

Results Briefing Materials for FY2018/2Q

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

1. Summary of Financial Results for FY2018/2Q

- Net sales and profits decreased; when the results of PBI for the previous year are excluded, net sales increased and profits decreased.

<Net sales>

Although the sales of the beverage business and the direct marketing business in the domestic business grew, sales decreased mainly due to the net decrease in sales of PBI.

<Operating income>

Profits decreased mainly due to the increase in advertising expenses and the sluggish market conditions of the domestic agriculture business for two consecutive years.

2. Measures for the Second Half of FY2018

- Strengthening of the base through the renewal of key beverages and the addition of the smoothie product lines
- Sales of fresh tomatoes with functional claims and the start of structural reform
- Strengthening of the profit structure of each overseas subsidiary

3. FY2018 Full-Year Consolidated Results Forecasts

- No change to the consolidated results forecasts

FY2018/2Q Consolidated Results



Unit: 100 million yen

	Results		Year on year		Year on year excluding the results of PBI		Change from the results forecasts	
		Ratio to net sales		Rate of change	(Reference)	Rate of change		Rate of change
Net sales	1,024	-	-17	-2%	+16	+2%	-20	-2%
Operating income	53	5.1%	-9	-15%	-10	-16%	-4	-8%
Ordinary income	54	5.3%	-12	-19%	-13	-19%	-4	-7%
Net income*	46	4.5%	-1	-3%	-3	-5%	+5	+13%

* Quarterly net income attributable to owners of parent

- Sales decreased and profits at all levels decreased.
- In comparison, excluding PBI which was sold in the previous year, sales increased and income decreased.

<Reference> Results of PBI for the previous year after the amortization of goodwill, etc.

Net sales of 3.3 billion yen, operating income of -90 million yen, ordinary income of -20 million yen, net income of -130 million yen

FY2018/2Q Results by Segment



Unit: 100 million yen

	Net sales				Operating income			
	FY2017	FY2018	Year on year	Rate of change	FY2017	FY2018	Year on year	Rate of change
Domestic processed food business	747	752	+05	+1%	51	43	-8	-16%
Domestic agriculture business	61	63	+02	+3%	3	0	-3	-95%
International business	243	231	-11	-5%	5	6	+1	+10%
Excluding the operating results of PBI	210	231	+22	+10%	6	6	-0	-6%
Other/adjustments	-10	-23	-12	-	3	4	+1	-
Total	1,041	1,024	-17	-2%	62	53	-9	-15%

Domestic processed food business (increase in sales and decrease in income)

- Despite the strong performance of Yasai Seikatsu 100 Smoothie, tomato juice and direct marketing, the trend of the reliance on beverages continued.
- Decrease in income due to the increase in advertising expenses

Domestic agriculture business (increase in sales and decrease in income)

- The market price for fresh tomatoes was lower than the previous year, and the response to the market structure of excess supply was delayed.

International business (decrease in sales and increase in income; when the impact of PBI is excluded, increase in sales and decrease in income)

- Increase in income mainly due to return to profitability in Australia
- Decrease in income in Portugal, etc. which was affected by the low market price for tomato paste

Beverages: net sales of 43.4 billion yen, operating income of 2.4 billion yen, increase in sales and decrease in income



Yasai Seikatsu 100 Smoothie

- 330 ml recap container
- Feeling of fullness after drinking, healthy snacking
- Strong sales due to the increase in the dedicated sales space at volume retailers together with GREENS



Beverages with functional claims

Tomato juice

- Addition of the functional claim "for people with elevated blood pressure" from January 2018
- Sales exceeding those of the previous year were maintained.

Vegetable juice

- Sales exceeding those of the previous year

Food and others: net sales of 31.8 billion yen, operating income of 1.9 billion yen, decrease in sales and income



Foods

"Kihon no Tomato Sauce"

- Strong sales due to an advertisement linking CM and SNS

Tomato ketchup and others

- Solid performance of tomato ketchup, but a fall of Worcester sauce, pasta sauce, etc. below the level of the previous year



Direct marketing

- Strong sales of Tsubuyori Yasai and Lycopene Cholestefine
- Revision to the delivery cost in response to the increasing logistic costs



Institutional and industrial products

- Toward the home-meal replacement market, proposal of readymade vegetable dishes, etc.
- Decrease in sales of contracted products

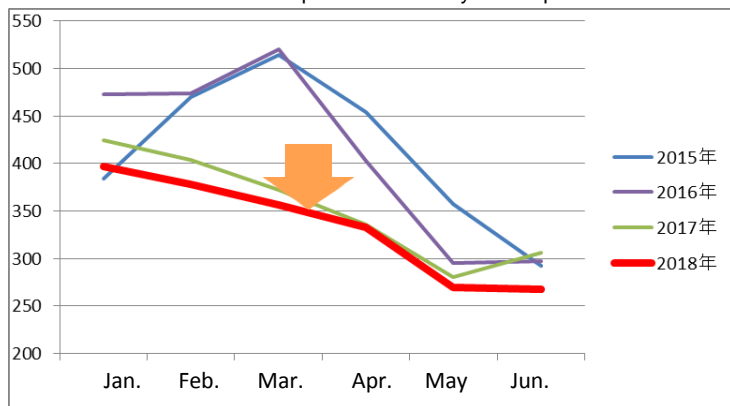
Net sales of 6.3 billion yen, operating income of 16 million yen, increase in sales and decrease in income



Focus on sales of high value-added products

- Increase in net sales of fresh tomatoes

Trends in tomato market prices at the Tokyo Metropolitan



Homepage of Tokyo Central Wholesale Market:
created based on market statistical information

Low market price

- Low market price in and after 2018
- Delay in response to the market structure of excess supply



Baby leaves

- Ready-washed baby leaves were popular

Net sales of 23.1 billion yen, operating income of 0.6 billion yen, decrease in sales and increase in income



U.S.: Kagome Inc.

- Net sales increase due to change in the timing of intra-Group sales transactions
- Decrease in income mainly due to the temporary worsening of the production efficiency of the new installed facilities



Portugal: HIT

- Although sales were almost the same as the previous year, revenue increased due to the impact of exchange rates.
- Operating loss due to the low market price for tomato paste



Kagome Australia Pty Ltd.

- Recovery from a decrease in the volume harvested due to heavy rain in the previous year
- Conduct of production to avoid the weather risk

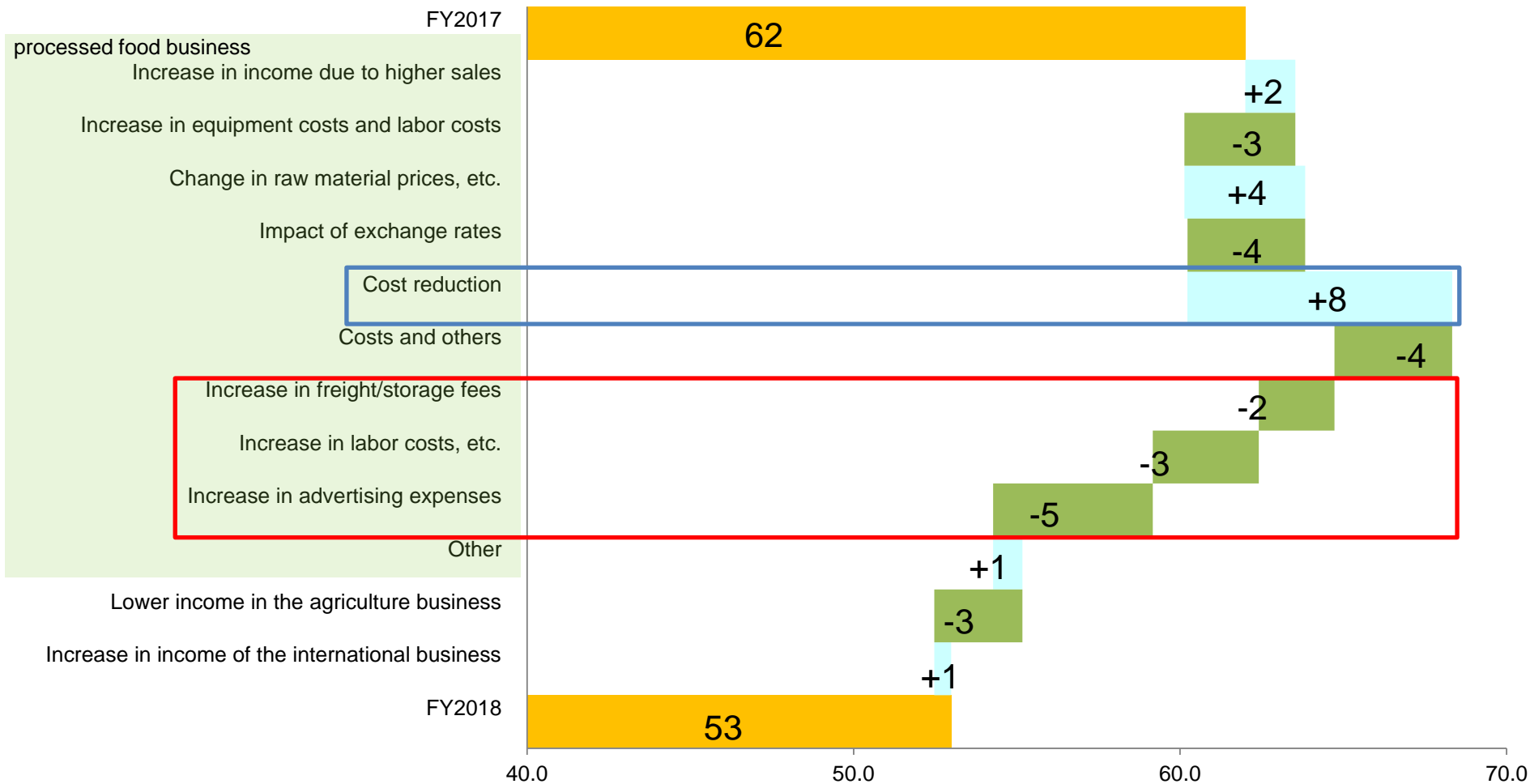


Production/sales of seeds and seeding business: U.S. UG

- Increase in sales of seeds in the Middle East/Central and South Americas
- Decrease in sales of seeds of tomatoes in the U.S./Turkey

Factors Contributing to Operating Income Changes in FY2018/2Q

Unit: 100 million yen



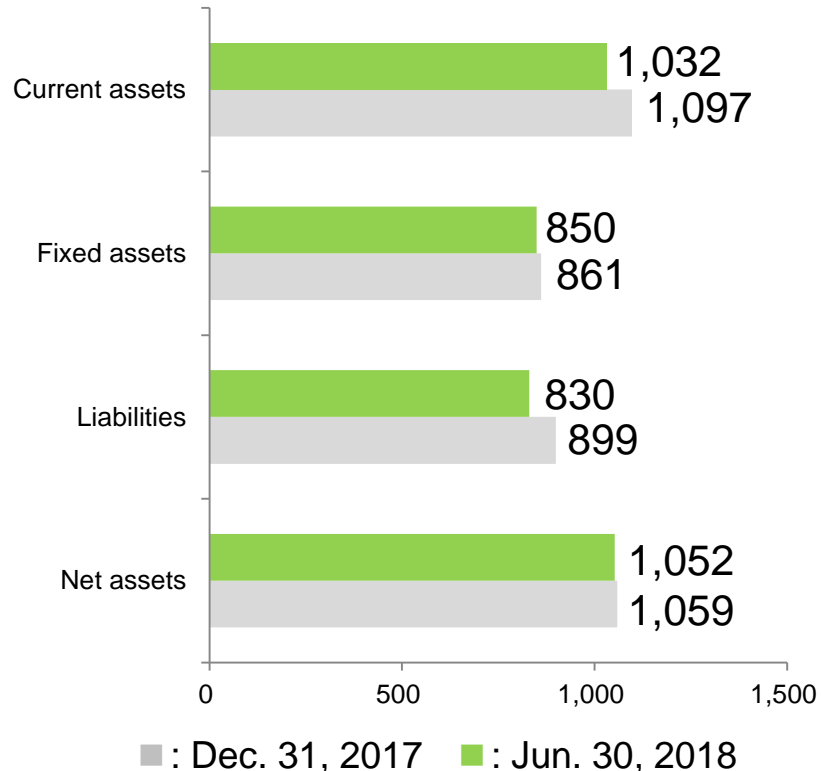
Changes in Consolidated Balance Sheet for FY2018/2Q



Total assets/liabilities and net assets
¥188.1 B (down ¥7.6 B from the end of FY2017)
Capital adequacy ratio: 53.9%
(up 1.8 points from the end of FY2017)

Unit: 100 million yen

Unit: 100 million yen



Current assets -65

Cash and deposits -45: repayment of interest-bearing debts, etc.

Inventory -39: seasonal factors, impact of exchange rates, etc.

Fixed assets -11

Property, plant and equipment +1:
 capital investment +46, depreciation -24,
 sales of land -10, exchange rates -10

Investment securities -6:
 a decline in the market price, etc.

Liabilities -69

Interest-bearing debts -76: repayment of working capital of overseas subsidiaries, etc.

Net assets -7

Net income +46, dividend paid -27, valuation difference, etc. -26

Main content of capital investment (PPE)

- Aseptic PET line at the factory in Nasu of 1.0 billion yen
- Smoothie line at the factory in Ibaraki of 0.6 billion yen, etc.

Unit: 100 million yen

	FY2017	FY2018	Change
Cash flows from operating activities (A)	129	74	-55
Cash flows from investing activities (B)	34	-26	-60
Disbursement and proceeds pertaining to time deposits and securities (C)	102	0	-102
Free cash flows (A+B-C)	61	48	-13
Cash flows from financing activities	-245	-91	+154

Major factors for changes

- Cash flows from operating activities: decrease due to an increase in income taxes paid
- Cash flows from investing activities: decrease in disbursements and proceeds pertaining to time deposits and securities
- Cash flows from financing activities: decrease in repayment of borrowings

Measures for the Second Half of FY2018

Domestic Processed Food Business

Beverages: strengthening of the profit structure by renewal



Renewal of the core brands

- Yasai Seikatsu 100 Regular
- Yasai Ichinichi Kore Ippon



Beverages with functional claims

- Change to the new sales pitch to promote understanding of the functionality
- Promotion of trial acquisition and continual drinking



Launch on September 25
Yasai Seikatsu 100
Smoothie
Lemon Amazake Mix

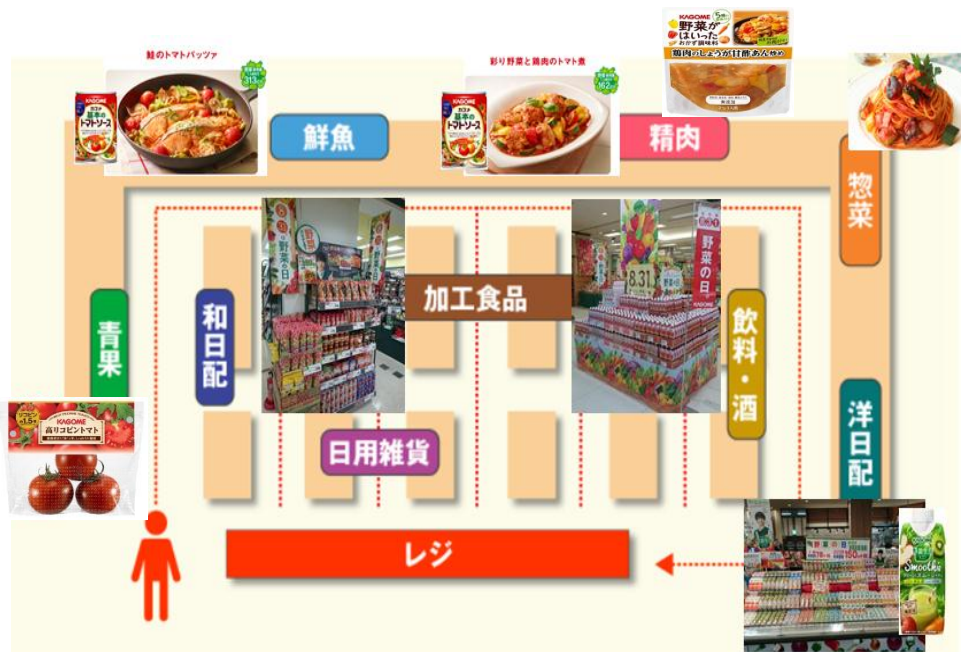
Yasai Seikatsu 100 Smoothie

- Renewal of the existing products
- Expansion of the share by addition of the product lines
- Launch of a new concept smoothie

Measures for the Second Half of FY2018

Domestic Processed Food Business

Food and others: strengthening of activities to increase vegetable dishes at the table through the linkage of home products, institutional and industrial products, and the agriculture business



Proposal by the linkage of home products, institutional and industrial products, and the agriculture business

- Proposals integrating home, institutional and industrial, and fresh products can be made.

Vegetable solutions

- Proposal of ready-made vegetable dishes using the products of Kagome to the food services and the home-meal replacement market.



Launch on August 21
Okazu condiment
containing vegetables

Okazu condiment containing vegetables

- Meeting the needs for time savings/convenience
- Dishes containing vegetables can be easily cooked.

Measures for the Second Half of FY2018

Domestic Agriculture Business



Strengthening of the product lines of high value-added tomatoes

- Plan to show the functional claims of tomatoes that contain large quantities of GABA
- The first fresh tomato foods with functional claims
- To ensure greater differentiation



Strengthening of sales of tomatoes from summer/fall producing area

- Expectation of a 10% increase in tomato supply during the in-between seasons year on year



Strengthening of sales of ready-washed baby leaf products

- Start of shipments from the farm in Chiba
- Expansion of supply

Measures for the Second Half of FY2018

International Business



Expansion of the business for global food service

- Strengthening of the ability to propose menus for each customer
- Application of the business model of America to Asia and Europe



Strengthening of the profit structure of each subsidiary

- Change to the structure that is not affected by the market price of tomato paste
- Expansion of the carrot business of Kagome Australia Pty Ltd.



Commencement of the business of Kagome Nissin Foods (H.K.)

- Core of the overseas consumer business
- Business expansion in the Hong Kong/Macao regions
- Future entry into the Chinese market

FY2018 Full-Year Results Forecasts

Unit: 100 million yen

Net sales

	FY2017	FY2018		Difference between current estimate and forecast at beginning of period
		Forecast at beginning of period	Current estimate	
Domestic processed food business	1,576	1,613	1,613	-
Domestic agriculture business	114	126	126	-
International business	488	473	473	-
Intersegment transactions	-37	-62	-62	-
Total	2,142	2,150	2,150	-

Unit: 100 million yen

Operating income

	FY2017	FY2018		Difference between current estimate and forecast at beginning of period
		Forecast at beginning of period	Current estimate	
Domestic processed food business	107	108	115	+7
Domestic agriculture business	-2	3	-4	-7
International business	8	13	13	-
Intersegment transactions	7	6	6	-
Total	120	130	130	-

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.