



FY2016 Quarter 2 Consolidated Summary Report

**Wednesday, August 3, 2016
Kagome Co., Ltd. (2811)**

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

Today's Topics

I. Quarterly results from second quarter of FY2016

II. Main issues in the second half of the fiscal year

III. Full year forecast for FY2016

IV. Long-term vision and progress of mid-term management plan

FY2016 Second Quarter Consolidated Results



◆ Consolidated results

| Consolidated performance | | Year-on-year | | vs. Initial forecast |
|---------------------------|----------------|-----------------|--------------|----------------------|
| Net sales | ¥98.3 B | + ¥4.3 B | + 5% | + ¥1.3 B |
| Operating income | ¥5.5 B | + ¥2.4 B | + 77% | + ¥2.9 B |
| Ordinary income | ¥5.6 B | + ¥2.2 B | + 63% | + ¥2.7 B |
| Net income for the period | ¥3.2 B | + ¥1.2 B | + 59% | + ¥1.2 B |

FY2016 Second Quarter Consolidated Results



◆ Consolidated sales, income

Unit: 100 million yen

| | FY2015 | FY2016 | | | Profit margin on sales | | |
|----------------------------------|------------|------------|------------|--------------|------------------------|-------------|-------------|
| | | | Difference | Difference % | Vs. Initial forecast | FY2015 | FY2016 |
| Net sales | 940 | 983 | +43 | + 5% | + 13 | | |
| Domestic business | 797 | 833 | +36 | + 4% | — | | |
| International business | 223 | 236 | +13 | + 6% | — | | |
| Business between segments | - 80 | - 86 | - 5 | - | — | | |
| Operating income | 31 | 55 | +24 | + 77% | + 29 | 3.3% | 5.6% |
| Domestic business | 27 | 45 | +18 | + 67% | — | | |
| International business | 4 | 10 | +6 | + 145% | — | | |
| Ordinary income | 35 | 56 | +22 | + 63% | | 3.7% | 5.7% |
| Net income for the period | 20 | 32 | +12 | + 59% | | 2.1% | 3.3% |

- Domestic business: Vegetable beverages selling well, increased profitability due to profit structure reforms
- International business: Increase through making PBI a consolidated subsidiary

FY2016 Second Quarter Consolidated Results



◆ Domestic sales and operating income

Unit: 100 million yen

Unit: 100 million yen

| | Net Sales | | | | Operating Income | | | |
|------------------------------|------------|------------|-------------|--------------|------------------|-----------|-------------|--------------|
| | FY2015 | FY2016 | Difference | Difference % | FY2015 | FY2016 | Difference | Difference % |
| | | | | | | | | |
| Domestic business | 797 | 833 | + 36 | + 4% | 27 | 45 | + 18 | + 67% |
| Beverages | 356 | 382 | + 25 | + 7% | 12 | 17 | + 5 | + 42% |
| Consumer packaged food | 113 | 113 | + 0 | + 0% | 5 | 9 | + 4 | + 80% |
| Gifts | 32 | 31 | - 1 | - 2% | 1 | 3 | + 2 | + 141% |
| Agriculture | 60 | 63 | + 3 | + 5% | 10 | 10 | - 0 | - 1% |
| Direct marketing | 38 | 40 | + 2 | + 4% | - 1 | 1 | + 2 | - |
| Institutional and Industrial | 122 | 124 | + 2 | + 2% | - 3 | 1 | + 4 | - |
| Others | 76 | 80 | + 4 | + 6% | 3 | 4 | + 1 | + 32% |

- **Beverages: Increased revenue and profit.** New functional-labeled tomato juice and Yasai Seikatsu series products are selling well.
- **Consumer packaged foods: Increased revenue and profit.** Tomato ketchup is selling well after price revision, tomato sauces are selling well.
- **Gift products: Decreased revenue, increased profit.** Narrowed down products, decreasing revenue while increasing profit.
- **Agriculture: Increased revenue, decreased profit.** Fresh tomatoes are selling well, secured similar profits to last year despite unfavorable market prices in May-June.
- **Direct marketing: Increased revenue and profit.** Vegetable beverage and supplement products available only through direct marketing are selling well.
- **Institutional and Industrial: Increased revenue and profit.** Tomato sauces are selling well, incurred ¥750M special loss from product recall.

FY2016 Second Quarter Consolidated Results



◆Beverages business

Proactively engaging the diversified needs in vegetable beverages

Function Claims



血中コレステロールが
気になる方に 機能性表示食品
食生活は、主食、主菜、副菜を基本に、食事のバランスを。

Fresh



低温あらごし生鮮飲料
(香料・着色料・保存料 無添加)

Mood changing, to satisfy light hunger



自然な甘さ
ごちそう

と飲みごたえの
スムージー

砂糖・甘味料・増粘

剤類添加、

1/2日分・野菜

を使用し、

野菜・果実由来の

食物繊維が

たっぷり摂れます。

FY2016 Second Quarter Consolidated Results



◆ Domestic sales and operating income

Unit: 100 million yen

Unit: 100 million yen

| | Net Sales | | | | Operating Income | | | |
|------------------------------|------------|------------|-------------|--------------|------------------|-----------|-------------|--------------|
| | FY2015 | FY2016 | Difference | Difference % | FY2015 | FY2016 | Difference | Difference % |
| | | | | | | | | |
| Domestic business | 797 | 833 | + 36 | + 4% | 27 | 45 | + 18 | + 67% |
| Beverages | 356 | 382 | + 25 | + 7% | 12 | 17 | + 5 | + 42% |
| Consumer packaged food | 113 | 113 | + 0 | + 0% | 5 | 9 | + 4 | + 80% |
| Gifts | 32 | 31 | - 1 | - 2% | 1 | 3 | + 2 | + 141% |
| Agriculture | 60 | 63 | + 3 | + 5% | 10 | 10 | - 0 | - 1% |
| Direct marketing | 38 | 40 | + 2 | + 4% | - 1 | 1 | + 2 | - |
| Institutional and Industrial | 122 | 124 | + 2 | + 2% | - 3 | 1 | + 4 | - |
| Others | 76 | 80 | + 4 | + 6% | 3 | 4 | + 1 | + 32% |

- **Beverages: Increased revenue and profit.** New functional-labeled tomato juice and Yasai Seikatsu series products are selling well.
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FY2016 Second Quarter Consolidated Results



Unit: 100 million yen

| ◆ International business sales | Net sales | | | | Currency exchange impact | | | |
|--|------------|------------|-------------|--------------|---|------------------|-----------------|-------------|
| | FY2015 | FY2016 | Difference | Difference % | FY2016 (Calculated at exchange rate for FY2015) | | | |
| | | | | | Real difference | Real growth rate | Exchange impact | |
| International business | 223 | 236 | + 13 | + 6% | 257 | + 34 | 15% | - 21 |
| Global tomato business | 217 | 205 | - 12 | - 6% | 224 | + 6 | 3% | - 19 |
| International institutional and industrial | 194 | 186 | - 8 | - 4% | 203 | + 9 | 5% | - 17 |
| Seeds and seedlings | 23 | 19 | - 4 | - 18% | 21 | - 3 | - 12% | - 1 |
| Consumer business | 5 | 31 | + 26 | + 470% | 33 | + 28 | 513% | - 2 |

Unit: 100 million yen

| ◆ International business operating income | Operating income | | | | Currency exchange impact | | | |
|--|------------------|-----------|------------|---------------|---|------------------|-----------------|------------|
| | FY2015 | FY2016 | Difference | Difference % | FY2016 (Calculated at exchange rate for FY2015) | | | |
| | | | | | Real difference | Real growth rate | Exchange impact | |
| International business | 4 | 10 | + 6 | + 145% | 11 | + 7 | 166% | - 1 |
| Global tomato business | 6 | 9 | + 3 | + 49% | 10 | + 4 | 60% | - 1 |
| International institutional and industrial | 4 | 8 | + 4 | + 85% | 8 | + 4 | 95% | - 0 |
| Seeds and seedlings | 2 | 1 | - 1 | - 26% | 2 | - 0 | - 11% | - 0 |
| Consumer business | - 2 | 1 | + 3 | - 132% | 1 | + 3 | - | - 0 |

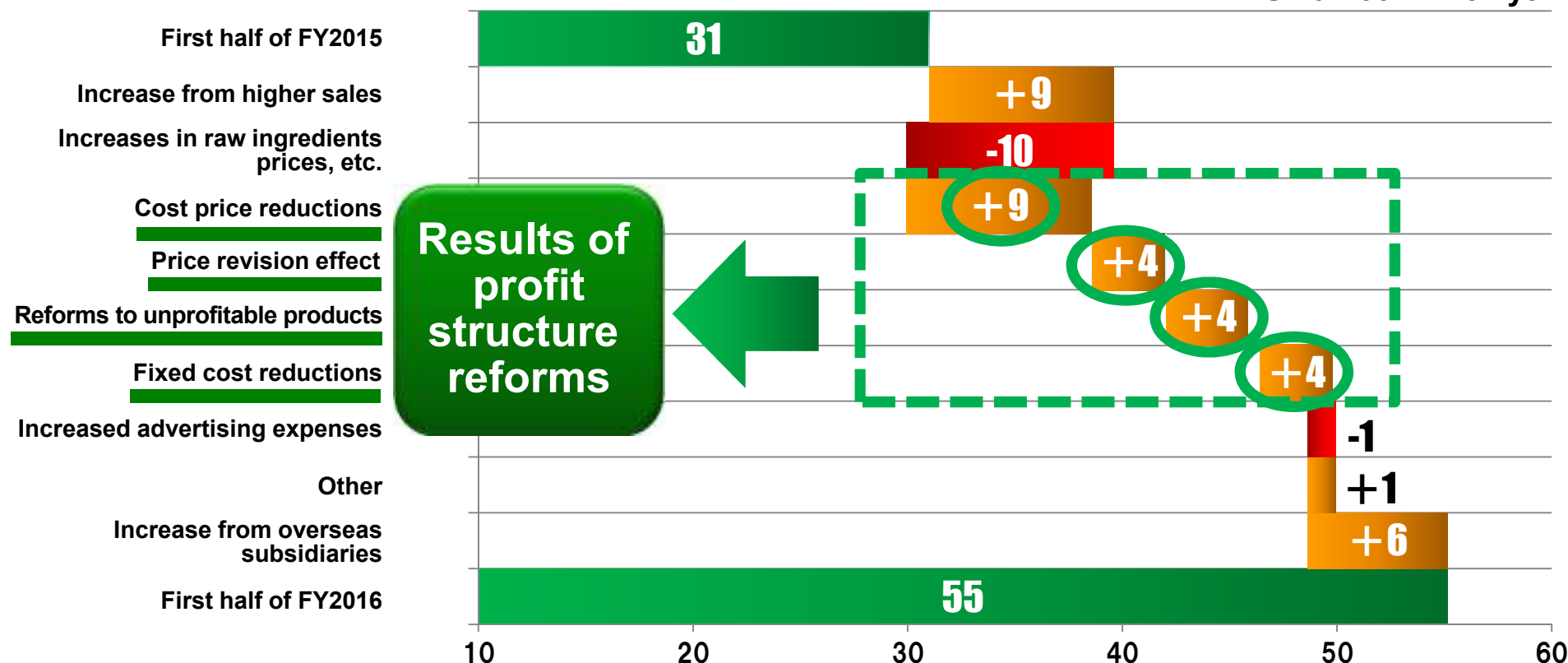
- **International institutional and industrial: Decreased revenue, increased profit. Strong sales to major foodservice customers, exchange rate impact causing lower revenue**
- **Seeds and seedlings: Decreased revenue, increased profit. Slumping sales of seeds to main customers**
- **Consumer: Increased revenue and profit. Net increase for PBI in the USA, reduced deficits in Asia thanks to business structure reforms**

FY2016 Second Quarter Consolidated Results



◆ Factors contributing to changes in consolidated operating income

Unit: 100 million yen



<Profit structure reforms>

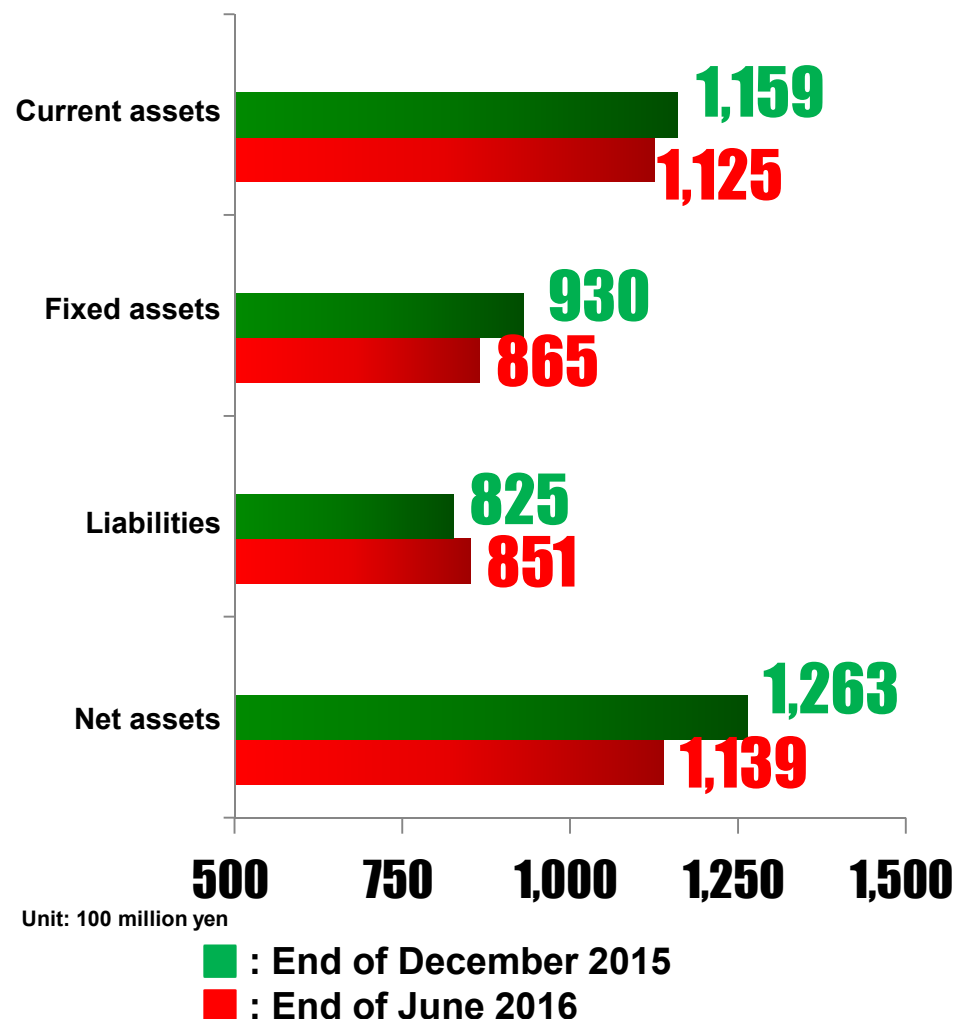
- Increase from price revisions to tomato ketchup and sauces
- Increase from changes to unprofitable products
- Cost price reductions of ¥900 million, fixed cost reductions of ¥400 million

FY2016 Second Quarter Consolidated Results



Total assets/liabilities, net assets
¥199 Billion (- ¥9.9 Billion)

Unit: 100 million yen



Current assets -34 (-45)

- Increase in cash **+105**
- Decrease in inventory **-42**
- Decrease in derivatives receivable **-78**

Fixed assets -65 (-49)

- Increase in fixed investments **+29**
- Decreases from depreciation **-29**
- Market value of investment securities **-17**

Liabilities +26 (-25)

- Increase in interest-bearing liabilities **+80**
- Tax effect of derivatives liabilities **-25**

Net assets -124

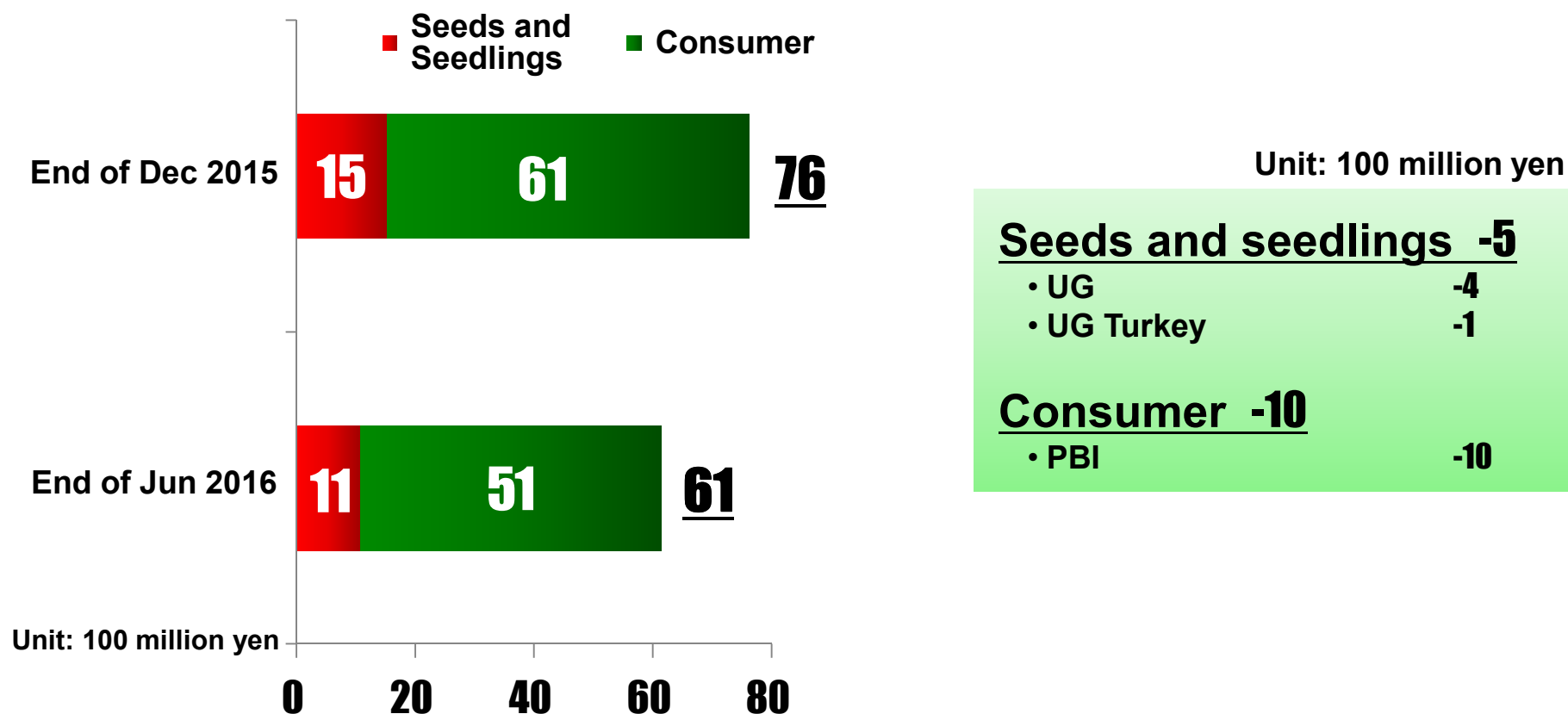
- Increase from net income **+32**
- Decrease from dividends **-22**
- Decrease from deferred hedge gains/losses **-53**
- Decrease from currency exchange adjustment **-41**

* Numbers within parentheses are currency exchange impact of overseas subsidiaries' financial statements (itemized breakdowns do not include currency exchange impact)

FY2016 Second Quarter Consolidated Results



Goodwill 6.1 billion yen (-1.5 billion yen)



- 400 million yen decrease from amortization of goodwill (Seeds and seedlings: 5 year amortization, PBI: 20 year amortization)
- Decrease of 1.1 billion yen due to currency exchange impact of the appreciated yen

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Main issues in the second half of the fiscal year



◆ Domestic business (beverages)

Continuously generate new demand for vegetable beverages

Tomato Juice - Premium



8月9日解禁
数量限定 カゴメトマトジュース PREMIUM

New entries to the Yasai Seikatsu Series



New products labeled with functional claims



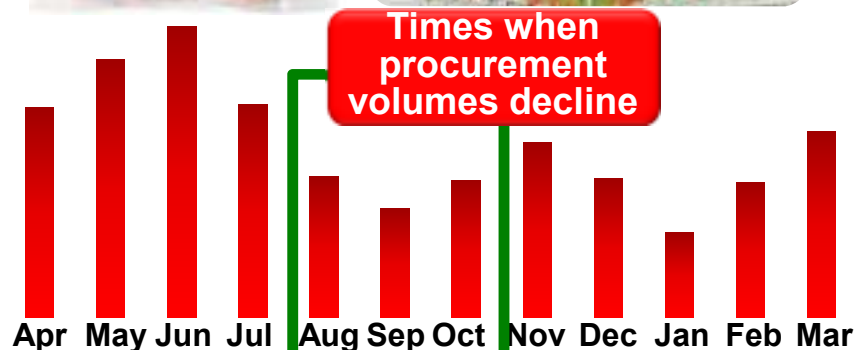
Develop more new products to label with functional claims

Main issues in the second half of the fiscal year



◆Agriculture business

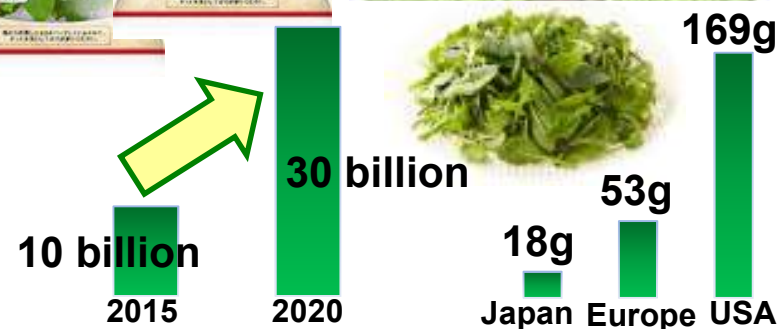
Fresh tomatoes



Tomato procurement volumes by month (Kagome actual)

Improving capacity to deal with supply and demand

Baby leaf vegetables



Forecasted market for baby leaf vegetables

Baby leaf vegetable consumption (per capita, per year)

* Based on Kagome research

* Based on Kagome research

Dealing with market expansion

Main issues in the second half of the fiscal year



◆Agriculture business

Partnerships with local communities

Concluded a partnership agreement for agricultural promotion and development with Yamanashi Prefecture (March)



Concluded a partnership agreement for regional promotion with the town of Fujimi in Nagano Prefecture (May)



Helping turn agriculture into a growth sector

Main issues in the second half of the fiscal year



◆ International business

**Taking on the global
foodservice industry**

**Expanded test kitchen facilities
at Kagome Inc. (USA)**



**Increase capability to propose
new dishes**

**Feeding global
increases in demand**

**Established agribusiness research
and development center in Portugal**



**Develop agricultural technology
and new plant varieties**

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Full year earnings forecast for FY2016

◆ Sales

Unit: 100 million yen

| | Initial forecast for FY2016 | Revised forecast for FY2016 | | |
|-------------------------------------|--------------------------------|-----------------------------------|------------|--------------|
| | | | Difference | Difference % |
| Net sales | 2,000 | 2,000 | + 0 | + 0% |
| Domestic business | 1,674 | 1,727 | + 53 | + 3% |
| Beverages | 748 | 787 | + 39 | + 5% |
| Consumer packaged food | 225 | 229 | + 4 | + 2% |
| Gifts | 83 | 83 | - 1 | - 1% |
| Agriculture | 116 | 117 | + 2 | + 2% |
| Direct marketing | 88 | 90 | + 3 | + 3% |
| Institutional and industrial | 264 | 261 | - 3 | - 1% |
| Others | 150 | 159 | + 9 | + 6% |
| International business | 522 | 465 | - 57 | - 11% |
| Global tomato business | 454 | 403 | - 51 | - 11% |
| Global institutional and industrial | 414 | 369 | - 45 | - 11% |
| Seeds and seedlings | 40 | 33 | - 6 | - 16% |
| Consumer | 68 | 62 | - 6 | - 9% |
| Business between segments | - 196 | - 192 | + 4 | — |

Full year earnings forecast for FY2016

Unit: 100 million yen

◆ Profits

| | Initial forecast for FY2016 | Revised forecast for FY2016 | | |
|-------------------------------------|--------------------------------|-----------------------------------|-------------|--------------|
| | | | Difference | Difference % |
| Operating income | 70 | 92 | + 22 | + 32% |
| Domestic business | 59 | 79 | + 20 | + 35% |
| Beverages | 17 | 30 | + 12 | + 72% |
| Consumer packaged food | 19 | 22 | + 3 | + 17% |
| Gifts | 2 | 3 | + 1 | + 71% |
| Agriculture | 8 | 8 | - 0 | - 5% |
| Direct marketing | 7 | 8 | + 1 | + 13% |
| Institutional and industrial | 2 | 3 | + 2 | + 85% |
| Others | 4 | 5 | + 2 | + 42% |
| International business | 12 | 13 | + 2 | + 13% |
| Global tomato business | 12 | 12 | - 0 | - 0% |
| Global institutional and industrial | 12 | 13 | + 1 | + 9% |
| Seeds and seedlings | - 0 | - 1 | - 1 | - |
| Consumer | - 0 | 2 | + 2 | - |
| Business between segments | - | - | - | - |
| Ordinary income | 75 | 94 | +19 | + 25% |
| Net income for the period | 45 | 49 | +4 | + 9% |

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Long-term vision and progress of mid-term management plan

21/25



◆ Long-term vision

[Ten-Year Kagome Vision]

Aiming to be a strong company capable of sustainable growth, using food as a means to resolve social issues



From a Tomato Company



To a vegetable Company

Long-term vision and progress of mid-term management plan



◆ Long-term vision (10 years)



Long-term vision and progress of mid-term management plan

23/25



◆ Long-term vision (20 to 25 years)

**At least 50% ratio of female employees in all areas
(Employees, managers, executives)**



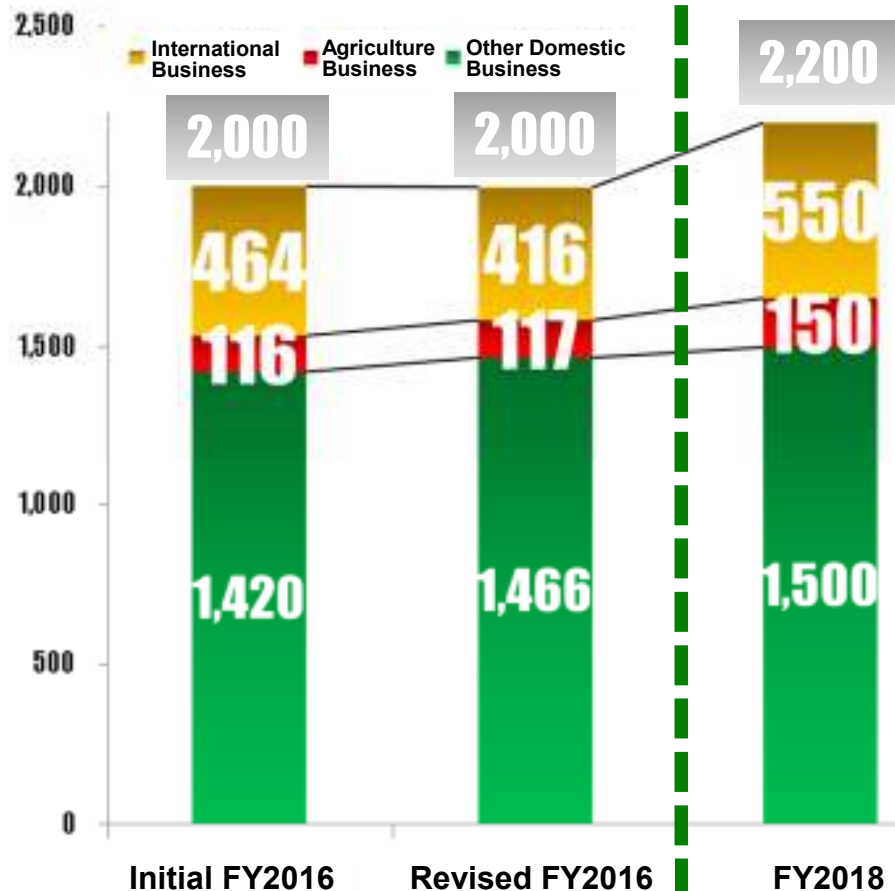
Toward further sustainable growth

Long-term vision and progress of mid-term management plan



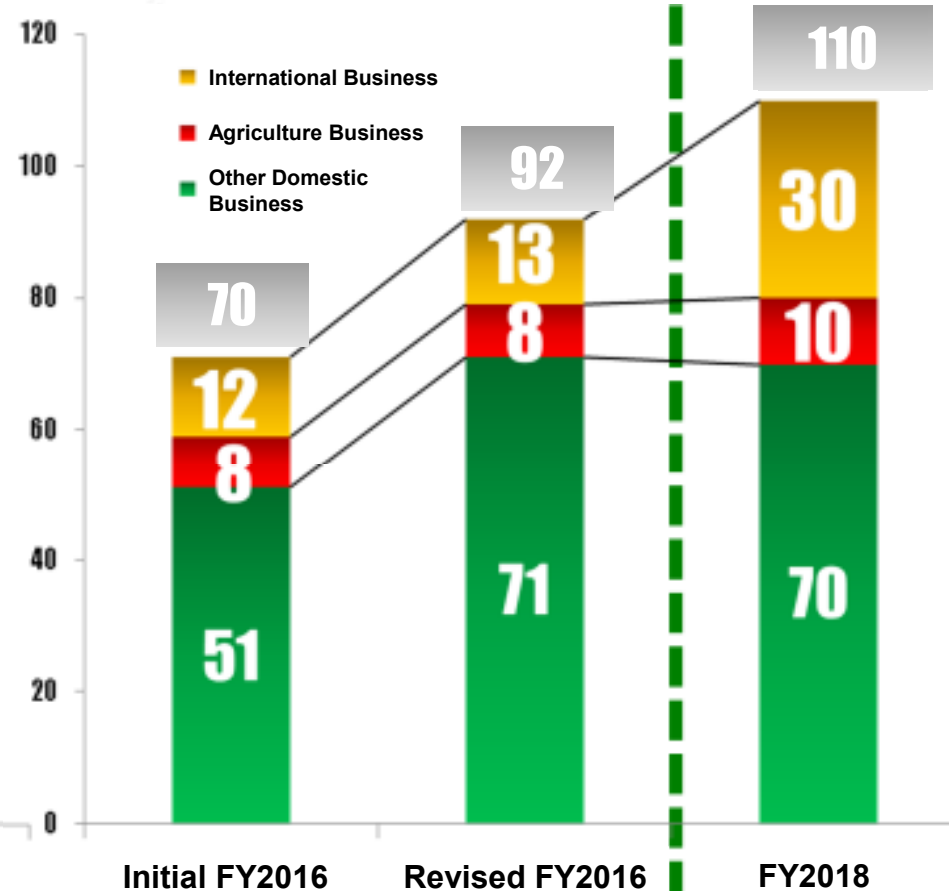
◆ Sales

Unit: 100 million yen



◆ Profit

Unit: 100 million yen



* Numbers for each business are what is reflected after eliminating inter-segment figures, and other adjustment

Steady progress toward achieving the mid-term management plan for FY2018

Points of Caution

Information contained herein pertaining to current Kagome plans, forecasts, and strategies that is not factual information from the past is based on Kagome management determinations, learned about through currently available information. As such, we request that you refrain from relying completely on only these forecasts. Please understand that there are various critical factors involved that can cause actual performance to vary greatly from what is forecasted here. Critical factors such as those below can have an impact on the actual results. These include (1) weather, particularly low summer temperatures, (2) product mishaps such as contamination by foreign substances, (3) economic conditions surrounding Kagome business domains, particularly consumer trends, and (4) the capability of Kagome to continue planning and developing products and services that customers embrace, in markets exposed to fierce competition that are characterized by circumstances such as customer preferences that are known to change on a whim. However, these are not the only influential factors that can impact results. Additionally, this information is only meant to allow for a deeper understanding of what Kagome does, and is not necessarily intended to encourage investments. Furthermore, while these materials were compiled using data and other information from markets and other sources that our company judged to be reliable and accurate, both future forecasts and past information may be subject to change without prior notice as new information becomes available, so caution is advised.