

Consolidated Summary Report <under Japanese GAAP>

For the fiscal year ended December 31, 2018

January 31, 2019

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya
 Code number : 2811 URL <http://www.kagome.co.jp>
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Annual general meeting date: March 27, 2019

Dividend payment date: March 7, 2019

Securities report issuing date: March 15, 2019

Supplemental information for financial statements: Available

Schedule for "investor meeting presentation": Scheduled

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

1. Consolidated Financial Data for the Fiscal Year ended December 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	
Fiscal Year ended	million yen	%	million yen	%	million yen	%	million yen	%
December 31, 2018	209,865	(2.0)	12,000	0.3	12,051	(4.5)	11,527	14.1
December 31, 2017	214,210	5.8	11,968	9.3	12,618	11.5	10,100	49.3

(Reference) Comprehensive income December 31, 2018: 1,389 million yen (-88.5%); December 31, 2017: 12,100 million yen (274.2%)

	Earnings Per Share	Diluted Earnings per Share	Net income to Net Assets Attributable to KAGOME Shareholders	Ordinary Income to Total Assets	Operating Income to Net Sales
Fiscal year ended	yen	yen	%	%	%
December 31, 2018	130.03	129.90	11.3	6.2	5.7
December 31, 2017	114.03	113.96	10.4	6.1	5.6

(Reference) Equity in earnings by the equity method December 31, 2018: (72) million yen; December 31, 2017: (44) million yen

(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
December 31, 2018	193,612	104,843	52.5	1,146.85
December 31, 2017	195,737	105,853	52.1	1,050.50

(Reference) Shareholders' equity as of December 31, 2018: 101,732 million yen; December 31, 2017: 101,949 million yen

(3) Conditions of Cash flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at the end of the period
Fiscal year ended	million yen	million yen	million yen	million yen
December 31, 2018	10,130	(299)	(1,083)	30,112
December 31, 2017	16,598	17,271	(40,761)	21,550

2. Dividends on Common Stock

	Dividends per Share					Total dividends	Dividend payout ratio	Dividend on Net Assets ratio
	1Q-end	2Q-end	3Q-end	Year-end	Total			
Fiscal year ended	yen	yen	yen	yen	yen	million yen	%	%
December 31, 2017	—	—	—	30.00	30.00	2,668	26.3	2.7
December 31, 2018	—	—	—	40.00	40.00	3,558	30.8	3.5
Fiscal year ending December 31, 2019(Forecast)	—	—	—	35.00	35.00		32.7	

(Reference) Fiscal year ended December 31, 2018: Ordinary dividend: 30.00 yen; Anniversary dividend: 10.00 yen

3. Consolidated Forecasts for the Fiscal Year Ending December 31, 2019

(% represents the change from the same period in the previous fiscal year)

	Revenue		Core Operating Income		Operating Income		Net Income Attributable to Shareholders of Parent		Earnings Per Share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
For the year ending December 31, 2019	189,000	—	12,600	—	13,600	—	9,500	—	107.10

(Reference) 1. The consolidated earnings forecasts above are made according to the International Financial Reporting Standards (hereinafter, IFRS) as the Company decided to apply the IFRS from the fiscal year ending December 31, 2019 at its option.

2. Revenue means net sales figures directly deducting sales rebate which used to be included in sales and administrative expenses.

3. Core Operating Income is the profit index which measures constant business performance by deducting cost of sales and selling, general and administrative expenses from revenue plus share of loss (profit) of entities accounted for using equity method.

These are based on IFRS as rough number of fiscal year of 2018

	Revenue		Core Operating Income		Operating Income		Net Income Attributable to Shareholders of Parent	
	million yen		million yen		million yen		million yen	
For the year ending December 31, 2018 (Rough number based on IFRS)	184,600		12,400		12,300		9,000	

4. Other

(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) 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

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

(A) Total stocks outstanding

including treasury stocks:

Dec. 31, 2018	99,616,944 shares	Dec. 31, 2017	99,616,944 shares
Dec. 31, 2018	10,910,869 shares	Dec. 31, 2017	11,003,718 shares
Dec. 31, 2018	88,706,075 shares	Dec. 31, 2017	88,613,226 shares
Fiscal year ended Dec. 31, 2018	88,653,522 shares	Fiscal year ended Dec. 31, 2017	88,578,624 shares

(B) Treasury stocks:

(C) Total stocks outstanding

excluding treasury stocks:

(D) Average outstanding stocks:

(Reference) Non-consolidated Financial Data

1. Non-consolidated Financial Data for the Fiscal Year ended December 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	
	million yen	%	million yen	%	million yen	%	million yen	%
Fiscal year ended December 31, 2018	169,127	0.1	10,805	3.4	11,395	(2.1)	12,127	128.0
December 31, 2017	168,937	6.8	10,449	16.3	11,641	22.4	5,318	76.2

	Earnings Per Share	Diluted Earnings per Share
Fiscal year ended December 31, 2018	yen 136.80	yen 136.67
December 31, 2017	60.04	60.00

(2) Financial Conditions

	Total Assets	Total Net Assets	Net Assets Attributable to KAGOME Shareholders to Total Assets	Total Net Assets per Common Stock
Fiscal year ended	million yen	million yen	%	yen
December 31, 2018	151,449	92,564	61.0	1,041.21
December 31, 2017	151,916	90,788	59.7	1,023.34

(Reference) Shareholders' equity as of December 31, 2018: 92,361million yen; December 31, 2017: 90,681 million yen

* 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.

1. Overview of Operating Results

(1) Analysis of Operating Results for the Current Fiscal Year

During the consolidated year under review (January 1, 2018 to December 31, 2018), the Japanese economy continued its moderate recovery despite a temporary decline due to typhoon, earthquake and other natural disasters. The food industries saw 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 resolving 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.

Regarding net sales, though domestic beverage business has seen steady growth, we couldn’t catch up with the rapid speed of changing situation in both agricultural business and international business. As a result, we were not able to compensate the decrease of net sales due to the selling off of securities of PBI (that used to be a subsidiary of our group until November, 2017) , and eventually net sales has decreased compared to that of last year.

Operating income increased with the implementation of profit structural reforms of the domestic processed food business, including cost reduction, despite increases in advertising expenses and logistics expenses mainly in the domestic business and weak sales of subsidiaries in the U.S. and Portugal in the international business.

The Group is proceeding with sales of idle assets and shares reciprocally held as one of its measures to improve corporate governance, including the efficiency of assets. As a result, the Group recorded a gain on sales of fixed assets of 1,482 million yen and a gain on sales of investment securities of 4,574 million yen under extraordinary gains.

In addition, the typhoons No. 20 and 21 in August to September 2018 caused severe damage to a subsidiary, Kada Greenfarm Co., Ltd., which led to the judgment that its business will not be able to be resumed in the future. Consequently, the company was dissolved on November 30, 2018. In the international business, a reform of the business structure mainly in seeds was initiated and inventories are disposed of following the closing of unprofitable sales bases and a review of the sales strategy. As a result, we recorded a loss on disaster of 1,271 million yen and business structure improvement expenses of 471 million yen under extraordinary losses.

As a result, net sales for the consolidated year under review fell 2.0% year on year to 209,865 million yen. Operating income was up 0.3% year on year to 12,000 million yen. Ordinary income was down 4.5% year on year to 12,051 million yen. Profit attributable to shareholders of parent was 11,527 million yen, which was up 14.1% year on year.

The business results by segment are as outlined below.

(Million yen)

Name of segment	Net sales			Operating income		
	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Change	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Change
Beverages	88,657	89,075	418	5,951	5,787	(163)
Food, etc.	68,984	68,649	(335)	4,749	5,242	493
Processed food	157,642	157,725	83	10,700	11,030	329
Agriculture	11,409	11,464	55	(236)	(161)	74
Others	18,057	18,696	639	666	795	128
Adjustments (Note1)	(16,835)	(17,484)	(649)	—	—	—
Domestic business in total	170,273	170,402	128	11,131	11,664	532
International business	48,847	46,390	(2,457)	837	336	(501)
Adjustments (Note2)	(4,910)	(6,927)	(2,016)	—	—	—
Total	214,210	209,865	(4,344)	11,968	12,000	31

(Note) 1. Net sales between segments within the domestic business are eliminated.

2. Net sales between the domestic business and the international business are eliminated.

<Domestic Business>

Net sales of the domestic business increased to 170,402 million yen, up 0.1% year on year, and operating income increased to 11,664 million yen, up 4.8% 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 157,725 million yen, up 0.1% year on year, and operating income rose to 11,030 million yen, up 3.1% year on year.

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

In the beverages category, the Company aims to offer “Health Beverages for Life” that meet consumers’ expectations for good health. The Company aims to increase the range of products that meet diverse health needs and that are suitable for various drinking scenarios and develop versatile and habitual drinking uses, including increased functions under the catchphrase “To provide vegetables with ease and a delicious taste.” The tomato juice has been sold as a food with functional claims since 2016. From 2018, the Company renewed and released the products with two functional claims of “increase in good cholesterol” and “decrease in high blood pressure,” recording strong sales. As for the Yasai Seikatsu 100 series, the Company launched the smoothie soup of Yasai Seikatsu 100 Smoothie, which will serve as an alternative diet as well as snacks, in the Kanto region only, among other activities, to create new opportunities for eating and drinking, which has become popular mainly among women in their 20s to 40s.

Although sales of tomato juice and smoothies steadily expanded, the number of products related to beverages increased and the opportunity for drinking the existing 200ml container products decreased. As a result, net sales of the vegetable beverages category remained at the same level as that of the previous year, 89,075 million yen, and operating income decreased to 5,787 million yen, down 2.8% year on year, mainly due to an increase in advertising expenses.

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

With respect to tomato ketchup, we instituted promotional campaigns to propose the use of tomato ketchup in cooking of Western dishes such as spaghetti Napolitana and Chinese dishes such as shrimp in chili sauce for consumer use. For institutional and industrial use, we focused on measures to stimulate demand with a dispenser designed primarily for buffets such as breakfast in hotels, resulting in steady sales.

As for condiments made with tomatoes other than tomato ketchup, 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.

In addition, we established a sales system for integrated proposals beyond the categories of consumer use and institutional and industrial use and stepped up proposals under the theme of vegetable solutions directed at the expanding home-meal replacement market.

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, resulting in strong sales. In addition, products for direct marketing sales have seen strong performance in sales of the core beverage Tsubuyori Yasai and supplements.

Accordingly, although sales of the Company’s own brand products increased, sales of products for institutional and industrial use produced under contract decreased and as a result, net sales in the category of food, etc. remained at the same level as that of the previous year, 68,649 million yen, and operating income increased to 5,242 million yen, up 10.4% 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 0.5% year on year to 11,464 million yen with an operating loss of 161 million yen in comparison with the operating loss of 236 million yen a year earlier.

As for fresh tomatoes, our main business, we expanded the selection of high value-added products containing abundant lycopene, B(beta)-carotene, GABA and other specific nutrition, while increased attention was given to functional vegetables. In December 2018, we launched the food with functional claims “GABA Select.” However, in addition to the stagnant market situations for fresh tomatoes, which had continued to worsen from spring to summer, the delay in response to the market situation of excessive supply contributed to the recording of another operating loss following the previous fiscal year, although net sales increased. 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 18,696 million yen, up 3.5% year on year, and operating income increased to 795 million yen, up 19.3% year on year.

In addition, in April 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 for the purpose of promoting collaborative initiatives among food manufacturers toward the resolution of worsening problems with the physical distribution of food, including a sharp rise in logistics expenses.

<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, farming, product development, processing and sales.

Net sales of the business decreased to 46,390 million yen, down 5.0% year on year, and operating income decreased to 336 million yen, down 59.9% year on year.

In addition, in comparison to the results of the previous consolidated fiscal year, excluding the impact of the disposal of the shares of PBI in November 2017, net sales increased 8.1% year on year and operating income decreased 60.4% 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 steady growth of sales towards global food service companies and a change in the time of dealing with the Company which was made in the previous consolidated fiscal year, but a decrease in profits is mainly because of a temporary decline in production efficiency upon introduction of new production facilities. Holding da Industria Transformadora do Tomate, SGPS S.A. (Portugal) recorded an operating loss due to the low market price for tomato paste. Kagome Australia Pty Ltd. (Australia) recorded increases in both income and profits thanks to steady progress in business restructuring implemented since the previous consolidated fiscal year in addition to strong sales to major customers.

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 tomatoes for processing in the Republic of Senegal from the fiscal year under review. The Company also launched the business of a joint venture to engage in sales of vegetable beverages, Kagome Nissin Foods (H.K.) Co., Ltd., for business expansion in Hong Kong and Macao and entry into the Chinese market.

(2) Summary of Financial Position for the Current Fiscal Year

Total assets at the end of the consolidated fiscal year under review decreased 2,124 million yen from the end of the previous fiscal year.

Current assets increased 7,653 million yen from the end of the previous fiscal year

This increase was attributable to an increase of 8,441 million yen in cash and deposits which was caused mainly by the sale of investment securities.

Fixed assets decreased 9,778 million yen from the end of the previous fiscal year.

Property, plant and equipment increased 3,351 million yen from the end of the previous fiscal year. The main factors contributing to the increase included capital expenditure amounting to 11,366 million yen such as the renewal of the Company's existing production facilities. Main factors that offset the increase were depreciation of 4,775 million yen, sales of real estate of 1,032 million yen and an impairment loss of 844 million yen. Investments and other assets decreased 13,125 million yen from the end of the previous fiscal year mainly due to sale of investment securities.

Liabilities decreased 1,114 million yen from the end of the previous fiscal year

This decrease was attributable to a decline of 2,802 million yen in deferred tax liabilities caused mainly by the sale of investment securities, offset by an increase of 1,514 million yen in other payables (including long-term accounts payable).

Net assets decreased 1,009 million yen from the end of the previous fiscal year.

This decrease was attributable to a decrease of 9,321 million yen in accumulated other comprehensive income caused mainly by the sale of investment securities, a fall in market prices and the continued strength of the yen, which was offset by an increase of 9,105 million yen in shareholder's equity resulting from retained earnings, in which increase of 11,527 million yen was due to profit attributable to shareholders of parent more than offset of decrease of 2,668 million yen due to dividends of surplus.

As a result, the ratio of net assets attributable to KAGOME shareholders to total assets is 52.5%, and total net assets per common stock are 1,146.85 yen.

(Qualitative information regarding the state of consolidated cash flow)

Cash and cash equivalents at the end of the consolidated fiscal year under review were 30,112 million yen, up 8,562 million yen from the end of the previous fiscal year.

The state of each cash flow is as explained below.

Cash flow from operating activities resulted in net cash of 10,130 million yen provided by operating activities (net cash of 16,598 million yen provided by operating activities in the previous fiscal year). The main factors were profit before income taxes of 15,928 million yen, depreciation of 5,194 million yen (net cash provided by operating activities), gain on sales of securities of 4,517 million yen, gain on sales of fixed assets of 1,254 million yen and payment of income taxes of 5,500 million yen (net cash used in operating activities).

Cash flow from investing activities resulted in net cash of 299 million yen used in investing activities (net cash of 17,271 million yen provided by investing activities in the previous fiscal year). The main factors were cash used in acquisition of fixed assets (10,718 million yen) and acquisition of securities (801 million yen), which was offset by cash provided by sale of securities (8,962 million yen) and sale of fixed assets (2,331 million yen).

Cash flow from financing activities resulted in net cash of 1,083 million yen used in financing activities (net cash of 40,761 million yen used in financing activities in the previous fiscal year). The main factors were cash used in the repayment of long-term borrowings (8,497 million yen) and payment of dividends (2,668 million yen), which was offset by cash provided by long-term borrowings (7,726 million yen) and net increase and decrease in short-term borrowings (2,301 million yen).

(3) Summary of Cash Flow for the Current Fiscal Year

The indexes relating to cash flow of the Group are as shown below.

Item	December 2014	December 2015	December 2016	December 2017	December 2018
Net assets attributable to KAGOME shareholders to total assets (%)	58.8	57.2	42.1	52.1	52.5
Net assets attributable to KAGOME shareholders to total assets based on the market value (%)	89.2	100.7	117.8	189.5	132.0
Period of debt redemption (years)	20.5	3.1	4.0	2.2	3.7
Interest coverage ratio (times)	5.8	66.2	95.6	36.9	25.1

(Notes) Net assets attributable to KAGOME shareholders to total: (Shareholders' equity) / (total assets)
assets

Net assets attributable to KAGOME shareholders to total: (Market capitalization) / (total assets)
assets based on the market value

Period of debt redemption : (Interest-bearing debt) / (cash flow from operating activities)

Interest coverage ratio : (Cash flow from operating activities) / (interest payment)

1. Every index is calculated based on the financial data on a consolidated basis.

2. "Market capitalization" is calculated according to the following formula: 【closing price of stocks at the end of the fiscal year】 x
【 number of outstanding shares at the end of the fiscal year 】 (after deduction of treasury shares).

3. The data of "cash flow from operating activities" is the data of cash flow from operating activities stated on the consolidated statement of cash flow. "Interest-bearing debt" includes all debts recorded on the consolidated balance sheet which involve payment of interest. In addition, the data of "interest payment" is the data of "amount of interest payment" stated on the consolidated statement of cash flow.

4. The period of settlement of accounts for the fiscal year ended December 31, 2014 differs from the regular period of settlement of accounts, namely nine months, as the commencement date and the ending date of the fiscal year are changed. Accordingly, the data of the period of debt redemption and the interest coverage ratio is the data based on the cash flow from operating activities and interest payment for nine months.

(4) Outlook for the Next Fiscal Year

	Revenue (Note 2) (million yen)	Core Operating Income (Note 3) (million yen)	Operating income (million yen)	Net income attributable to shareholders of parent (million yen)	Basic net income per share (yen)
Fiscal year ending December 31, 2019 (Forecast)	189,000	12,600	13,600	9,500	107.10

- (Notes) 1. The consolidated earnings forecasts above are made according to the International Financial Reporting Standards (hereinafter, IFRS) as the Company decided to apply the IFRS from the fiscal year ending December 31, 2019 at its option.
2. Revenue means net sales figures directly deducting sales rebate which used to be included in sales and administrative expenses.
3. Core Operating Income is the profit index which measures constant business performance by deducting cost of sales and selling, general and administrative expenses from sales revenue plus share of loss (profit) of entities accounted for using equity method.

The food industry in 2019 in Japan is expected to see a continuation of uncertain circumstances. They include continued reduction of market size caused by a shrinking population, consumption tax hike, rising costs of imported raw materials, physical distribution costs, and changes in world affairs. Under these circumstances, the Company started the three-year mid-term management plan starting from fiscal year 2019 to transform from a “tomato company” into a “vegetable company” under a long-term vision that aims at the realization of a “strong company that can maintain sustainable growth by resolving social issues through food.”

<Domestic Business>

In the domestic business, we will contribute to the resolution of social issues by providing different kinds of vegetables to various markets with diverse degree and forms of processing, with the aim of “eliminating the insufficient intake of vegetables in Japan.” We will establish an integrated sales system handling products for consumer use, products for institutional and industrial use and fresh vegetables, place focus on the proposal of “intake of vegetables with side dishes,” and provide colorful and healthy menus using vegetables on every occasion of home cooking, takeout food and restaurants.

<International Business>

In regards to the international business as a whole, we will aim for further growth by reinforcing vertical collaboration between the tomato-related businesses owned by Group companies, such as seeds and seedling development, cultivation, processing and sales, and maximizing customer value. We will increase involvement of the head office in the subsidiaries and strengthen management to proceed with the reform of profit structure.

The forecast above is a forward-looking statement that was prepared based on economic circumstances at the time of preparing this consolidated summary report. Actual performance may differ from the financial outlooks herein for various unforeseeable reasons.

(5) Basic Policy for Profit Distribution and Dividends for the Current Fiscal Year and the Following Fiscal Year

The Company recognizes shareholder returns as one of the most important issues in management.

With respect to dividends for the current fiscal year, the Company decided to pay an ordinary dividend of 30 yen per share plus a commemorative dividend of 10 yen in commemoration of the 120th anniversary of its founding, namely a total dividend of 40 yen per share. In addition, we plan to pay a dividend of 35 yen per share in the next fiscal year.

For details, please refer to the “notice regarding revision to dividend forecasts” announced this day (January 31, 2019).

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1.Consolidated Financial Statements

(1) Consolidated Balance Sheets

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2017	As of Dec. 31, 2018	As of Dec. 31, 2018
Assets			
Current assets:			
Cash and deposits	¥ 22,150	¥ 30,591	\$ 275,595
Notes and accounts receivable	36,042	35,893	323,360
Merchandise and finished goods	21,143	19,705	177,523
Work in process	919	896	8,072
Raw material and supplies	19,636	20,674	186,252
Deferred tax assets	506	1,014	9,135
Derivatives	2,568	195	1,757
Other current assets	7,051	8,631	77,757
Allowance for doubtful accounts	(351)	(281)	(2,532)
Total current assets	109,667	117,321	1,056,946
Fixed assets:			
Property, plant and equipment:			
Buildings and structures, net	18,824	19,497	175,649
Machinery, equipment and vehicles, net	17,821	19,736	177,802
Tools and furniture, net	942	1,081	9,739
Land	12,874	11,532	103,892
Lease assets, net	851	817	7,360
Construction in progress	1,935	3,937	35,468
Property, plant and equipment net	53,250	56,602	509,928
Intangible assets:			
Goodwill	503	55	495
Software	1,426	1,872	16,865
Other intangible assets	266	264	2,378
Total intangible assets	2,196	2,192	19,748
Investments and other assets:			
Investment securities	22,364	10,413	93,811
Long-term loans receivable	1,581	1,238	11,153
Deferred tax assets	95	132	1,189
Other assets	6,663	5,783	52,099
Allowance for doubtful accounts	(82)	(71)	(640)
Total investments and other assets	30,621	17,496	157,622
Total fixed assets	86,069	76,291	687,306
Total assets	¥ 195,737	¥ 193,612	\$ 1,744,252

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 111 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2018.

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2017	As of Dec. 31, 2018	As of Dec. 31, 2018
Liabilities			
Current liabilities:			
Notes and accounts payable	¥ 16,554	¥ 16,472	\$ 148,396
Short-term borrowings	21,218	22,306	200,955
Current portion of long-term borrowings	1,447	1,719	15,486
Other payable	12,039	13,166	118,613
Income taxes payable	3,918	3,620	32,613
Deferred tax liabilities	14	13	117
Accrued bonuses for employees	1,251	1,316	11,856
Accrued bonuses for directors	105	79	712
Derivatives liabilities	2	4	36
Other current liabilities	3,158	3,862	34,793
Total current liabilities	59,710	62,563	563,631
Long-term liabilities:			
Long-term borrowings	14,154	12,910	116,306
Deferred tax liabilities	3,882	1,079	9,721
Net defined benefit liability	5,045	5,454	49,135
Provision for loss on guarantees	190	185	1,667
Other	6,900	6,576	59,243
Total long-term liabilities	30,173	26,206	236,090
Total liabilities	89,883	88,769	799,721
Net Assets			
Shareholder's equity:			
Common stock	19,985	19,985	180,045
Capital surplus	22,362	22,362	201,459
Retained earnings	74,303	83,162	749,207
Treasury stock	(26,985)	(26,739)	(240,892)
Total shareholder's equity	89,665	98,771	889,829
Accumulated other comprehensive income :			
Unrealized gain on available-for-sale securities	8,971	2,892	26,054
Deferred gains or losses on derivatives under hedge accounting	2,420	457	4,117
Foreign currency translation adjustments	1,754	606	5,459
Remeasurements of defined benefit plans	(864)	(995)	(8,964)
Total accumulated other comprehensive income	12,283	2,961	26,676
Subscription rights to shares	106	202	1,820
Non-controlling interests	3,798	2,908	26,198
Total net assets	105,853	104,843	944,532
Total liabilities and net assets	¥ 195,737	¥ 193,612	\$ 1,744,252

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 111 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2018.

(2) Consolidated Statements of Income and Comprehensive Income

	Millions of Yen		Thousands of U.S. dollars
	Fiscal Year ended Dec. 31, 2017	Fiscal Year ended Dec. 31, 2018	Fiscal Year ended Dec. 31, 2018
Net sales	¥ 214,210	¥ 209,865	\$ 1,890,676
Cost of sales	117,738	115,216	1,037,982
Gross profit	96,472	94,649	852,694
Selling, general and administrative expenses	84,503	82,648	744,577
Operating income	11,968	12,000	108,108
Other income			
Interest income	409	258	2,324
Dividend income	341	360	3,243
Gain on valuation of derivatives	391	-	-
Other	417	434	3,910
Total other income	1,559	1,053	9,486
Other expenses			
Interest expenses	477	410	3,694
Share of loss of entities accounted for using equity method	44	72	649
Foreign exchange losses	41	88	793
Other	346	430	3,874
Total other expenses	910	1,002	9,027
Ordinary income	12,618	12,051	108,568
Extraordinary gain			
Gain on sales of fixed assets	354	1,482	13,351
Gain on sales of investment securities	1,721	4,574	41,207
Gain on sales of shares of subsidiaries and associates	2,171	-	-
Gain on transfer of business	330	-	-
Compensation income for expropriation	11	-	-
Total extraordinary gain	4,590	6,056	54,559
Extraordinary loss			
Loss on disposal of fixed assets	195	228	2,054
Impairment loss	1,337	136	1,225
Loss on disaster	-	1,271	11,450
Business structure improvement expenses	-	471	4,243
Other	64	71	640
Total extraordinary loss	1,598	2,179	19,631
Profit before income taxes	15,610	15,928	143,495
Income taxes			
Income taxes - current	4,688	4,990	44,955
Income taxes - deferred	544	(69)	(622)
Total income taxes	5,232	4,921	44,333
Net income	¥ 10,377	¥ 11,006	\$ 99,153
Profit attributable to Shareholders of parent	10,100	11,527	103,847
Profit attributable to non-controlling interests	276	(521)	(4,694)
Other comprehensive income			
Unrealized gain on available- for- sale securities	2,484	(6,079)	(54,766)
Deferred gains or losses on derivatives under hedge accounting	(1,850)	(1,975)	(17,793)
Foreign currency translation adjustments	656	(1,430)	(12,883)
Remeasurements of defined benefit plans	435	(131)	(1,180)
Share of other comprehensive income of an affiliate by the equity method	(2)	0	0
Total other comprehensive income	1,723	(9,617)	(86,640)
Comprehensive income	¥ 12,100	¥ 1,389	\$ 12,514
Comprehensive income attributable to Shareholders of parent	11,621	2,206	19,874
Comprehensive income attributable to non-controlling interests	479	(817)	(7,360)

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 111 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2018.

(3) Consolidated Statements of Changes in Net Assets

Millions of Yen

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain (Loss) on Available-for- sale- Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Accumulated other Comprehensive Income	Subscription rights to shares	Non- controlling interests	Total Net Assets
Balance, January 1, 2017	¥ 19,985	¥ 22,362	¥ 66,492	¥ (27,163)	¥ 81,677	¥ 6,487	¥ 4,287	¥ 1,276	¥ (1,296)	¥ 10,754	¥ 44	¥ 5,514	¥ 97,991
Cash dividends			(2,179)		(2,179)								(2,179)
Profit attributable to Shareholders of parent			10,100		10,100								10,100
Repurchase of treasury stock				(5)	(5)								(5)
Disposal of treasury stock		(1)		182	181								181
Transfer of loss on disposal of treasury shares		1	(1)		—								—
Change of scope of consolidation			(109)		(109)								(109)
Net changes of items other than shareholders' equity						2,484	(1,866)	478	432	1,528	61	(1,716)	(126)
Total changes of items during period	—	—	7,811	177	7,988	2,484	(1,866)	478	432	1,528	61	(1,716)	7,861
Balance, December 31, 2017	¥ 19,985	¥ 22,362	¥ 74,303	¥ (26,985)	¥ 89,665	¥ 8,971	¥ 2,420	¥ 1,754	¥ (864)	¥ 12,283	¥ 106	¥ 3,798	¥ 105,853
Cash dividends			(2,668)		(2,668)								(2,668)
Profit attributable to Shareholders of parent			11,527		11,527								11,527
Repurchase of treasury stock				(2)	(2)								(2)
Disposal of treasury stock		(0)		248	248								248
Transfer of loss on disposal of treasury shares		0	(0)		—								—
Change of scope of consolidation					—								—
Net changes of items other than shareholders' equity						(6,079)	(1,962)	(1,148)	(131)	(9,321)	96	(889)	(10,114)
Total changes of items during period	—	—	8,858	246	9,105	(6,079)	(1,962)	(1,148)	(131)	(9,321)	96	(889)	(1,009)
Balance, December 31, 2018	¥ 19,985	¥ 22,362	¥ 83,162	¥ (26,739)	¥ 98,771	¥ 2,892	¥ 457	¥ 606	¥ (995)	¥ 2,961	¥ 202	¥ 2,908	¥ 104,843

Thousands of U.S. Dollars

	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Unrealized Gain (Loss) on Available-for- sale- Securities	Deferred Gain (Loss) on Derivatives under Hedge Accounting	Foreign Currency Translation Adjustments	Remeasurements of defined benefit plans	Total Accumulated other Comprehensive Income	Subscription rights to shares	Non- controlling interests	Total Net Assets
Balance, December 31, 2017	\$ 180,045	\$ 201,459	\$ 669,396	\$ (243,108)	\$ 807,793	\$ 80,820	\$ 21,802	\$ 15,802	\$ (7,784)	\$ 110,658	\$ 955	\$ 34,216	\$ 953,631
Cash dividends			(24,036)		(24,036)								(24,036)
Profit attributable to Shareholders of parent			103,847		103,847								103,847
Repurchase of treasury stock				(18)	(18)								(18)
Disposal of treasury stock		(3)		2,234	2,234								2,234
Transfer of loss on disposal of treasury shares		3	(3)		—								—
Change of scope of consolidation					—								—
Net changes of items other than shareholders' equity						(54,766)	(17,676)	(10,342)	(1,180)	(83,973)	865	(8,009)	(91,117)
Total changes of items during period	—	—	79,802	2,216	82,027	(54,766)	(17,676)	(10,342)	(1,180)	(83,973)	865	(8,009)	(9,090)
Balance, December 31, 2018	\$ 180,045	\$ 201,459	\$ 749,207	\$ (240,892)	\$ 889,829	\$ 26,054	\$ 4,117	\$ 5,459	\$ (8,964)	\$ 26,676	\$ 1,820	\$ 26,198	\$ 944,532

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 111yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of December 31, 2018.

(4) Consolidated Statements of Cash Flows

	Millions of Yen		Thousands of U.S. dollars
	Fiscal Year ended Dec. 31, 2017	Fiscal Year ended Dec. 31, 2018	Fiscal Year ended Dec. 31, 2018
Cash flows from operating activities:			
Profit before income taxes	¥ 15,610	¥ 15,928	\$ 143,495
Depreciation and amortization	5,813	5,194	46,793
Impairment loss	1,337	844	7,604
Amortization of goodwill	722	419	3,775
Interest and dividend income	(750)	(619)	(5,577)
Interest expense	477	410	3,694
Increase (decrease) in accrued bonuses	18	42	378
Increase (decrease) in other provisions	93	(71)	(640)
Increase (decrease) in net defined benefit liability	242	218	1,964
Share of loss (profit) of entities accounted for using equity method	44	96	865
Loss (gain) on sales of investment securities	(1,721)	(4,517)	(40,694)
Loss (gain) on sales of shares of subsidiaries and associates	(2,171)	-	-
Loss (gain) on sales and disposal of fixed assets- net	(158)	(1,254)	(11,297)
Loss (gain) on transfer of business	(330)	-	-
Compensation income for expropriation	(11)	-	-
Changes in assets and liabilities:			
Decrease (increase) in notes and accounts receivable	(2,993)	(192)	(1,730)
Decrease (increase) in inventories	(1,876)	(597)	(5,378)
Decrease (increase) in accounts receivable- other	(974)	(501)	(4,514)
Increase (decrease) in notes and accounts payable	3,113	(46)	(414)
Increase (decrease) in accounts payable- other	1,203	80	721
Proceeds from lease and guarantee deposits received	615	-	-
Decrease (increase) in other current assets	(260)	(269)	(2,423)
Increase (decrease) in other current liabilities	(255)	321	2,892
Other- Increase (decrease)- net	(51)	(9)	(81)
Subtotal	17,738	15,479	139,450
Cash received from interest and dividend income	772	555	5,000
Cash paid for interest expense	(449)	(404)	(3,640)
Income taxes paid	(1,474)	(5,500)	(49,550)
Proceeds from compensation for expropriation	11	-	-
Net cash provided by (used in) operating activities	16,598	10,130	91,261
Cash flows from investing activities:			
Disbursement for time deposits	(96)	(20)	(180)
Proceeds from withdrawal of time deposits	10,122	115	1,036
Purchases of marketable and investment securities	(682)	(801)	(7,216)
Proceeds from sales and redemption of securities	2,938	8,962	80,739
Acquisition of fixed assets	(9,202)	(10,718)	(96,559)
Proceeds from sales of fixed assets	1,830	2,331	21,000
Collection of loans receivable	263	65	586
Proceeds from transfer of business	868	-	-
Purchase of shares and capital of subsidiaries resulting in change in scope of consolidation	(90)	-	-
Purchase of shares of subsidiaries and associates	(48)	(121)	(1,090)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	11,246	-	-
Other- Increase (decrease)- net	122	(112)	(1,009)
Net cash provided by (used in) investing activities	17,271	(299)	(2,694)
Cash flows from financing activities:			
Increase (decrease) in short- term borrowings	(17,918)	2,301	20,730
Proceeds from long- term borrowings	8,634	7,726	69,604
Repayments of long- term borrowings	(29,277)	(8,497)	(76,550)
Repayments of finance lease obligations	(123)	(117)	(1,054)
Dividends paid	(2,180)	(2,668)	(24,036)
Proceeds from share issuance to non-controlling shareholders	0	0	0
Dividends paid to non-controlling interests	(69)	(74)	(667)
Decrease (increase) in treasury shares	173	246	2,216
Other- Increase (decrease)- net	0	-	-
Net cash provided by (used in) financing activities	(40,761)	(1,083)	(9,757)
Foreign translation adjustment on cash and cash equivalents	377	(185)	(1,667)
Net increase (decrease) in cash and cash equivalents	(6,513)	8,562	77,135
Cash and cash equivalents at beginning of period	28,313	21,550	194,144
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(249)	-	-
Cash and cash equivalents at end of period	¥ 21,550	¥ 30,112	\$ 271,279

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