

Consolidated Summary Report <under Japanese GAAP>

For the three months ended March 31, 2018

April 27, 2018

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya
Code number : 2811 URL <http://www.kagome.co.jp>
Representative : Naoyuki Terada, Representative Director & President
For inquiry : Takeshi Saeki, General Manager, Finance & Accounting Department, Corporate Planning Division
TEL +81-3-5623-8503

Quarterly securities report issuing date: May 11, 2018
Supplemental information for financial statements: Available
Schedule for "investor meeting presentation": None

Dividend payment date: -

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

1. Consolidated Financial Data for the three months ended March 31, 2018

(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	
Three months ended	million yen	%	million yen	%	million yen	%	million yen	%
March 31, 2018	47,171	0.1	1,985	(20.8)	2,001	(28.3)	1,741	(18.4)
March 31, 2017	47,122	6.3	2,508	101.4	2,790	106.3	2,133	121.2

(Reference) Comprehensive income March 31, 2018: (2,023)million yen (— %); March 31, 2017: 461 million yen (— %)

	Earnings Per Share	Diluted Earnings per Share
Three months ended	yen	yen
March 31, 2018	19.65	19.63
March 31, 2017	24.09	24.08

(2) Financial Conditions

	Total Assets	Total Net Assets	Net Assets Attributable to KAGOME Shareholders to Total Assets	Total Net Assets per Common Stock
As of	million yen	million yen	%	yen
March 31, 2018	182,949	101,234	53.2	1,099.11
December 31, 2017	195,737	105,853	52.1	1,150.50

(Reference) Shareholders' equity as of March 31, 2018: 97,417million yen; December 31, 2017: 101,949 million yen

2. Dividends on Common Stock

	Dividends per Share				
	1Q-end	2Q-end	3Q-end	Year-end	Total
Fiscal year ended	yen	yen	yen	yen	Yen
December 31, 2017	—	—	—	30.00	30.00
December 31, 2018	—	—	—	—	—
Fiscal year ending	—	—	—	35.00	35.00
December 31, 2018(Forecast)	—	—	—	—	—

(Reference) Revision to dividend forecasts published most recently: None

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2018

(% 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 six months ending June 30, 2018	104,400	0.3	5,700	(7.8)	5,800	(12.9)	4,100	(14.2)	46.27
For the year ending December 31, 2018	215,000	0.4	13,000	8.6	13,000	3.0	10,000	(1.0)	112.85

(Reference) Revision to financial forecasts published most recently: None

4. Other (For more details, please see “Other information” in page 8)

(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) Application of special accounting method for preparing quarterly consolidated financial statements: Yes

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

(A) Changes due to revision of accounting standards: None

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

(C) Changes in accounting estimates: None

(D) Retrospective restatements: None

(4) Number of shares outstanding (common shares):

(A) Total stocks outstanding

including treasury stocks:

(B) Treasury stocks:

(C) Total stocks outstanding

excluding treasury stocks:

(D) Average outstanding stocks:

Mar. 31, 2018	99,616,944 shares	Dec. 31, 2017	99,616,944 shares
Mar. 31, 2018	10,983,869 shares	Dec. 31, 2017	11,003,718 shares
Mar. 31, 2018	88,633,075 shares	Dec. 31, 2017	88,613,226 shares
3 months ended Mar. 31, 2018	88,618,565 shares	3 months ended Mar. 31, 2017	88,552,096 shares

* This “Consolidated Summary Report” (“Tanshin”) is outside the scope of the external audit.

* 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 Financial Results for the First Three Months under Review

(1) Explanation of operating results

For the first three months under review (January 1, 2018 to March 31, 2018) on a consolidated basis, the Japanese economy remained on a moderate recovery track thanks to the economic measures implemented by the government and the Bank of Japan, while the employment and income situations continued to improve. The food industry saw steady individual consumption despite the progress in the diversification of values demanded by consumers such as faster and easier use, health, and eating alone.

Under these circumstances, the Company aimed to become a “strong company that can maintain sustainable growth by working on solving social issues through food” under the three-year mid-term management plan starting from the fiscal year ended December 2016. Specifically, the Company is working on the following four priority issues to further enhance the social and economic value of the Company: (1) increasing the value of existing businesses and categories; (2) creating new business models through innovation; (3) promoting globalization; and (4) improving productivity through work style reform.

Net sales increased due to the sales growth of the main beverage business in the domestic business, among other factors, despite a net decrease in the sales of Preferred Brands International, Inc. (hereinafter PBI), which was a consolidated subsidiary of the Company for the previous fiscal year on a consolidated basis in the international business and whose shares were sold.

Operating income decreased due to an increase in advertising expenses mainly in the domestic business, among other factors.

As a result, for the first three months under review on a consolidated basis, net sales increased to 47,171 million yen, up 0.1% year on year, operating income decreased to 1,985 million yen, down 20.8% year on year, ordinary income declined to 2,001 million yen, down 28.3% year on year, and net income attributable to owners of parent fell 1,741 million yen, down 18.4% year on year.

The business results by segment are as outlined below.

(Million yen)							
Name of segment		Net sales			Operating income		
		First three months of the previous fiscal year	First three months under review	Change	First three months of the previous fiscal year	First three months under review	Change
	Beverages	19,283	20,265	982	1,179	1,044	(135)
	Food, etc.	13,733	13,877	144	549	256	(293)
	Processed food in total	33,016	34,143	1,127	1,728	1,300	(428)
	Agriculture	2,461	2,561	99	75	(52)	(127)
	Others	3,775	4,183	408	76	191	114
	Elimination adjustments	(3,541)	(3,906)	(365)	—	—	—
	Domestic business in total	35,712	36,981	1,269	1,881	1,439	(442)
	International business	12,209	11,775	(434)	627	546	(80)
	Elimination adjustments	(798)	(1,585)	(786)	—	—	—
	Total	47,122	47,171	49	2,508	1,985	(522)

<Domestic Business>

Net sales of the domestic business increased to 36,981 million yen, up 3.6% year on year, and operating income decreased to 1,439 million yen, down 23.5% year on year. Net sales by business are as shown below.

(1) Processed food business

In the processed food business, the Company manufactures and sells beverages, condiments and other products.

Net sales of this business increased to 34,143 million yen, up 3.4% year on year, and operating income decreased to 1,300 million yen, down 24.8% year on year.

[Beverages: Yasai Seikatsu 100 series, tomato juice and others]

In the beverages category, the Company focused on activities for contributing to an increase in vegetable intake by increasing the range of products meeting various health needs and suitable for various drinking scenarios and developing versatile and habitual drinking uses including increased functions under the catchphrase “To provide vegetables with ease and a delicious taste,” aiming to offer “Health Beverages for Life” that meet consumers’ expectations for good health.

The tomato juice has been sold as a food with functional claims with the indication “for people who care about blood cholesterol” since February 2016. And from January 2018, the indication “for people with elevated blood pressure” has been added. The tomato juice is sold as a food with two functional claims, and its sales have been strong.

As for the Yasai Seikatsu 100 series, a proposal for “delicious taste stimulating a preference for vegetables” aimed at families led to the acquisition of new consumers of vegetable beverages and an increase in sales. The Yasai Seikatsu 100 Smoothie filled in a 330 ml paper container with a cap is extremely popular among women in their 20s to 40s, especially in terms of the features of adequately satisfying the appetite and being a healthy snack, resulting in strong sales.

The Yasai Ichinichi Kore Ippon series achieved strong sales due to our strengthened activities in stores to convey the value of “vegetable juice first,” or the effect of curbing the increase in the blood sugar level after eating by drinking vegetable juice before eating.

As a result of the implementation of these initiatives by the Company, net sales of the vegetable beverages category increased.

Accordingly, net sales of the beverages category increased to 20,265 million yen, up 5.1% year on year, and operating income decreased to 1,044 million yen, down 11.5% year on year.

[Food, etc.: tomato ketchup, condiment, sauces, beverages for direct marketing sales/gifts and others]

Sales of tomato ketchup remained steady. For home use, we stepped up the campaign for conveying the value of tomato ketchup and its promotion with the catchphrase “Control salt intake with tomatoes.” For business use, we focused on measures to stimulate demand with a dispenser designed primarily for buffets such as breakfast in hotels.

As for condiments made with tomatoes other than tomato ketchup, we focused on activities to contribute to the resolution of the problem of insufficient vegetable intake by promoting an increase in dishes using vegetables under the catchphrase “Eat more vegetables wisely with a delicious taste.” For home use, the intensified proposal in stores and through advertisements for tomato dishes cooked in 10 minutes using Basic Tomato Sauce attracted support mainly from housewives in their 30s and 40s, resulting in strong sales.

For other products designed as gifts, we focused on sales of products with unique values that only the Company can provide; specifically, health, delicious taste, compassion and exclusivity. In addition, products for direct marketing sales saw strong performance in sales of the core beverage Tsubuyori Yasai.

As a result of these initiatives, net sales in the category of food, etc. increased to 13,877 million yen, up 1.1% year on year, and operating income decreased to 256 million yen, down 53.4% year on year.

(2) Agriculture business

In the agriculture business, the Company mainly sells fresh tomatoes, mesclun greens, packaged salads, etc.

Net sales of this business increased 4.0% year on year to 2,561 million yen with an operating loss of 52 million yen in comparison with operating income of 75 million yen a year earlier.

As for fresh tomatoes, our main business, we focused on sales of high value-added products containing abundant lycopene, β -carotene, GABA and other specific nutrition, while increased attention was given to functional vegetables. Due to the continued low market price, however, net sales were almost at the same level as the previous year, resulting in an operating loss for the first three months under review on a consolidated basis.

In sales of mesclun greens, which we are cultivating as the new mainstay products after fresh tomatoes, Green Vege Bowl baby leaf mix and Green Vege Bowl baby leaf spinach distributed in the capital region around Tokyo, which can be eaten without washing, were popular due to that feature, resulting in increased sales.

(3) Other businesses

Other businesses include transportation and warehousing, real estate leasing, contracted service businesses and others. Net sales increased to 4,183 million yen, up 10.8% year on year, and operating income increased to 191 million yen, 2.5 times that of the same period of the previous fiscal year.

On April 26, 2018, the Company and four other food manufacturers entered into an agreement for the launch of the integrated company for physical distribution from April 2019.

<International Business>

In the international business, we operate the business under a core management strategy according to which vertically integrated business should be established from the development of tomato seeds, firming, product development, processing and sales. In addition, Kagome Senegal Sarl (the Republic of Senegal), which was established as the base in the previous consolidated fiscal year for the development of the tomato business within the Economic Community of West African States (ECOWAS), where demand is increasing, commenced sales of processed tomatoes in the Republic of Senegal from the first three months under review on a consolidated basis.

Net sales of the business decreased to 11,775 million yen, down 3.6% year on year, and operating income decreased to 546 million yen, down 12.9% year on year.

In addition, due to the disposal by sales of the shares of PBI in November 2017, the net sales of PBI decreased. In comparison to the results, excluding those of PBI, for the first three months of the previous fiscal year on a consolidated basis, net sales increased 10% year on year and operating income decreased 7.6% year on year.

Net sales of the major subsidiaries denominated in local currencies are as outlined below.

KAGOME INC. (United States) saw an increase in income due to a net increase in sales attributable to a change in the time of dealing with the Company during the previous consolidated fiscal year and strong sales to leading food service customers. Holding da Industria Transformadora do Tomate, SGPS S.A. (Portugal) saw an increase in income due to an increase in sales of tomato paste with an operating loss due to the low market price for tomato paste. Kagome Australia Pty Ltd. (Australia) recorded increases in both income and profits due to strong sales to major customers for the first three months under review on a consolidated basis after experiencing an operating loss as a result of a significant fall in crop yields of tomatoes due to the record rainfalls during the harvest season for the first three months of the previous fiscal year on a consolidated basis.

(2) Explanation of the financial position

For the first three months under review on a consolidated basis, total assets decreased 12,787 million yen from the end of the previous fiscal year.

Current assets decreased 10,317 million yen from the end of the previous fiscal year.

This decrease is caused by decreases in cash and deposits of 5,420 million yen, mainly due to the repayment of interest-bearing debt and the payment of income taxes, in notes and accounts receivable and inventories (the total of merchandise and finished goods, work in process, and raw materials and supplies) of 3,035 million yen and 1,265 million yen respectively due to seasonal factors and the impact of foreign exchange, and in derivatives in relation to exchange contracts held by the Company, included in Others, of 1,162 million yen mainly due to the continuing strong yen.

Fixed assets decreased 2,470 million yen from the end of the previous fiscal year.

Property, plant and equipment decreased 76 million yen from the end of the previous fiscal year due to depreciation of 1,198 million yen, sales of real estate and the impact of foreign exchange, among other factors, despite a fixed investment in production facilities, etc. of 2,639 million yen.

Intangible assets increased 5 million yen from the end of the previous fiscal year. This increase is attributable to an increase in software of 154 million yen due to additional acquisition and a decrease in goodwill of 144 million yen, mainly due to amortization.

Investments and other assets decreased 2,400 million yen from the end of the previous fiscal year, mainly due to a fall in the market price of investment securities held.

Liabilities decreased 8,168 million yen from the end of the previous fiscal year.

This decrease is caused by decreases in interest-bearing debt (the total of short-term borrowings, current portion of long-term borrowings, long-term borrowings, etc.) of 4,919 million yen due to repayments and the impact of foreign exchange, and in income taxes payable of 2,996 million yen due to payments, etc.

Net assets decreased 4,619 million yen from the end of the previous fiscal year. This decrease is attributable to a decrease in retained earnings of 927 million yen, mainly due to dividends of surplus of 2,668 million yen despite an increase in profit attributable to shareholders of parent of 1,741 million yen and a decrease in accumulated other comprehensive income of 3,656 million yen, mainly due to the continuing strong yen and a fall in the market price of investment securities.

As a result, the ratio of net assets attributable to KAGOME shareholders to total assets is 53.2%, and total net assets per common stock are 1,099.11 yen.

(3) Explanation of the consolidated forecasts and other forward-looking forecasted information

The results for the first three months under review on a consolidated basis are almost as estimated at the beginning of the fiscal period. No revision is made to the forecasted information for the first six months and the full year of the current consolidated fiscal year announced in the “Consolidated Summary Report for the year ended December 31, 2017” dated February 1, 2018.

Contents of Appendix

- 1. Other Information
 - (1) Changes in Significant Subsidiaries 8
 - (2) Application of Special Accounting Method for Preparing Quarterly Consolidated Financial Statements 8

- 2. Consolidated Financial Statements
 - (1) Consolidated Balance Sheets 9
 - (2) Consolidated Statements of Income and Comprehensive Income 11

1. Other Information

(1) Changes in Significant Subsidiaries

Not applicable.

(2) Application of special accounting method for preparing quarterly consolidated financial statements

Income taxes

Income taxes are calculated using the estimated annual effective tax rate including deferred tax assets and liabilities.

2. Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2017	As of Mar. 31, 2018	As of Mar. 31, 2018
Assets			
Current assets:			
Cash and deposits	¥ 22,150	¥ 16,729	\$ 157,821
Notes and accounts receivable	36,042	33,006	311,377
Merchandise and finished goods	21,143	21,522	203,038
Work in process	919	740	6,981
Raw material and supplies	19,636	18,170	171,415
Other current assets	10,127	9,520	89,811
Allowance for doubtful accounts	(351)	(339)	(3,198)
Total current assets	109,667	99,350	937,264
Fixed assets:			
Property, plant and equipment:			
Buildings and structures, net	18,824	18,504	174,566
Machinery, equipment and vehicles, net	17,821	18,329	172,915
Tools and furniture, net	942	883	8,330
Land	12,874	12,103	114,179
Lease assets, net	851	843	7,953
Construction in progress	1,935	2,509	23,670
Property, plant and equipment net	53,250	53,174	501,642
Intangible assets:			
Goodwill	503	359	3,387
Software	1,426	1,580	14,906
Other intangible assets	266	262	2,472
Total intangible assets	2,196	2,202	20,774
Investments and other assets:			
Investment securities	22,364	21,041	198,500
Other assets	8,339	7,255	68,443
Allowance for doubtful accounts	(82)	(75)	(708)
Total investments and other assets	30,621	28,221	266,236
Total fixed assets	86,069	83,598	788,660
Total assets	¥ 195,737	¥ 182,949	\$ 1,725,934

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 106yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of March 31, 2018.

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2017	As of Mar. 31, 2018	As of Mar. 31, 2018
Liabilities			
Current liabilities:			
Notes and accounts payable	¥ 16,554	¥ 17,035	\$ 160,708
Short-term borrowings	21,218	17,072	161,057
Current portion of long-term borrowings	1,447	768	7,245
Other payable	12,039	11,144	105,132
Income taxes payable	3,918	922	8,698
Accrued bonuses for employees	1,251	1,162	10,962
Accrued bonuses for directors	105	-	-
Other current liabilities	3,175	4,234	39,943
Total current liabilities	59,710	52,340	493,774
Long-term liabilities:			
Long-term borrowings	14,154	14,056	132,604
Net defined benefit liability	5,045	4,922	46,434
Provision for loss on guarantees	190	190	1,792
Other	10,782	10,205	96,274
Total long-term liabilities	30,173	29,374	277,113
Total liabilities	89,883	81,714	770,887
Net Assets			
Shareholder's equity:			
Common stock	19,985	19,985	188,538
Capital surplus	22,362	22,362	210,962
Retained earnings	74,303	73,376	692,226
Treasury stock	(26,985)	(26,933)	(254,085)
Total shareholder's equity	89,665	88,791	837,651
Accumulated other comprehensive income :			
Unrealized gain on available-for-sale securities	8,971	8,065	76,085
Deferred gains or losses on derivatives under hedge accounting	2,420	1,023	9,651
Foreign currency translation adjustments	1,754	375	3,538
Remeasurements of defined benefit plans	(864)	(837)	(7,896)
Total accumulated other comprehensive income	12,283	8,626	81,377
Subscription rights to shares	106	126	1,189
Non-controlling interests	3,798	3,689	34,802
Total net assets	105,853	101,234	955,038
Total liabilities and net assets	¥ 195,737	¥ 182,949	\$ 1,725,934

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 106yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of March 31, 2018.

(2) Consolidated Statements of Income and Comprehensive Income

	Millions of Yen		Thousands of U.S. dollars
	Three months ended Mar. 31, 2017	Three months ended Mar. 31, 2018	Three months ended Mar. 31, 2018
Net sales	¥ 47,122	¥ 47,171	\$ 445,009
Cost of sales	26,236	26,045	245,708
Gross profit	20,886	21,125	199,292
Selling, general and administrative expenses	18,377	19,140	180,566
Operating income	2,508	1,985	18,726
Other income			
Interest income	121	63	594
Dividend income	82	120	1,132
Share of profit of entities accounted for using equity method	15	-	-
Foreign exchange gains	216	58	547
Other	71	115	1,085
Total other income	507	358	3,377
Other expenses			
Interest expenses	99	100	943
Share of loss of entities accounted for using equity method	-	9	85
Loss on valuation of derivatives	84	116	1,094
Other	42	116	1,094
Total other expenses	226	343	3,236
Ordinary income	2,790	2,001	18,877
Extraordinary gain			
Gain on sales of fixed assets	315	682	6,434
Gain on transfer of business	330	-	-
Total extraordinary gain	645	682	6,434
Extraordinary loss			
Loss on disposal of fixed assets	8	10	94
Loss on sales of investment securities	-	56	528
Total extraordinary loss	8	67	632
Profit before income taxes	3,427	2,615	24,670
Income taxes			
Income taxes - current	1,345	809	7,632
Income taxes - deferred	(158)	13	123
Total income taxes	1,186	822	7,755
Net income	¥ 2,241	¥ 1,792	\$ 16,906
Profit attributable to Shareholders of parent	2,133	1,741	16,425
Profit attributable to non-controlling interests	107	51	481
Other comprehensive income			
Unrealized gain on available- for- sale securities	583	(906)	(8,547)
Deferred gains or losses on derivatives under hedge accounting	(1,432)	(1,397)	(13,179)
Foreign currency translation adjustments	(959)	(1,539)	(14,519)
Remeasurements of defined benefit plans	30	27	255
Share of other comprehensive income of an affiliate by the equity method	(2)	-	-
Total other comprehensive income	(1,780)	(3,816)	(36,000)
Comprehensive income	¥ 461	¥ (2,023)	\$ (19,085)
Comprehensive income attributable to Shareholders of parent	421	(1,915)	(18,066)
Comprehensive income attributable to non-controlling interests	39	(108)	(1,019)

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 106yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of March 31, 2018.