

# **Results Briefing Materials for FY2017**

Friday, February 2, 2018  
Kagome Co., Ltd. (2811)  
<http://www.kagome.co.jp/company/ir>

# Today's Topics

## I. FY2017 Financial Results

- Net sales and profits at all levels marked record highs for two consecutive periods.
- Business activities that preempted diversified health awareness were successful.
- Results of earnings structural reforms and way of working reforms

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

- Mid-term management plan, net sales for FY2018: 220 billion yen -> 215 billion yen
- Operating margin ratio of 6% and ROE of 8% are expected to be achieved.
- The next mid-term management plan mainly focuses on growth.

## III. Challenges for FY2018

- Further increase of smoothies
- Increase of fresh tomatoes/baby leaves
- Strengthening of the business for global food service

## IV. FY2018 Results Forecasts

- Dividend of ¥35 is scheduled.

# FY2017 Consolidated Results

3/28



Consolidated results		Year on year		Compared to revised forecast	vs. forecasts at the beginning of the term
Net sales	¥214.2 B	+¥11.7 B	+6%	-¥3.0 B	+¥4.2 B
Operating income	¥12.0 B	+¥1.0 B	+9%	-¥0.5 B	+¥0.5 B
Ordinary income	¥12.6 B	+¥1.3 B	+11%	-¥0.4 B	+¥0.7 B
Net income*	¥10.1 B	+¥3.3 B	+49%	+¥1.4 B	+¥1.7 B

\* Quarterly net income attributable to owners of parent

\* The figures above are rounded off to the unit of billion yen.

- Net sales and profits at all levels marked record highs for two consecutive periods.
- Business activities that preempted diversified health awareness were successful.
- Results of earnings structural reforms and way of working reforms

# FY2017 Results by Segment

4/28



Unit: 100 million yen

	Net sales			
	FY2016	FY2017	Change	Rate of change
Domestic processed food business	1,469	1,576	+107	+7%
Domestic agriculture business	115	114	-1	-1%
International business	474	488	+15	+3%
Intersegment transactions	-32	-37	-5	—
<b>Total</b>	<b>2,025</b>	<b>2,142</b>	<b>+117</b>	<b>+6%</b>

Unit: 100 million yen

	Operating income			
	FY2016	FY2017	Change	Rate of change
Domestic processed food business	81	107	+26	+31%
Domestic agriculture business	9	-2	-11	—
International business	12	8	-4	-33%
Intersegment transactions	7	7	-0	—
<b>Total</b>	<b>109</b>	<b>120</b>	<b>+10</b>	<b>+9%</b>

\* The figures above are rounded off to the unit of billion yen.

- Domestic processed food business (increase in sales and income): strong performance of smoothie and the foods with functional claims
- Domestic agricultural business (decrease in both sales and income): Decline in fresh tomato market prices.
- International business (increase in sales and income): decline in sales excluding the impact of exchange rates, the impact of heavy rains in Australia, etc.

## Strong performance of two smoothies

Yasai Seikatsu 100 Smoothie

GREENS



Kagome has grown into the top brand in the smoothie market.

## Strong performance of foods with functional claims

### Tomato juice with functional claims



### Vegetable juice with functional claims



The foods with functional claims captured the needs of consumers because they made functional claims about naturally derived ingredients, and we have been able to increase our sales accordingly.



# FY2017 Domestic Processed Food Business



We hosted  
the Neapolitan Stadium contest.



Growth in demand  
for tomato ketchup

Expansion of  
the prepared food market



For readymade dishes sold at  
convenience stores and supermarkets  
Strong sales of institutional  
and industrial products

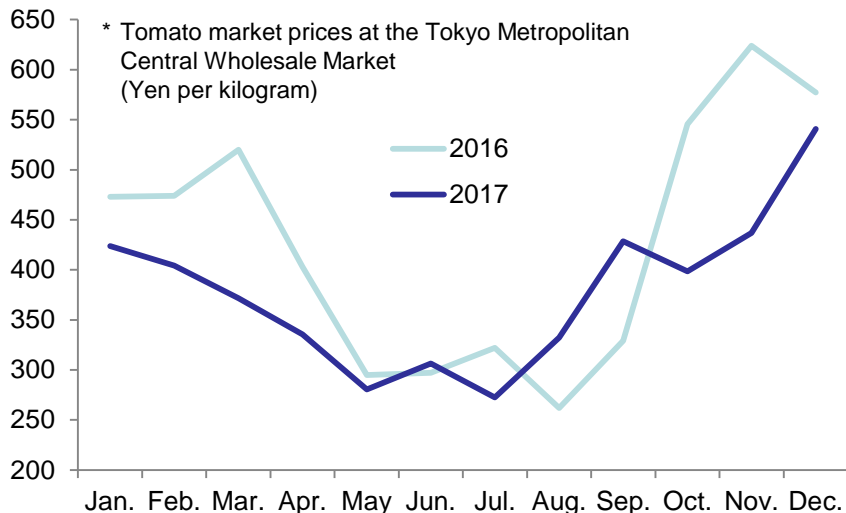
Strong sales of  
direct marketing products



The direct marketing business  
topped 10.0 billion yen  
for the first time.

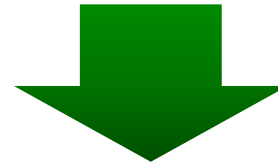
Both sales and income decreased due to a decline in fresh tomato market prices

## Changes in tomato market prices



12% price decline (annual average)

## Launch of ready-washed baby leaves



Meeting consumer needs for time savings, convenience and health



Strong performance in the institutional and industrial business,  
substantial decline in sales and income  
due to the impact of heavy rain in Australia, etc.

Amount of impact of exchange rates: sales increase of 2 billion, operating income increase of 40 million

U.S.: Kagome USA, Inc.

Strong performance of the institutional and industrial business  
Change in the timing of intra-Group sales transactions  
Temporary increase in administration expenses due to quality issues



Portugal: HIT

Shipments of tomato paste were solid.



Australia:  
Kagome Australia Pty Ltd.

Earnings deteriorated, reflecting a decrease in the volume of tomatoes harvested for processing due to heavy rain.



Seeds and seeding business  
U.S.:  
UG

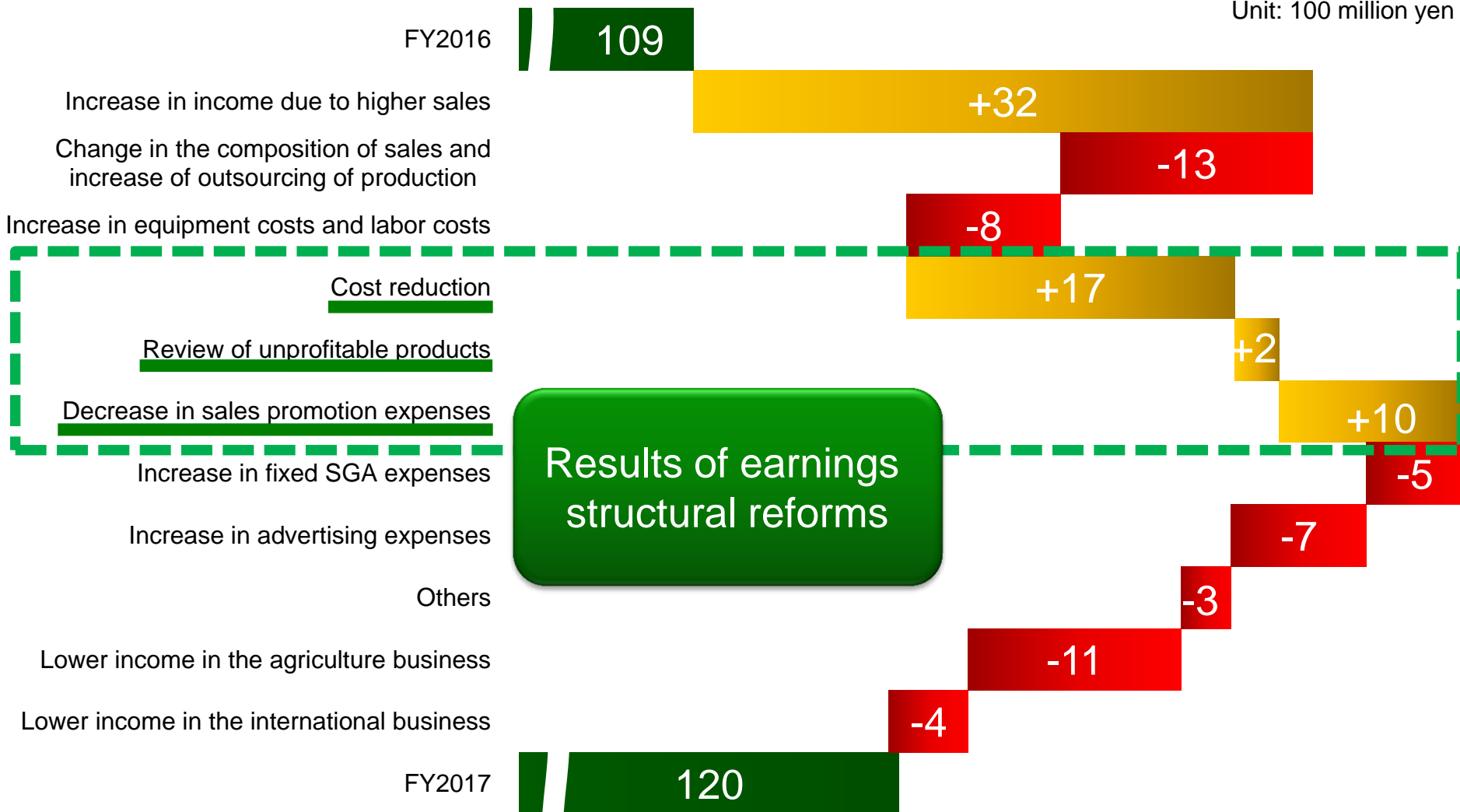
Expansion of sales channels into Europe, the Middle East,  
North Africa, etc.  
Income declined due to the impact of exchange rates on the earnings of its Turkish subsidiary.



# Factors Contributing to Operating Income Changes in FY2017



Unit: 100 million yen



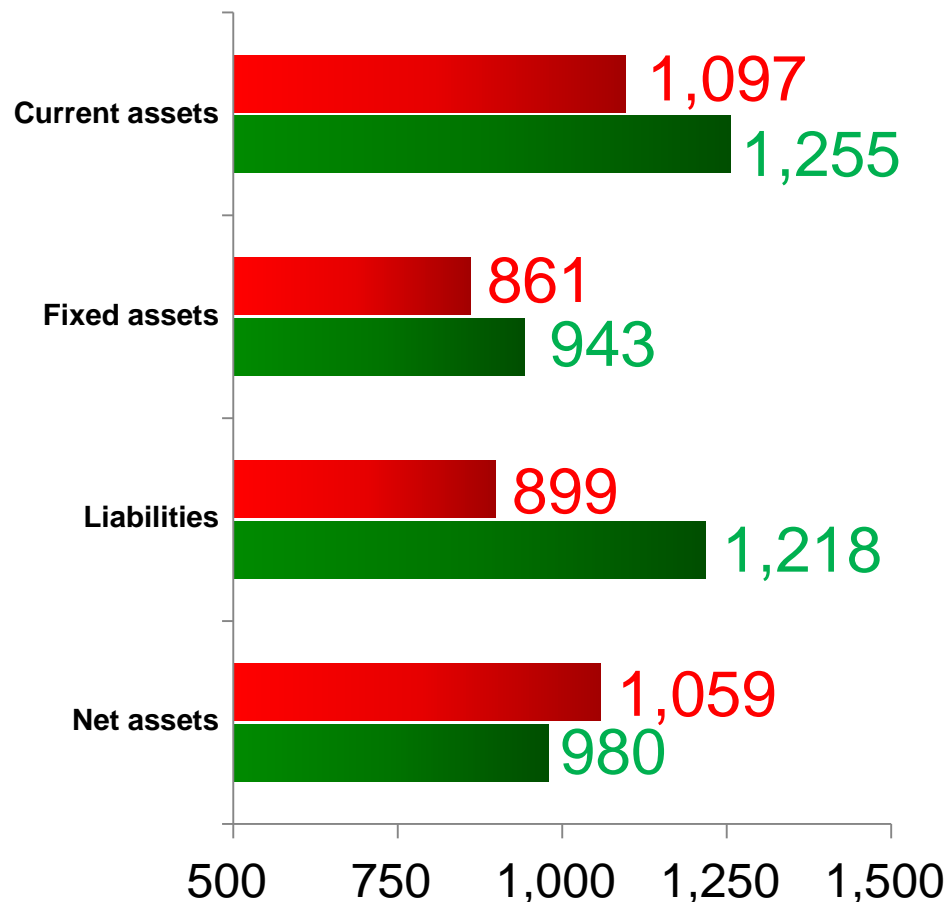
# Changes in Consolidated Balance Sheet for FY2017



## Total assets/liabilities and net assets

¥195.7 B (down ¥24.0 B from the end of FY2016)

Unit: 100 million yen



Unit: 100 million yen

■: Dec. 31, 2016 ■: Dec. 31, 2017

### Current assets -158

- Decrease in cash -168

### Fixed assets -82

- Decrease due to the exclusion of PBI from the scope of consolidation -109
- Increase in fixed investments +86
- Decrease due to depreciation losses (including goodwill) -65

### Liabilities -319

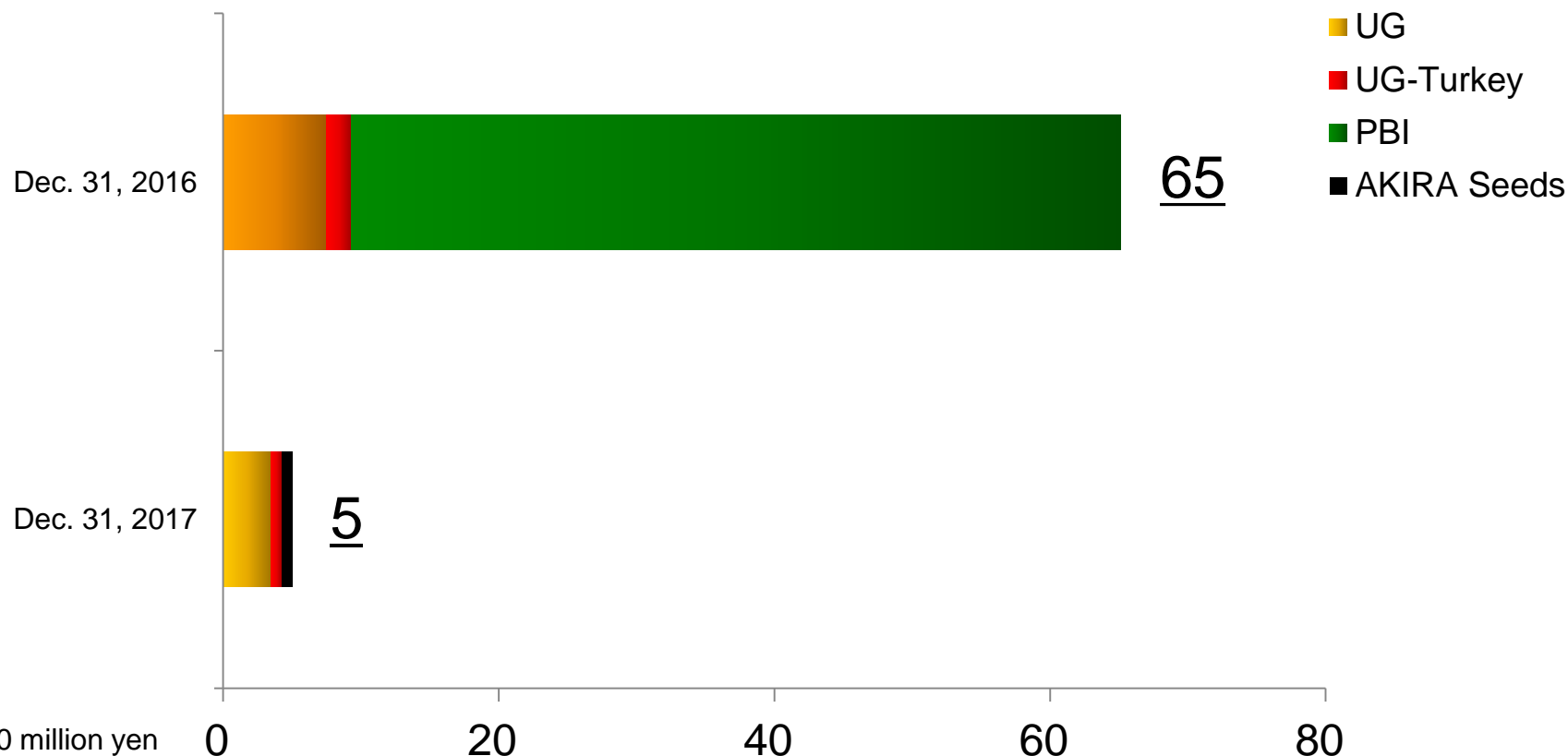
- Repayment of borrowings (Funds for TOB of own shares/funds for acquisition of PBI) -374

### Net assets +79

- Increase due to net income +101
- Decrease due to dividends -22

# Changes in Goodwill for FY2017

Goodwill ¥0.5 billion (-¥6.0 billion)



- Decrease of 5.2 billion yen due to the sale of PBI
- Increase of ¥100 million due to the acquisition of the shares of AKIRA Seeds
- Decrease of 0.7 billion yen due to the amortization of goodwill, decrease of 0.2 billion yen due to the currency translation impact arising from the appreciation of the yen

# Cash Flows for FY2017

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Unit: 100 million yen

	FY2016	FY2017	Change
Cash flows from operating activities (A)	+188	+166	-22
Cash flows from investing activities (B)	-186	+173	+358
Disbursement and proceeds pertaining to time deposits and securities (C)	-102	+123	+225
Free cash flows (A+B-C)	+104	+216	+111
Cash flows from financing activities	+69	-408	-477

- Free cash flow: increase of 11.2 billion yen due to the sale of PBI
- Cash flows from financing activities: increase of expenditure for the repayment of the funds for TOB of own shares and the funds for the acquisition of PBI (-35.2 billion yen)



## I. FY2017 Financial Results

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

## III. Challenges for FY2018

## IV. FY2018 Results Forecasts

“We will work on the resolution of social issues through foods and become a strong company that can achieve sustainable growth.”



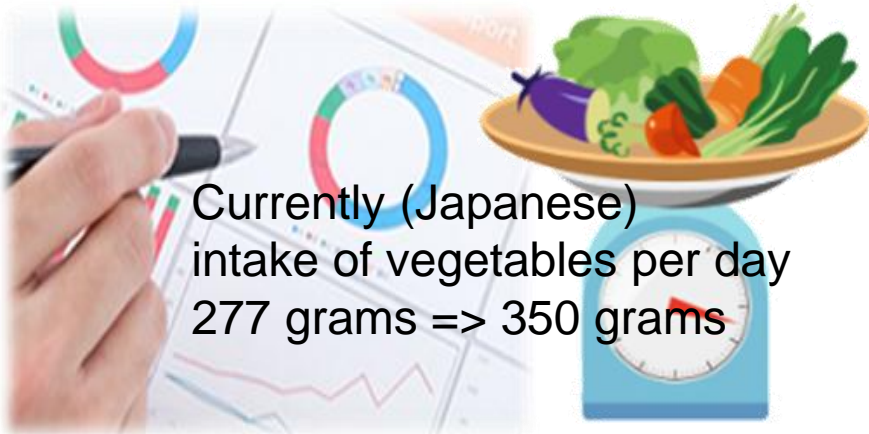
From a tomato company to  
a produce company

Extension of healthy life expectancy

## Aim to eliminate the shortage of vegetables in Japan

Operation of the system  
for calculating the supply of vegetables

Joint research with Hirosaki University



Strengthening of  
alliance with retail trade

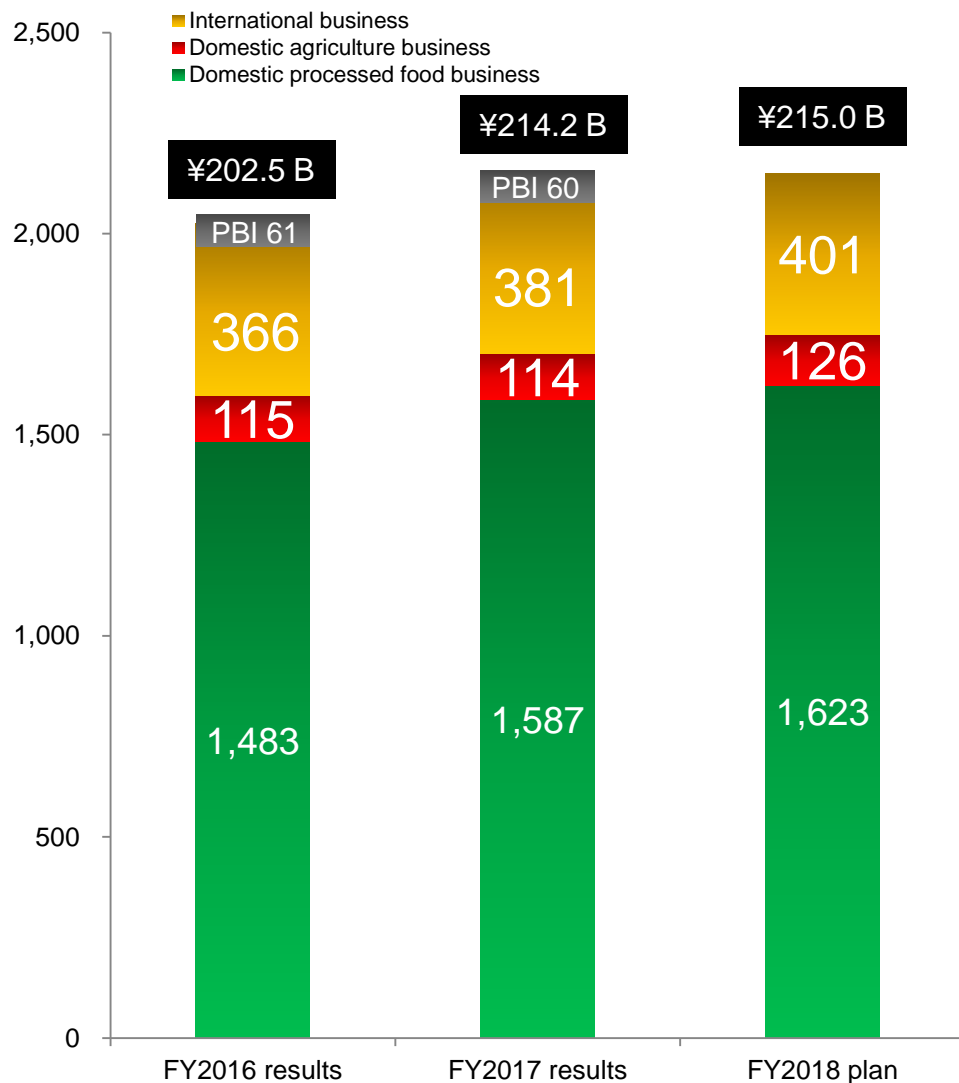
Analysis of big data of medical  
examinations

# Progress of Mid-Term Management Plan

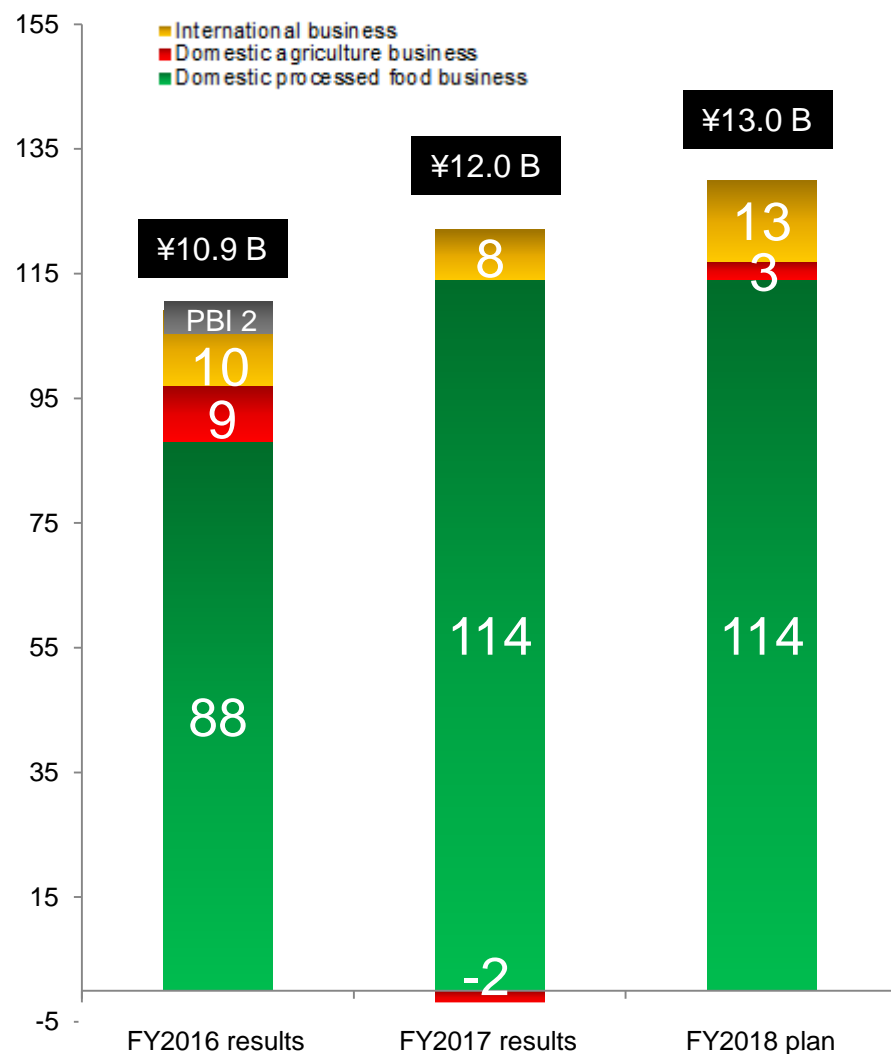
\* Figures for each business after "elimination and adjustments among segments"



## ◆ Net sales plan



## ◆ Operating income plan



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## Domestic Processed Food Business

### Increase of smoothies

- Yasai Seikatsu 100 Smoothie
- GREENS



### Increase of foods with functional claims

- Tomato juice with functional claims
- Launch of new products scheduled



- Increase of "Kihon no Tomato Sauce"
- Development of vegetable soup stock products
- Ready-made dishes "Yasai no Okazu"



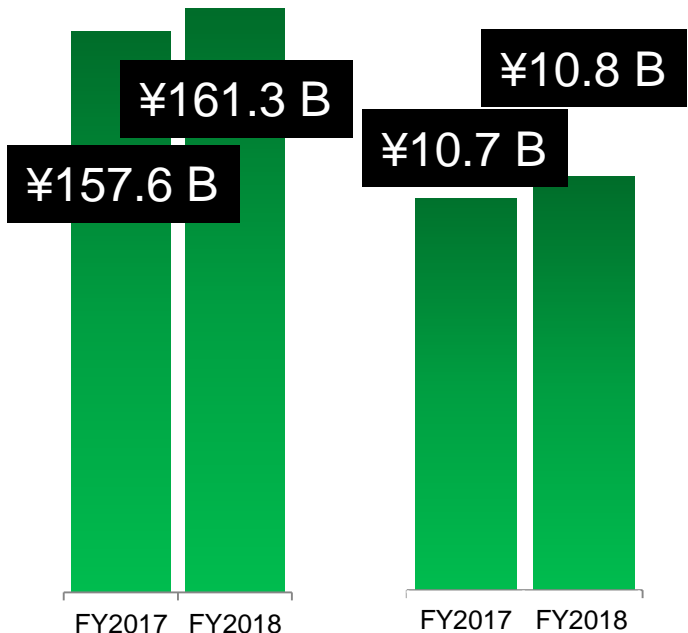
### [Plans for FY18]

Sales plan

Operating income plan

102%

101%



## Domestic Agriculture Business

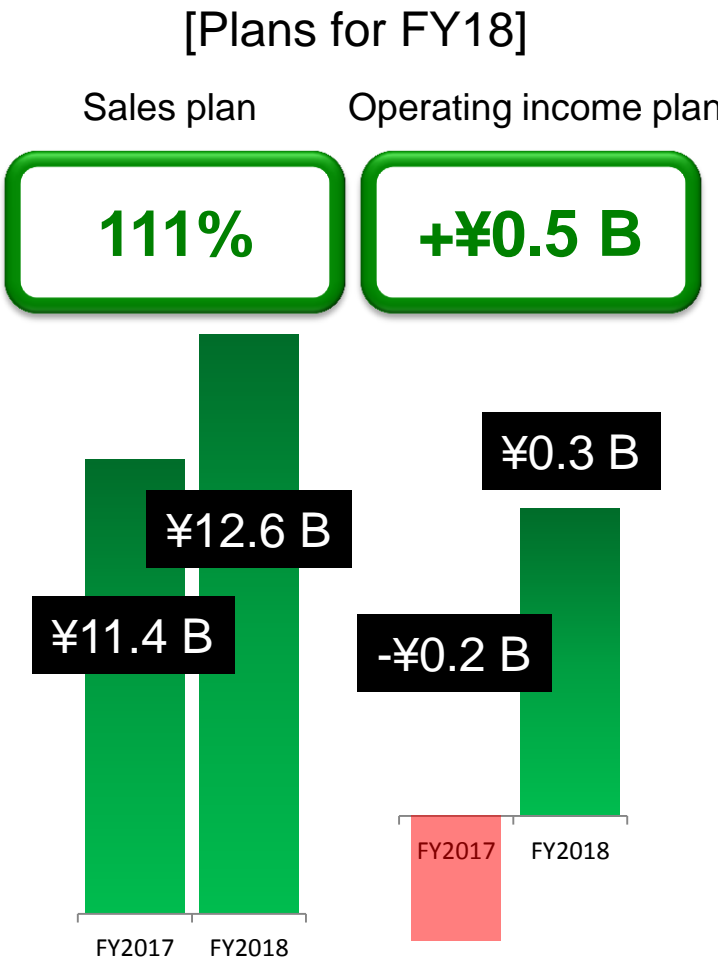
Establishment of a profit structure that is not materially affected by the market price fluctuations



Promotion of tomato's nutrient lycopene



- Increase of baby leaves  
- Triple the production capacity



## International Business

Strengthening of  
the solution business  
for the global food service



Expansion of the sales area  
of tomato paste



Commencement of business  
in Senegal



[Plans for FY18]

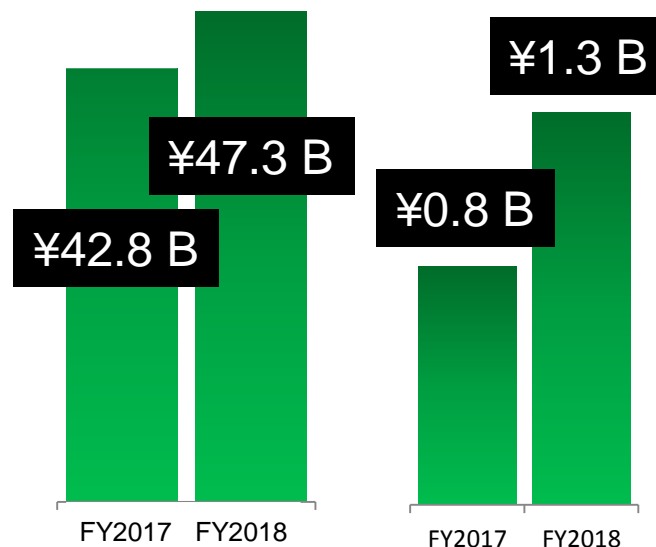
Sales plan

Operating income plan

111%

163%

\* Excluding the impact of the sale of PBI



# Earnings Structural and Way of Working Reforms

## Earnings structural reforms

Marginal profit  
management



Improved  
production  
efficiency



## Way of working reforms

Until 2020  
Total working  
hours  
1,800 hours



Rate of paid  
holidays taken  
70% → 80%



## I. FY2017 Financial Results

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## IV. FY2018 Results Forecasts



# FY2018 Full-Year Results Forecasts

24/28



## ◆ Results forecasts by segment

Unit: 100 million yen

Unit: 100 million yen

	Net sales				Operating income			
	FY2017	FY2018	Change	Rate of change	FY2017	FY2018	Change	Rate of change
Domestic processed food business	1,576	1,616	+37	+2%	107	108	+1	+1%
Domestic agriculture business	114	126	+12	+11%	-2	3	+5	—
International business	488	473	-15	-3%	8	13	+5	+63%
Excluding the impact of PBI	428	473	+45	+11%	8	13	+5	+63%
Intersegment transactions	-37	-62	-25	—	7	6	-1	—
<b>Total</b>	<b>2,025</b>	<b>2,172</b>	<b>+146</b>	<b>+7%</b>	<b>109</b>	<b>125</b>	<b>16</b>	<b>+14%</b>

\* The figures above are rounded off to the unit of billion yen.

# Cash Flows for FY2018

25/28



Unit: 100 million yen

	FY2017	FY2018	Change
Cash flows from operating activities (A)	+166	+140	-26
Cash flows from investing activities (B)	+173	-50	-223
Disbursement and proceeds pertaining to time deposits and securities (C)	+123	+70	-53
Free cash flows (A+B-C)	+216	+20	-196
Revenue from the sale of PBI	+112	-	-112
Cash flows from financing activities (excluding revenue from the sale of PBI)	+103	+20	-83

# Major Business Investments Scheduled



Increase of  
the production capacity  
of smoothies

Total investment

1.4 billion

FY2017: 0.8 billion yen  
FY2018: 0.6 billion yen



Increase of  
the production capacity  
of vegetable beverage  
pet bottle lines

Total investment

4.8 billion

FY2018: 2.1 billion yen  
FY2019: 2.7 billion yen



Domestic agriculture business  
Baby leaf farms,  
**Yasai Seikatsu Farm**, etc.

Total investment

1.4 billion

FY2018: 1.4 billion yen



Information system  
backbone system renewal

Total investment

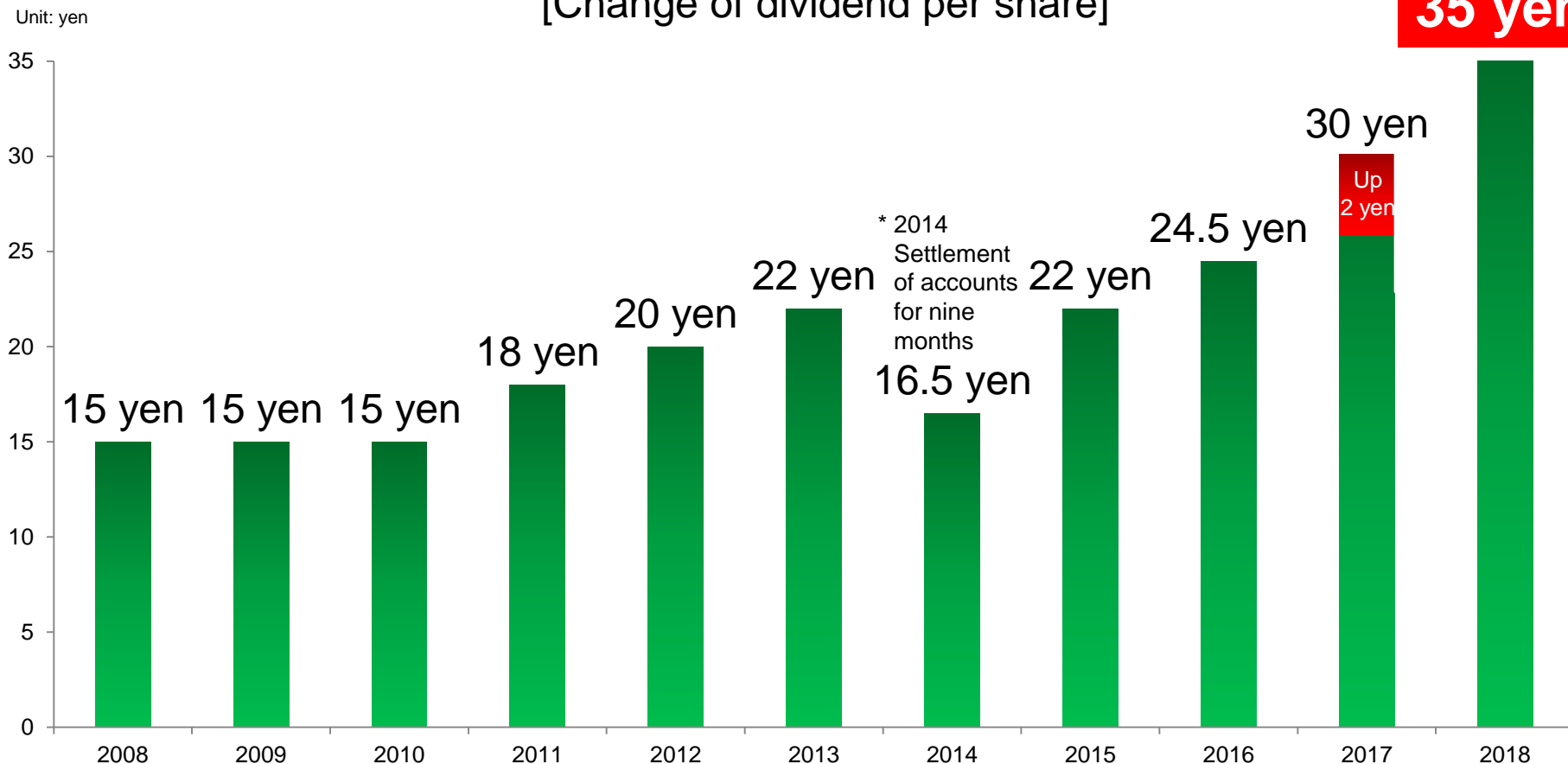
1.7 billion

FY2018: 0.8 billion yen  
FY2019: 0.9 billion yen



# Expected dividend in FY2018

[Change of dividend per share]



Expected dividend in FY2018

Ordinary dividend of 30 yen + commemorative dividend of 5 yen = 35 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.

# Reference: Year-on-year change in amount of each brand of vegetable beverages by temperature



## ◆ Comparison for the period of January to December

Unit: 100 million yen

Brand/category	Temperature zone	Results for 2016	Results for 2017	Year-on-year change	Rate of year-on-year change
Yasai Seikatsu	Dry	67	52	-15	78.1%
	Chilled	355	424	70	119.7%
	Total	421	477	55	113.1%
Ichinichi Kore Ippon	Dry	17	16	-1	93.4%
	Chilled	128	131	3	102.2%
	Total	146	147	2	101.1%
Tomato juice	Dry	75	95	19	125.8%
	Chilled	24	30	6	122.8%
	Total	100	125	25	125.0%