
Domestic processed food business	1,637	1,648	+11	+1%
Beverages	796	800	+4	+0%
Food	229	232	+2	+1%
Gifts	85	85	+0	+0%
Direct marketing	94	95	+1	+1%
Institutional and industrial	263	268	+4	+2%
Others	168	168	+0	+0%
Domestic agriculture business	115	128	+13	+11%
International business	474	517	+43	+9%
Global tomato business	412	425	+13	+3%
Global institutional and industrial	378	386	+8	+2%
Seeds and seedlings	34	39	+5	+14%
Consumer business	62	92	+30	+49%
Intersegment transactions	-200	-193	+7	-
Total	2,025	2,100	+75	+4%

Unit: 100 million yen

	Operating income			
	FY2016	FY2017	Change	Rate of change
	88	90	+1	+2%
	40	42	+2	+4%
	23	24	+1	+5%
	4	5	+1	+35%
	11	8	-3	-28%
	4	6	+3	+75%
	7	5	-2	-31%
	9	6	-2	-26%
	12	19	+7	+54%
	11	15	+4	+35%
	12	15	+3	+26%
	-1	-0	+1	-
	1	4	+3	+199%
	-	-	-	-
	109	115	+6	+6%

◆ Results forecasts by segment

Unit: 100 million yen

	Net sales			
	FY2016	FY2017	Change	Rate of change
Domestic processed food business	1,637	1,648	+11	+1%
Domestic agriculture business	115	128	+13	+11%
International business	474	517	+43	+9%
Intersegment transactions	-200	-193	+8	-
Total	2,025	2,100	+75	+4%

Unit: 100 million yen

	Operating income			
	FY2016	FY2017	Change	Rate of change
Domestic processed food business	88	90	+1	+2%
Domestic agriculture business	9	6	-2	-26%
International business	12	19	+7	+54%
Intersegment transactions	-	-	-	-
Total	109	115	+6	+6%

Cash Flows, Investments and Shareholder Return from FY2017 to FY2019

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◆ Operating cash flow

¥56.0 B

◆ Fixed investments

¥28.0 B

◆ Business investments/
repayment of loans

¥21.0 B

◆ Shareholder return

¥7.0 B

◆ Expected dividend in FY2017

27 yen (up 2.5 yen)

Note

All information contained herein on the current plans, forecasts and strategies of Kagome that does not consist of historical facts is based on judgments made by Kagome's management from currently available information. We therefore request that you refrain from relying comprehensively and solely on these forecasts. Please note that actual results may differ materially from these forecasts due to various important factors that could have an impact on actual results, including but not limited to (1) weather, particularly low temperatures in summer, (2) product accidents such as contamination by foreign substances, (3) economic conditions, particularly consumer trends, surrounding the business domains of Kagome, and (4) Kagome's capability of continuing to plan and develop products and services that will be accepted by customers in the market exposed to fierce competition that is characterized by rapidly changing customer preferences. The purpose of these materials is to promote a greater understanding of Kagome, and not necessarily to solicit investment in Kagome. Market data, etc. stated herein are also prepared based on information that the Company deems to be reliable and accurate. However, please note that these data, including future as well as past data, could change without prior notice due to revisions, etc.