

Consolidated Summary Report <under Japanese GAAP>

For the three months ended March 31, 2017

April 28, 2017

Company name : KAGOME CO., LTD Stock exchange listings: Tokyo and Nagoya
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Quarterly securities report issuing date: May 12, 2017 Dividend payment date: -
 Supplemental information for financial statements: Available
 Schedule for "investor meeting presentation": None

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

1. Consolidated Financial Data for the three months ended March 31, 2017

(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	
	million yen	%	million yen	%	million yen	%	million yen	%
Three months ended								
March 31, 2017	47,122	6.3	2,508	101.4	2,790	106.3	2,133	121.2
March 31, 2016	44,348	4.0	1,245	219.8	1,352	235.7	964	476.6

(Reference) Comprehensive income March 31, 2017: 461 million yen (— %); March 31, 2016: (3,904) million yen (— %)

	Earnings Per Share	Diluted Earnings per Share
	yen	yen
Three months ended		
March 31, 2017	24.09	24.08
March 31, 2016	9.70	9.70

(2) Financial Conditions

	Total Assets	Total Net Assets	Net Assets Attributable to KAGOME Shareholders to Total Assets	Total Net Assets per Common Stock
	million yen	million yen	%	yen
As of				
March 31, 2017	195,715	96,235	46.3	1,023.27
December 31, 2016	219,804	97,991	42.1	1,043.89

(Reference) Shareholders' equity as of March 31, 2017: 90,626 million yen; December 31, 2016: 92,432 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, 2016	—	—	—	24.50	24.50
December 31, 2017	—	—	—	—	—
Fiscal year ending				27.00	27.00
December 31, 2017(Forecast)		—	—	27.00	27.00

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

3. Consolidated Forecasts for the fiscal year ending December 31, 2017

(% 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, 2017	101,000	2.7	5,100	(7.3)	5,300	(6.1)	3,500	8.9	39.53
For the year ending									
December 31, 2017	210,000	3.7	11,500	5.1	11,900	5.2	8,400	24.2	94.87

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

4. Other (For more details, please see “Other information” in page 7)

(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:	Mar. 31, 2017	99,616,944 shares	Dec. 31, 2016	99,616,944 shares
(B) Treasury stocks:	Mar. 31, 2017	11,050,890 shares	Dec. 31, 2016	11,070,797 shares
(C) Total stocks outstanding excluding treasury stocks:	Mar. 31, 2017	88,566,054 shares	Dec. 31, 2016	88,546,147 shares
(D) Average outstanding stocks:	3 months ended Mar. 31, 2017	88,552,096 shares	3 months ended Mar. 31, 2016	99,419,444 shares

* Disclosure regarding the execution of the annual review process

This “Consolidated Summary Report” (“Tanshin”) is outside the scope of the external auditor’s annual review procedure which is required by “Financial Instruments and Exchange Act”. Therefore, the annual review process has not been completed as of this disclosure in the “Consolidated Summary Report”.

*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, 2017 to March 31, 2017) 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. However, the food industry continued to face uncertainty because of a rise in unit prices for raw materials and physical distribution costs.

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 strong sales performance of the main beverage business in the domestic business, among other factors.

Operating income also increased due to the reform of the profit structure through the effective use of sales promotion costs as well as an increase in sales, mainly in the domestic business, among other causes.

As a result, for the first three months under review on a consolidated basis, net sales increased to ¥47,122 million, up 6.3% year on year, operating income reached ¥2,508 million, double that of the same period of the previous fiscal year, ordinary income rose to ¥2,790 million, 2.1 times that of the same period of the previous fiscal year, and net income attributable to owners of parent amounted to ¥2,133 million, 2.2 times that of the same period of the previous fiscal year.

The business results by segment are as outlined below.

It should be noted that the reporting segment categories have been changed from the consolidated first quarter under review. (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	17,097	19,283	2,186	172	1,179	1,006
Food, etc.	13,257	13,733	475	21	549	528
Processed food in total	30,355	33,016	2,661	193	1,728	1,534
Agriculture	2,458	2,461	2	263	75	-187
Others	3,457	3,775	317	89	76	-12
Elimination adjustments	-3,120	-3,541	-420	-	-	-
Domestic business in total	33,151	35,712	2,561	546	1,881	1,335
International business	11,834	12,209	374	699	627	-72
Elimination adjustments	-637	-798	-161	-	-	-
Total	44,348	47,122	2,774	1,245	2,508	1,262

<Domestic Business>

Net sales of the domestic business increased to ¥35,712 million, up 7.7% year on year, and operating income rose to ¥1,881 million, 3.4 times that of the same period of the previous fiscal 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 ¥33,016 million, up 8.8% year on year, and operating income rose to ¥1,728 million, 8.9 times that of the same period of the previous fiscal year.

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

In the category of vegetable beverages, the Company focused on activities to stimulate demand for vegetable beverages in general by enhancing the value of vegetable beverages for consumers and creating new value to be provided under the catch phrase “Vegetables for everyone with enjoyment and prudence,” aiming to offer “Health Beverages for Life” that meet consumers’ expectations for good health.

The tomato juice we sell is Japan’s first food with functional claims that increases HDL (good) cholesterol. This function has gained in popularity among customers, resulting in strong sales.

As for the “Yasai Seikatsu 100” series, the proposal for new opportunities for drinking vegetable beverages offered by the series “Yasai Seikatsu 100 Smoothie in a 330 ml paper container with a cap,” which are suitable for snacks because they can adequately satisfy the appetite and meet needs for vegetable intake, gained in popularity among customers. In addition, we launched a “Vegetables in the morning” proposal, which focuses on breakfast as an opportunity for drinking with the series “Yasai Seikatsu 100 in a 200 ml paper container.”

The “Yasai Ichinichi Kore Ippon” series achieved strong sales due to the storefront campaign implemented by the Company for conveying value in terms of the effect of curbing the increase in blood sugar level after eating by drinking vegetable juice before eating, or “Vegetable juice first.”

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 ¥19,283 million, up 12.8% year on year, and operating income increased to ¥1,179 million, 6.8 times that of the same period of the previous fiscal year.

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

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

As for condiment made with tomatoes other than tomato ketchup, we strengthened the promotion of “Tomato Pazza,” a dish of seafood and vegetables made to suit one’s taste with liberal helpings of tomato sauce, throughout Japan. In addition to the concept of “Better taste, low salt and fast cooking,” the fact that the seafood dish with added vegetables increases opportunities for consumers to eat vegetables was highly rated. We focused on developing dishes to suit a range of situations, including home cooking, takeout food and restaurants, through company-wide marketing activities.

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, the products for direct marketing sales saw a steady increase in sales of the core beverage “Tsubuyori Yasai.”

As a result of these initiatives, net sales of the category of food, etc. increased to ¥13,733 million, up 3.6% year on year, and operating income increased to ¥549 million, 25.9 times that of the same period of the previous fiscal year.

(2) Agriculture business

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

Net sales of this business remained at the same level as the same period of the previous fiscal year, ¥2,461 million, and operating income decreased to ¥75 million, down 71.2% year on year.

As for fresh tomatoes, our main business, we strengthened sales of high value-added products such as “High Lycopene Tomatoes,” featuring distinctive ingredients, while mounting attention was given to functional vegetables. However, unstable shipping volumes of fresh tomatoes due to unseasonable weather together with lower market prices, among other factors, resulted in a decrease in net sales.

In addition, the “Packed Salads” series, containing distinctive ingredients such as high lycopene tomatoes and mesclun greens, experienced strong sales due to the promotional campaigns undertaken by the Company aimed at couples and working women.

(3) Other businesses

Other businesses include transportation and warehousing, real estate leasing, parking, contracted service businesses and others. Net sales increased to ¥3,775 million, up 9.2% year on year, and operating income decreased to ¥76 million, down

13.9% year on year.

<International Business>

In the international business, the Company conducts business under the core management strategy according to which vertically integrated business should be established from the development of tomato seeds to agricultural production, product development, processing and sales.

Net sales of this business increased to ¥12,209 million, up 3.2% year on year, and operating income decreased to ¥627 million, down 10.3% year on year.

In addition, net sales of the major subsidiaries denominated in local currencies are as outlined below.

KAGOME INC., one of the U.S. subsidiaries, saw strong sales to major food service providers. Another U.S. subsidiary, Preferred Brands International, Inc. maintained the same level of sales as in the same period of the previous fiscal year. Holding da Industria Transformadora do Tomate, SGPS S.A., the Portuguese subsidiary, also maintained the same level of sales as in the same period of the previous fiscal year, despite its efforts to strengthen sales to major food companies in Europe. Kagome Australia Pty Ltd., the Australian subsidiary, achieved strong sales to major customers.

Contents of Appendix

1. Other Information

- (1) Changes in Significant Subsidiaries 7
- (2) Application of Special Accounting Method for Preparing Quarterly Consolidated Financial Statements 7

2. Consolidated Financial Statements

- (1) Consolidated Balance Sheets 8
- (2) Consolidated Statements of Income and Comprehensive Income 10

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, 2016	As of Mar. 31, 2017	As of Mar. 31, 2017
Assets			
Current assets:			
Cash and deposits	¥ 38,918	¥ 18,682	\$ 166,804
Notes and accounts receivable	33,617	32,140	286,964
Merchandise and finished goods	19,648	19,210	171,518
Work in process	932	821	7,330
Raw material and supplies	19,985	18,193	162,438
Other current assets	12,661	10,261	91,616
Allowance for doubtful accounts	(264)	(272)	(2,429)
Total current assets	125,498	99,037	884,259
Fixed assets:			
Property, plant and equipment:			
Buildings and structures, net	16,966	18,741	167,330
Machinery, equipment and vehicles, net	18,535	17,098	152,661
Tools and furniture, net	1,101	1,077	9,616
Land	13,241	12,646	112,911
Lease assets, net	650	839	7,491
Construction in progress	3,138	1,899	16,955
Property, plant and equipment net	53,634	52,302	466,982
Intangible assets:			
Goodwill	6,515	6,160	55,000
Trademark right	2,192	2,082	18,589
Customer relationship	2,496	2,359	21,063
Software	1,442	1,355	12,098
Other intangible assets	321	308	2,750
Total intangible assets	12,968	12,266	109,518
Investments and other assets:			
Investment securities	19,532	20,249	180,795
Other assets	8,245	11,930	106,518
Allowance for doubtful accounts	(75)	(71)	(634)
Total investments and other assets	27,702	32,108	286,679
Total fixed assets	94,305	96,678	863,196
Total assets	¥ 219,804	¥ 195,715	\$ 1,747,455

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 112 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of March 31, 2017.

	Millions of Yen		Thousands of U.S. dollars
	As of Dec. 31, 2016	As of Mar. 31, 2017	As of Mar. 31, 2017
Liabilities			
Current liabilities:			
Notes and accounts payable	¥ 13,729	¥ 13,048	\$ 116,500
Short-term borrowings	38,232	23,676	211,393
Current portion of long-term borrowings	8,285	3,046	27,196
Other payable	12,096	9,616	85,857
Income taxes payable	704	890	7,946
Accrued bonuses for employees	1,241	1,061	9,473
Accrued bonuses for directors	101	-	-
Other current liabilities	4,167	4,593	41,009
Total current liabilities	78,558	55,931	499,384
Long-term borrowings	27,952	27,434	244,946
Provision for loss on guarantees	172	178	1,589
Net defined benefit liability	5,427	5,229	46,688
Other liabilities	9,701	10,706	95,589
Total long-term liabilities	43,253	43,548	388,821
Total liabilities	121,812	99,480	888,214
Net Assets			
Shareholder's equity:			
Common stock	19,985	19,985	178,438
Capital surplus	22,362	22,362	199,661
Retained earnings	66,492	66,337	592,295
Treasury stock	(27,163)	(27,110)	(242,054)
Total shareholder's equity	81,677	81,575	728,348
Accumulated other comprehensive income :			
Unrealized gain on available-for-sale securities	6,487	7,071	63,134
Deferred gains or losses on derivatives under hedge accounting	4,287	2,846	25,411
Foreign currency translation adjustments	1,276	398	3,554
Remeasurements of defined benefit plans	(1,296)	(1,265)	(11,295)
Total accumulated other comprehensive income	10,754	9,051	80,813
Subscription rights to shares	44	54	482
Non-controlling interests	5,514	5,553	49,580
Total net assets	97,991	96,235	859,241
Total liabilities and net assets	¥ 219,804	¥ 195,715	\$ 1,747,455

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 112 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of March 31, 2017.

(2) Consolidated Statements of Income and Comprehensive Income

	Millions of Yen		Thousands of U.S. dollars
	Three months ended Mar. 31, 2016	Three months ended Mar. 31, 2017	Three months ended Mar. 31, 2017
Net sales	¥ 44,348	¥ 47,122	\$ 420,732
Cost of sales	24,902	26,236	234,250
Gross profit	19,445	20,886	186,482
Selling, general and administrative expenses	18,199	18,377	164,080
Operating income	1,245	2,508	22,393
Other income			
Interest income	59	121	1,080
Dividend income	80	82	732
Share of profit of entities accounted for using equity method	6	15	134
Foreign exchange gains	-	216	1,929
Insurance income	155	3	27
Other	118	68	607
Total other income	420	507	4,527
Other expenses			
Interest expense	62	99	884
Loss on valuation of derivatives	-	84	750
Foreign exchange losses	160	-	-
Other	90	42	375
Total other expenses	313	226	2,018
Ordinary income	1,352	2,790	24,911
Extraordinary gain			
Gain on sales of fixed assets	471	315	2,813
Gain on transfer of business	-	330	2,946
Total extraordinary gain	471	645	5,759
Extraordinary loss			
Loss on disposal of fixed assets	37	8	71
Loss on disposal of fixed assets	90	-	-
Total extraordinary loss	127	8	71
Profit before income taxes	1,696	3,427	30,598
Income taxes			
Income taxes - current	442	1,345	12,009
Income taxes - deferred	158	(158)	(1,411)
Total income taxes	601	1,186	10,589
Net income	¥ 1,095	¥ 2,241	\$ 20,009
Profit attributable to Shareholders of parent	964	2,133	19,045
Profit attributable to non-controlling interests	130	107	955
Other comprehensive income			
Unrealized gain on available- for- sale securities	(787)	583	5,205
Deferred gains or losses on derivatives under hedge accounting	(2,304)	(1,432)	(12,786)
Foreign currency translation adjustments	(1,911)	(959)	(8,563)
Remeasurements of defined benefit plans	1	30	268
Share of other comprehensive income of an affiliate by the equity method	2	(2)	(18)
Total other comprehensive income	(5,000)	(1,780)	(15,893)
Comprehensive income	¥ (3,904)	¥ 461	\$ 4,116
Comprehensive income attributable to Shareholders of parent	(3,735)	421	3,759
Comprehensive income attributable to non-controlling interests	(169)	39	348

Note: U.S. dollar amounts have been translated from Japanese yen, for convenience only, at the rate of 112 yen = 1 U.S. dollar, the approximate Tokyo foreign exchange market rate as of March 31, 2017