

Fiscal 2018 Interim Financial Meeting
The Group's New Challenges
Lead to Dramatic Growth

3rd Stage Interim Report



July 6, 2018
Kewpie Corporation

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Fiscal 2018 Interim Results

Fiscal 2018 Interim Results

Net sales increased by 7.8 billion yen and operating income increased by 1.2 billion yen (year on year)

	5/17	5/18 Results	Change YoY	Increase (Decrease)	Plan Comparison
Net Sales	277.2 ¥bn	285.0 ¥bn	2.8%	7.8 ¥bn	(1.4) ¥bn
Domestic	257.5	262.3	1.9	4.9	—
Overseas	19.7	22.7	15.0	3.0	—
Operating Income	14.8 ¥bn	16.0 ¥bn	7.9%	1.2 ¥bn	0.4 ¥bn
Domestic	13.8	14.4	4.4	0.6	—
Overseas	1.0	1.5	58.5	0.6	—
Operating Income Ratio	5.3%	5.6%	—	0.3%	0.2%
Ordinary Income	15.2 ¥bn	16.5 ¥bn	8.5%	1.3 ¥bn	0.6 ¥bn
Profit Attributable to Owners of Parent	8.0 ¥bn	9.1 ¥bn	12.7%	1.0 ¥bn	0.6 ¥bn

* Overseas figures are for the period from October through March. Exports from Japan are included (exports from Japan cover the period from December through May).

Increase (Decrease) for overseas figures include the impact of the exchange rate (which gained net sales by 0.8 billion yen and operating income by 0.0 billion yen).

* Plan comparison indicates a difference for figures announced in January 2018.

Fiscal 2018 Interim Summary of Sales

Sales gained due to strong performance of Delicatessen Products business and Distribution System business

	5/17	5/18 Results	Change YoY	Increase (Decrease)
Sales Total	277.2 ¥bn	285.0 ¥bn	2.8%	7.8 ¥bn
Condiments Products	74.0	76.1	2.9	2.1
Egg Products	49.9	49.6	(0.7)	(0.3)
Delicatessen Products	56.8	61.2	7.7	4.4
Processed Foods	23.2	23.4	0.8	0.2
Fine Chemical Products	5.1	4.8	(5.8)	(0.3)
Distribution System	64.2	67.0	4.4	2.8
Common Business Operations	3.9	2.9	(26.2)	(1.0)

■ Sales by Segment

Condiments Products	Overseas demand for dressings was strong, resulting in higher sales.
Egg Products	Revenue decreased due to the impact of a poor domestic market for hen's eggs.
Delicatessen Products	Revenue increased due to an expansion into new sales channels and growth for cut vegetables as a result of a sharp rise in vegetable prices.
Processed Foods	Revenue increased due to growth in pasta sauce that we upgraded and "Marugotokajitsu."
Fine Chemical Products	Revenue decreased due to a decline in EPA shipments for medical use.
Distribution System	Revenue increased as a result of progresses made in the expansion of service areas with existing customers and an increase in consolidated subsidiaries.

Fiscal 2018 Interim Summary of Operating Income

Income rose due to a recovery in the North American egg products business and growth for value-added products

	5/17	5/18 Results	Change YoY	Increase (Decrease)
Operating Income Total	14.8 ¥bn	16.0 ¥bn	7.9%	1.2 ¥bn
Condiments Products	7.3	7.1	(3.4)	(0.3)
Egg Products	2.0	3.1	51.1	1.0
Delicatessen Products	1.7	2.0	19.4	0.3
Processed Foods	0.3	0.5	82.1	0.2
Fine Chemical Products	0.1	0.3	96.3	0.1
Distribution System	2.9	2.6	(9.3)	(0.3)
Common Business Operations	0.5	0.4	(6.2)	(0.0)

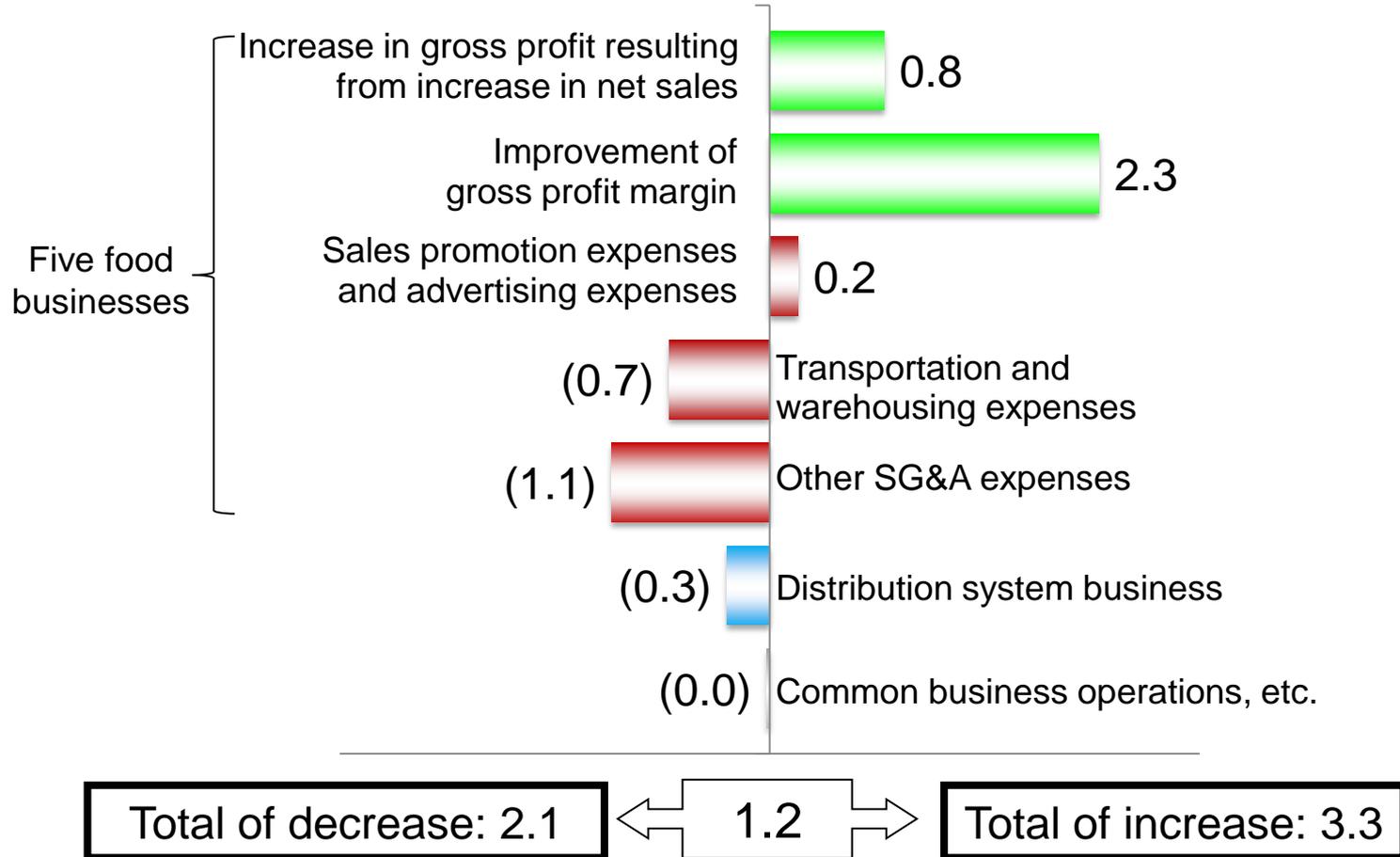
■ Sales by Segment

Condiments Products	Income decreased due to sluggish domestic sales resulting from the impact of a sharp rise in vegetable prices and an increase in depreciation expenses.
Egg Products	Income increased due to growth in value-added products in domestic market, as well as a recovery in the US.
Delicatessen Products	Income increased due to an expansion into new sales channels and cost improvements.
Processed Foods	Income increased due to growth in value-added products and a review of unprofitable products.
Fine Chemical Products	Income increased due to growth in functional hyaluronic acid, primarily in overseas markets.
Distribution System	Despite progress in streamlining storage and transportation, income fell due to higher procurement costs for fuel and vehicles.

Fiscal 2018 Interim Factors Causing Increase (Decrease) in Operating Income

(¥bn)

	5/17	5/18 Results	Difference
Operating Income	14.8	16.0	1.2



Fiscal 2018 Interim Main Contents of Factors Causing Increase (Decrease) in Operating Income

【Increase in gross profit resulting from increase in net sales】 [0.8] (¥bn)

Impact on net sales	0.8	Higher sales for dressings and cut vegetables	0.8
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【Improvement of gross profit margin】 [2.3]

Raising added value	0.9	Developing and strengthening products, shifting to value-added products	0.9
Improvement of costs	0.8	Lowering costs at production sites	0.6
		Improvements to unprofitable categories	0.2
Others	0.6	Effect of major raw material costs (salad condiments)	0.1
		Impact of dried egg market in the US	0.4

【Sales promotion expenses and advertising expenses】 [0.2]

Decrease in advertising expenses	0.2	Reduction in advertising such as TV commercials	0.2
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【Other SG&A expenses】 [(1.1)]

Increase in payroll expenses	(0.6)	Increase due to business expansion	(0.6)
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Key Points of Non-operating Income (Expenses) and Extraordinary Gains (Losses)

	(¥bn)		
	5/17	5/18 Results	Increase (Decrease)
Operating income	14.8	16.0	1.2
Non-operating income (expenses)	0.5	0.6	0.1
Ordinary income	15.2	16.5	1.3
Extraordinary gains (losses)	(0.8)	(0.5)	0.4
Profit before income taxes	14.4	16.1	1.7
Income taxes, and profit attributable to non-controlling interests	6.4	7.0	0.7
Profit attributable to owners of parent	8.0	9.1	1.0

<Key Points of Non-operating Income (Expenses)>

Decrease in business commencement expenses 0.1

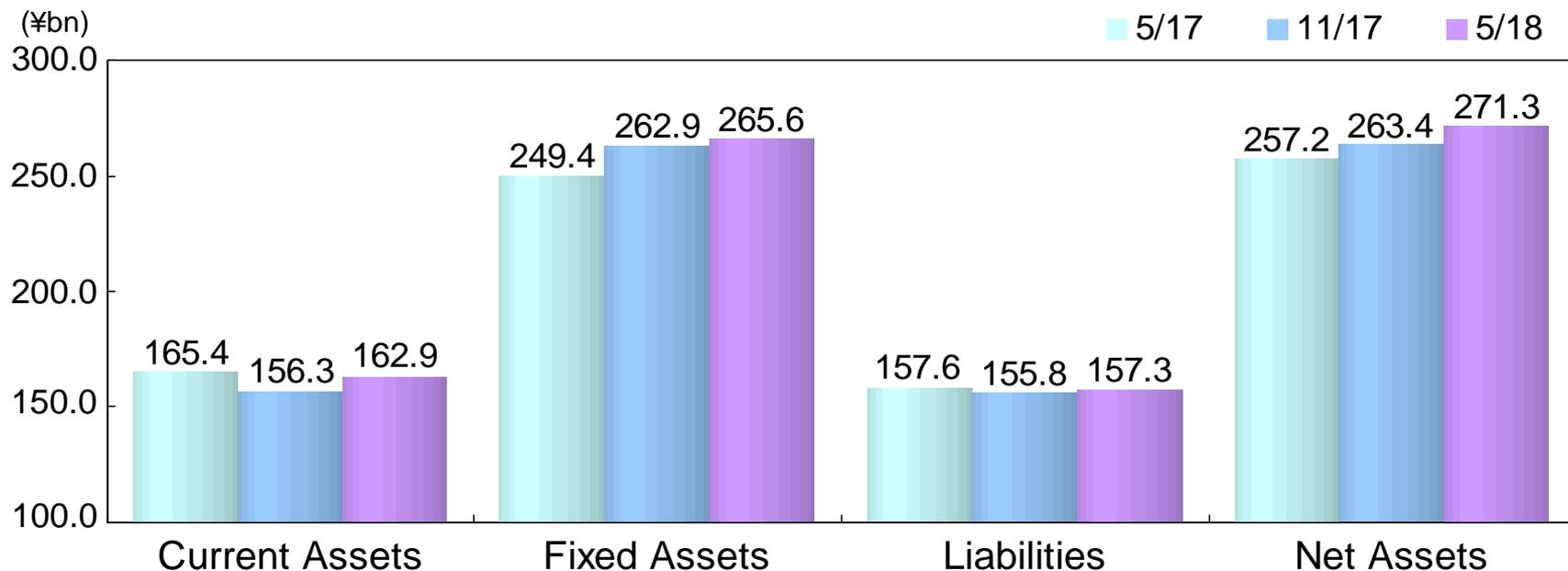
<Key Points of Extraordinary Gains (Losses)>

Decrease in losses on disposal of fixed assets 0.3

<Key Points for Income Taxes and Profit Attributable to Non-controlling Interests>

Increase due to higher operating income 0.7

Key Points of Balance Sheet



Comparison with Fiscal 2017

Increase in current assets

6.6 ¥bn

- Increase in cash and deposits 1.4
- Increase in notes and accounts receivable – trade 3.0
- Increase in inventories 1.7

Increase in fixed assets

2.8 ¥bn

- Increase resulting from purchases of tangible and intangible fixed assets 10.4
- Decrease resulting from depreciation (8.9)
- Increase in assets for retirement benefits 1.0

Increase in liabilities

1.5 ¥bn

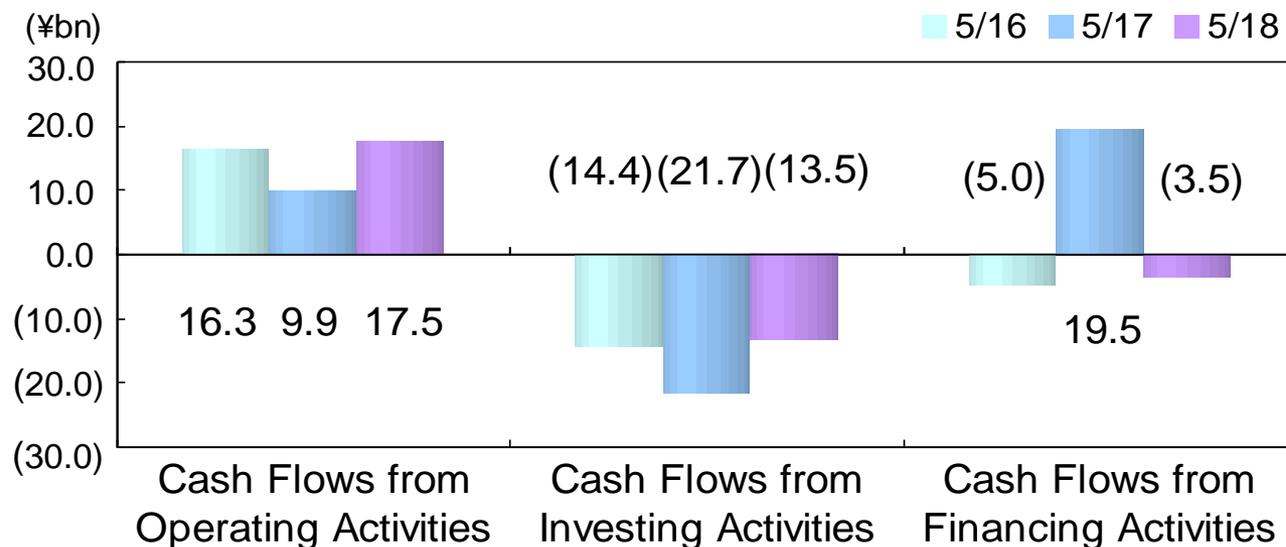
- Increase in loans payable 0.7
- Increase in accrued income taxes 1.8
- Increase in reserves 1.8
- Decrease in accounts payable – facilities (2.6)

Increase in net assets

7.9 ¥bn

- Increase in earned surplus 6.4
- Increase in non-controlling interests 1.3

Key Points of Cash Flows



Comparison with Fiscal 2017 Interim

Cash Flows from Operating Activities

• Increase in income before income taxes	1.7
• Increase in accrued expenses	3.2
• Decrease in income taxes paid	3.2

Cash Flows from Investing Activities

• Decrease in purchases of tangible fixed assets	3.1
• Decrease in payments for transfer of business	4.4

Cash Flows from Financing Activities

• Decrease in proceeds from loans payable	(23.2)
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Conditions in capital investments

5/18 Results	11/18 Plan
13.2 ¥bn	35.0 ¥bn

Fiscal 2018 Plans

Fiscal 2018 Plans

Net sales to increase by 18.3 billion yen and operating income to increase by 2.2 billion yen

	11/17	11/18 Plan	Change YoY	Increase (Decrease)
Net Sales	561.7 ¥bn	580.0 ¥bn	3.3%	18.3 ¥bn
Domestic	519.0	531.9	2.5	12.9
Overseas	42.7	48.1	12.6	5.4
Operating Income	31.3 ¥bn	33.5 ¥bn	7.2%	2.2 ¥bn
Domestic	29.0	29.9	3.0	0.9
Overseas	2.3	3.6	59.7	1.4
Operating Income Ratio	5.6%	5.8%	—	0.2%
Ordinary Income	32.5 ¥bn	34.6 ¥bn	6.4%	2.1 ¥bn
Profit Attributable to Owners of Parent	18.1 ¥bn	18.6 ¥bn	2.8%	0.5 ¥bn
ROE (Return on equity)	8.2%	8.2%	—	—
ROA (Return on assets)	8.1%	8.1%	—	—
EBITDA (Operating income + Depreciation expenses)	48.1 ¥bn	51.8 ¥bn	7.7%	3.7 ¥bn

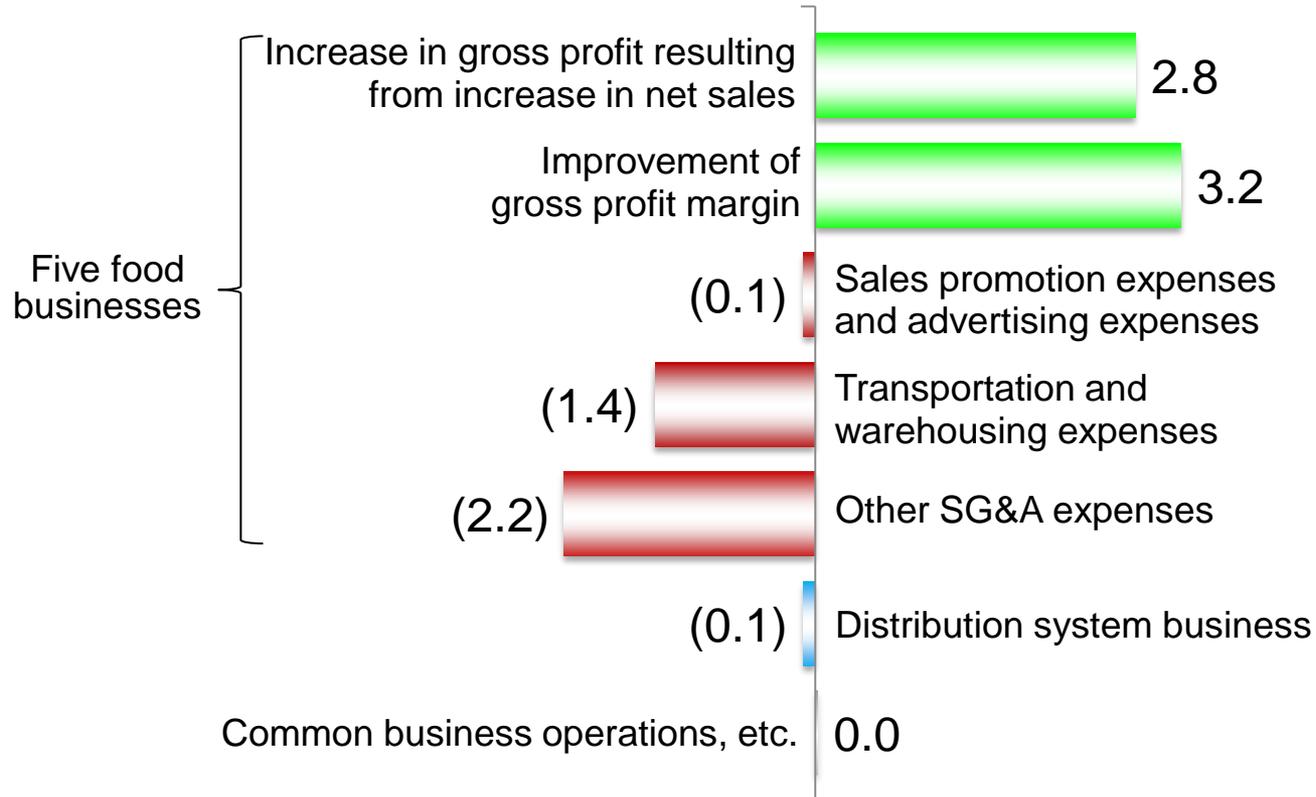
* Overseas figures are for the period from October through September. Exports from Japan are included (exports from Japan cover the period from December through November).

* Increase (Decrease) for overseas figures include the impact of the exchange rate (which gained net sales by 1.1 billion yen and operating income by 0.1 billion yen).

Fiscal 2018 Factors Causing Increase (Decrease) in Operating Income

(¥bn)

	11/17	11/18 Plan	Difference
Operating Income	31.3	33.5	2.2



Total of decrease: 3.8

2.2

Total of increase: 6.0

Fiscal 2018 Main Contents of Factors Causing Increase (Decrease) in Operating Income

【Increase in gross profit resulting from increase in net sales】 [2.8] (¥bn)

Impact on net sales	2.8	Higher sales for dressings and cut vegetables	2.8
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【Improvement of gross profit margin】 [3.2]

Raising added value	1.3	Developing and strengthening products, shifting to value-added products	1.3
Improvement of costs	1.4	Lowering costs at production sites	1.1
		Improvements to unprofitable categories	0.3
Others	0.5	Effect of major raw material costs (salad condiments)	(0.6)
		Impact of dried egg market in the US	0.7

【Other SG&A expenses】 [(2.2)]

Increase in payroll expenses	(1.1)	Increase due to business expansion	(1.1)
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Main Initiatives by Business Segment

Fiscal 2018 Plans by Segment

(¥bn)

Net Sales by Segment

Operating Income by Segment

	11/17	11/18 Plan	Change YoY	Increase (Decrease)	11/17	11/18 Plan	Change YoY	Increase (Decrease)
Total	561.7	580.0	3.3%	18.3	31.3	33.5	7.2%	2.2
Condiments Products	150.4	157.0	4.4	6.6	15.3	15.0	(1.9)	(0.3)
Egg Products	100.5	101.1	0.6	0.6	4.4	5.9	35.1	1.5
Delicatessen Products	115.5	123.0	6.5	7.5	3.8	4.4	14.4	0.6
Processed Foods	46.6	47.0	0.8	0.4	0.2	0.6	201.5	0.4
Fine Chemical Products	10.6	10.3	(2.8)	(0.3)	0.9	1.0	15.7	0.1
Distribution System	131.2	135.8	3.5	4.6	5.9	5.8	(1.6)	(0.1)
Common Business Operations	6.8	5.8	(15.3)	(1.0)	0.8	0.8	0.9	0.0

Condiments Products Business

(¥bn)	11/18 Plan	11/17 Difference
Net Sales	157.0	6.6
Operating Income	15.0	(0.3)
Operating Income Ratio	9.6%	(0.6)%

【Factors Causing Increase (Decrease) in Operating Income】

(¥bn)	5/18 Results (H1)	11/18 Plan (Annual)
Increase in gross profit resulting from increase in net sales	0.2	1.7
Changes in gross profit margin	0.1	(0.2)
Sales promotion expenses and advertising expenses	0.1	(0.2)
Transportation and warehousing expenses	(0.1)	(0.1)
Other SG&A expenses	(0.7)	(1.5)
Total	(0.3)	(0.3)

【Main Initiatives in the Second Half】

◇ Be a leader in the domestic market

Make core products the foundation [0.2]

- Improvements to usability by changing containers and volume of mainstay dressings
- Promote the all-purpose nature of mayonnaise and the versatility of dressings
- Create demand for salads despite a sharp rise in prices for vegetables in expansion of main-meal salads

Improve proposal capacity with efforts to break into new fields [0.1]

- Cultivate market for commercial use of hearty condiments and expand menu
- Create food scenes by new salad dressings and attract new customers

◇ Realize satellite production system [0.1]

- Improve factory utilization rates by developing more efficient production systems

◇ Enhance overseas expansion [0.4]

- Boost expansion of applications for mayonnaise and dressings in China
- Expand brand business in Southeast Asia, the US, and Europe

* Figures in parentheses indicate the differences in operating income between the 11/18 H2 plan and 11/17 H2 results (¥bn)

* Impact of the rise in major domestic raw materials costs in the 11/18 H2 plan is a decrease of 0.7 billion yen (which is not reflected in the year-on-year changes above).

【Expansion of dressings for household use in fall 2018】

Raise customer satisfaction with mainstay series

Nationwide sales launch from August 3

Improve ease of use by adjusting container design,
changing volume and launching one-time use products

Current products



Container: Glass bottle
Volume: 150 ml

*End of sale of 260 ml plastic bottle



New products



Container: **Plastic bottle**
Volume: **180 ml**

(For details, refer to Kewpie Aohata News No. 30, 2018)

- Lighter volume by changing material
- Adoption of new easy-to-open cap
- Inside plug is easier to remove so that parts can be more easily separated for garbage disposal



Stick type
8 ml x 6

Higher demand for “versatility of sesame dressing” and
“enhancement of main-meal salads”

Egg Products Business

(¥bn)	11/18 Plan	11/17 Difference
Net Sales	101.1	0.6
Operating Income	5.9	1.5
Operating Income Ratio	5.8%	1.4%

【Factors Causing Increase (Decrease) in Operating Income】

(¥bn)	5/18 Results (H1)	11/18 Plan (Annual)
Decrease in gross profit resulting from increase in net sales	(0.1)	(0.1)
Improvements to gross profit margin	1.5	2.1
Sales promotion expenses and advertising expenses	(0.0)	0.0
Transportation and warehousing expenses	(0.3)	(0.4)
Other SG&A expenses	(0.1)	(0.2)
Total	1.0	1.5

【Main Initiatives in the Second Half】

* Figures in parentheses indicate the differences in operating income between the 11/18 H2 plan and 11/17 H2 results (¥bn)

◇ Developments in Japan [0.1]

Restaurants and ready-made food market

- Expand scope of proposals for applications of “eggs with a difference,” particularly Egg Royal, and create new demand
- Expand into sale of household dishes using Group’s sales channels

Home-cooked food market

- Construct new displays for products capturing new needs and expand demand for use at breakfast

◇ Expand business in North American business [4.0]

- Improve income by reviewing sales methods and raising production efficiency
- Expand demand with proposals for functional egg whites that meet health needs

◇ Strengthening of operation base

- Steady preparations for merger of two subsidiaries manufacturing staple foods and processed foods, respectively, on December 1

Delicatessen Products Business

(¥bn)	11/18 Plan	11/17 Difference
Net Sales	123.0	7.5
Operating Income	4.4	0.6
Operating Income Ratio	3.6%	0.3%

【Factors Causing Increase (Decrease) in Operating Income】

(¥bn)	5/18 Results (H1)	11/18 Plan (Annual)
Increase in gross profit resulting from increase in net sales	0.6	1.2
Improvement of gross profit margin	0.2	0.6
Sales promotion expenses and advertising expenses	0.2	0.1
Transportation and warehousing expenses	(0.4)	(0.7)
Other SG&A expenses	(0.2)	(0.6)
Total	0.3	0.6

【Main Initiatives in the Second Half】

◇ Cut vegetables [0.1]

- Countermeasures in the event of supply shortages and a sharp rise in prices for vegetable ingredients
 - Deepen initiatives with producers and strengthen procurement capacity
 - Take measures for greater price flexibility
- Expand sales of products using highly nutritious vegetables
- Full-scale introduction of energy-saving line of packaged salads
 - Resolve labor shortages and raise quality

* Figures in parentheses indicate the differences in operating income between the 11/18 H2 plan and 11/17 H2 results (¥bn)



New product using highly nutritious vegetables
“Coriander salad”

◇ Delicatessen foods [0.1]

- Expand new sales routes and dig deeper into growth markets
 - Restaurants, offices, EC, home delivery and directly-managed restaurants
- Expand products that can be used in a wide range of food scenes
 - Meal kits, microwaveable products, and salad bowls



Meal kit “Tomato Curry” Example of preparation

<Meal kits>

Simple and convenient sets of ingredients and seasonings that only needed to be cooked

◇ Cooked rice [0.1]

- Expand sales routes and products for mass retail stores and continue to break into new sales routes such as mail order and home delivery

Processed Foods Business

(¥bn)	11/18 Plan	11/17 Difference
Net Sales	47.0	0.4
Operating Income	0.6	0.4
Operating Income Ratio	1.3%	0.9%

【Factors Causing Increase (Decrease) in Operating Income】

(¥bn)	5/18 Results (H1)	11/18 Plan (Annual)
Increase (decrease) in gross profit resulting from increase in net sales	0.0	(0.1)
Improvement of gross profit margin	0.2	0.6
Sales promotion expenses and advertising expenses	0.0	0.1
Transportation and warehousing expenses	0.0	(0.1)
Other SG&A expenses	(0.1)	(0.2)
Total	0.2	0.4

【Main Initiatives in the Second Half】

◇ Strengthen products that contribute significantly to profit [0.1]

- Expand value-added products in the bread category and attract younger customers, particularly with whip cream
- Adapt pasta sauces to simple preparation needs and strengthen mainstay series lineup



™ & © Universal Studios
Whip cream series
Adoption of “Minions” characters

◇ Create new value-added products

- Develop new series adapted for simple preparation
- Attract new demand with processing technology for ultra-low sugar fruit



Launch of new series for simple preparation

◇ Address low-profit category

- Raise sales with revenue-raising model for Hokkaido Corn products on track
- Pull out of cooked quail egg production business

* Figures in parentheses indicate the differences in operating income between the 11/18 H2 plan and 11/17 H2 results (¥bn)

Fine Chemical Products Business

(¥bn)	11/18 Plan	11/17 Difference
Net Sales	10.3	(0.3)
Operating Income	1.0	0.1
Operating Income Ratio	9.7%	1.2%

【Factors Causing Increase (Decrease) in Operating Income】

(¥bn)	5/18 Results (H1)	11/18 Plan (Annual)
Increase (decrease) in gross profit resulting from increase in net sales	(0.0)	0.1
Improvement of gross profit margin	0.3	0.1
Sales promotion expenses and advertising expenses	(0.1)	(0.0)
Transportation and warehousing expenses	(0.0)	(0.1)
Other SG&A expenses	(0.0)	0.1
Total	0.1	0.1

【Main Initiatives in the Second Half】

* Figures in parentheses indicate the differences in operating income between the 11/18 H2 plan and 11/17 H2 results (¥bn)

◇ Focus on sales of value-added raw materials

- Speed up concentration on hyaluronic acid and begin initiatives for growth with next medium-term business plan [0.0]
 - Make investments to expand sales for medical applications
 - Plans to launch medical devices that will become new business model

◇ Initiatives with BtoC route

- Bring mail-order sales subsidiary back to profitability by expanding sales of hyaluronic acid supplement [0.2]
 - Strengthen communication with loyal customers to stabilize the number of regular customers

◇ Address low-revenue category

- Pull out of EPA
 - Pass business onto production partner during this fiscal year

Distribution System Business

(¥bn)	11/18 Plan	11/17 Difference
Net Sales	135.8	4.6
Operating Income	5.8	(0.1)
Operating Income Ratio	4.3%	(0.2)%

【Factors Causing Increase (Decrease) in Operating Income】

(¥bn)	5/18 Results (H1)	11/18 Plan (Annual)
Improvement of earning capacity	1.0	2.1
Strengthen of transportation and storage functions	0.5	1.3
Impact of transportation costs (vehicle procurement, impact of fuel costs, etc.)	(1.0)	(1.6)
Operating costs, labor costs, SG&A costs, etc.	(0.1)	(0.6)
Decrease in existing transactions, etc.	(0.7)	(1.3)
Total	(0.3)	(0.1)

【Main Initiatives in the Second Half】

◇ Joint distribution

- Strengthen earning capacity
 - Improve storage and transportation efficiency by expanding joint distribution capacity
 - Collection of appropriate fees, ease and suspend ancillary work
- Rebuild transportation function
 - Strengthen main line transportation capacity, promote modal shift
- Network reorganization
 - Strengthen low-temperature joint transportation, reorganize bases in Tokyo metropolitan area

◇ Dedicated distribution

- Expand commissions from CVS and mass-merchandise stores
- Enhance efficiency by raising productivity of centers

◇ Improvement in distribution quality and technical skills

- Conserve energy and labor and introduce labor assistance devices
- Initiatives with local community, social contribution activities

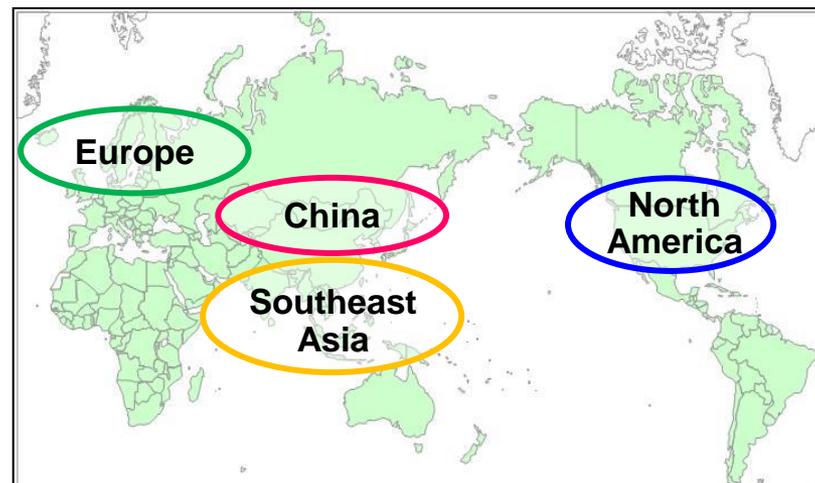
Overseas Expansion Results and Main Initiatives

Major Themes for Overseas Expansion

Cultivate market focus on KEWPIE brand mayonnaise and dressings

Seek infiltration of the salad eating culture with proposals tailored to the needs of each area

Expand processed egg product sales with focus on Asian markets by making use of know-how developed in Japan



【Net Sales】	5/18 Results	Increase (Decrease)	Change YoY	Local Currency Change YoY
Overseas Total	22.7 ¥bn	3.0 ¥bn	15%	12%
Condiments Products Total	19.1	2.4	14	9
Egg Products and others	3.6	0.6	20	21

11/18 Plan	Increase (Decrease)	Change YoY	Local Currency Change YoY
48.1 ¥bn	5.4 ¥bn	13%	11%
40.7	4.3	12	8
7.4	1.1	17	20

【Operating Income】	5/18 Results	Increase (Decrease)	Change YoY	Local Currency Change YoY
Overseas Total	1.5 ¥bn	0.6 ¥bn	59%	55%
Condiments Products Total	1.2	(0.0)	(2)	(5)
Egg Products and others	0.3	0.6	-	-

11/18 Plan	Increase (Decrease)	Change YoY	Local Currency Change YoY
3.6 ¥bn	1.4 ¥bn	60%	57%
3.2	0.5	17	14
0.5	0.9	-	-

Overseas Expansion: Fiscal 2018 Interim Results and Fiscal 2018 Plans

【Net Sales】

	5/18 Results	Increase (Decrease)	Change YoY	Local Currency Change YoY
Overseas Total	22.7 ¥bn	3.0 ¥bn	15%	12%
China	8.7	0.3	4	(1)
Southeast Asia	4.9	0.8	19	12
North America	5.8	0.6	11	11
Condiments Products	3.2	0.1	2	3
Egg Products	2.6	0.5	23	24
Exports and New	3.4	1.3	62	52

	11/18 Plan	Increase (Decrease)	Change YoY	Local Currency Change YoY
Overseas Total	48.1 ¥bn	5.4 ¥bn	13%	11%
China	20.1	1.9	11	6
Southeast Asia	9.9	1.4	17	12
North America	11.7	0.6	6	9
Condiments Products	6.4	(0.3)	(4)	(2)
Egg Products	5.3	0.9	21	24
Exports and New	6.4	1.4	27	83

【Operating Income】

	5/18 Results	Increase (Decrease)	Change YoY	Local Currency Change YoY
Overseas Total	1.5 ¥bn	0.6 ¥bn	59%	55%
China	0.8	(0.2)	(17)	(21)
Southeast Asia	0.3	0.2	108	93
North America	0.3	0.5	-	-
Condiments Products	0.2	(0.0)	(8)	(8)
Egg Products	0.1	0.5	-	-
Exports and New	0.2	0.0	22	38

	11/18 Plan	Increase (Decrease)	Change YoY	Local Currency Change YoY
Overseas Total	3.6 ¥bn	1.4 ¥bn	60%	57%
China	2.4	0.2	10	6
Southeast Asia	0.5	0.3	88	75
North America	0.5	0.9	-	-
Condiments Products	0.4	(0.0)	(6)	(4)
Egg Products	0.1	1.0	-	-
Exports and New	0.1	(0.0)	(27)	(1)

* “Exports and New” refers primarily to exports from Japan to each European company. Figures other than exports from Japan cover the period from October to March for the fiscal 2018 interim, and from October to September for the fiscal 2018.

* Exchange rates pulled up net sales by 0.8 billion yen and the operating income by 0.0 billion yen, compared to the same period in the fiscal 2018 interim. Exchange rates are estimated to pull up net sales by 1.1 billion yen and operating income by 0.1 billion yen compared to the same period in the fiscal 2018.

Changes in environment for mayonnaise and dressing markets

【Household use market】

Entry of major competitors
(global and local manufacturers)

Concentrated promotions by
global manufacturers

【Food service market】

Entry of local competitors
(increase in copycat products and
similar products)

Offensive strategy based on
low prices

**Impact on mayonnaise, which accounts
for a high percentage of sales, was significant**

**Sales fell 7% YoY for mayonnaise and rose 20% YoY for
dressings (local currency basis) in fiscal 2018 interim (H1)**

Initiatives in China in the Second Half

Measures to address competition, expand into new sales channels

【Household use market】

- Strengthen expansion in priority area
- Expand products to be introduced to sales departments
 - Expand development of priority products
 - Introduce to stores that have not yet adopted products
- Strengthen promotions
 - Increase number of sample sales
 - Expand related sales at fresh food sales departments

【Food service market】

- Take steps to counter copycat products and similar products
 - Differentiate from other company's products by changing containers
 - Strengthen initiatives with wholesalers
- Strengthen recommended uses for users
 - Enhance proposals to Chinese food chefs
 - Break into new industries

Address changes in buying opportunities

Strengthen expansion into EC and ready-made foods markets

Plans for second half of fiscal year 2018:

**12% YoY increase in sales of mayonnaise and
24% increase in sales of dressing (local currency basis)**

Continue double-digit growth in Chinese market,
whose market environment has changed

Overseas Expansion by Area: Main Initiatives in the Second Half of Fiscal 2018

Expand condiments in China and Southeast Asia, and focus on raising brand name recognition in Europe and the US

【China】

Expand demand for household use by strengthening appeal of different applications



Advertising emphasizing potential menus
美味速配 家常新滋味



Strengthen sample sales in fresh food markets

Raise brand name recognition in food service market



Strengthen sales of small packages of dressing



Enhance proposals to Chinese food chefs

【North America】

Strengthen sales promotion activities for Kewpie brand



Expand marketing system and strengthen dressing sample sales



Reinforce initiatives with wholesalers in food service market



Adoption in products handled by wholesalers by strengthening proposals to major wholesalers



【Southeast Asia】

Strengthen sales promotion activities, particularly for sesame dressing



Horizontal expansion of high-volume displays



Introduction to restaurant menus

Strengthen proposals for new applications for dressings



Dressings with flavors popular in Thailand



Proposals for restaurant menus

【Export and New】

Strengthen proposals by food service industry



Introduction of sauces for fast food



Introduction of mayonnaise for CVS

Expand dressings for household use in Europe



Start of sales in the Netherlands



Start of production and sales in Poland

Reference Materials

Reference: Performance Trends by Business

(¥bn)

	5/14	5/15	5/16	5/17	5/18	11/17	11/18 Plan
《 New Accounting Method 》							
Condiments Products		70.0	71.8	74.0	76.1	150.4	157.0
		6.3	6.2	7.3	7.1	15.3	15.0
Egg Products		50.7	51.9	49.9	49.6	100.5	101.1
		2.7	3.2	2.0	3.1	4.4	5.9
Delicatessen Products		48.4	54.1	56.8	61.2	115.5	123.0
		1.1	1.5	1.7	2.0	3.8	4.4
Processed Foods		28.6	25.7	23.2	23.4	46.6	47.0
		0.1	0.3	0.3	0.5	0.2	0.6
Fine Chemical Products		5.5	5.3	5.1	4.8	10.6	10.3
		0.1	0.6	0.1	0.3	0.9	1.0
Distribution System		63.1	62.3	64.2	67.0	131.2	135.8
		2.2	2.1	2.9	2.6	5.9	5.8
Common Business Operations		2.9	2.5	3.9	2.9	6.8	5.8
		0.6	0.3	0.5	0.4	0.8	0.8
Total		269.2	273.4	277.2	285.0	561.7	580.0
		13.1	14.2	14.8	16.0	31.3	33.5
《 Former Accounting Method 》							
Condiments Products	76.1	77.2					
	5.9	6.5					
Egg Products	49.4	50.8					
	1.0	2.7					
Delicatessen Products	49.7	52.5					
	1.5	1.1					
Processed Foods	28.6	30.8					
	0.2	0.2					
Fine Chemical Products	5.1	5.5					
	0.5	0.1					
Distribution System	61.2	63.1					
	1.5	2.2					
Common Business Operations	2.8	2.9					
	0.5	0.6					
Total	273.0	282.9					
	11.1	13.4					

* Beginning in fiscal 2016, the accounting standards for recording net sales and the depreciation method for fixed assets were changed.

* Figures in upper row are net sales, and those in lower row are operating income.

Reference: Capital Investments and Main SG&A Expenses

(¥bn)

		5/14	5/15	5/16	5/17	5/18	11/17	11/18 Plan
Capital Investments		16.3	20.5	15.1	16.2	13.2	27.2	35.0
Depreciation Expenses		7.6	9.0	10.3	8.1	8.9	16.8	18.3
Sales Promotion Expenses	New accounting method		1.7	1.7	1.9	1.9	3.9	4.3
	Former accounting method	10.1	11.2					
Advertising Expenses		4.1	4.3	4.2	5.2	5.0	9.5	9.2
Transportation and Warehousing Expenses	New accounting method		12.5	12.5	12.7	13.5	25.8	27.2
	Former accounting method	15.7	16.4					
Payroll Expenses		13.0	14.0	14.5	15.5	16.2	31.3	32.7
R&D Expenses		1.8	1.9	1.8	1.9	1.9	4.1	4.2

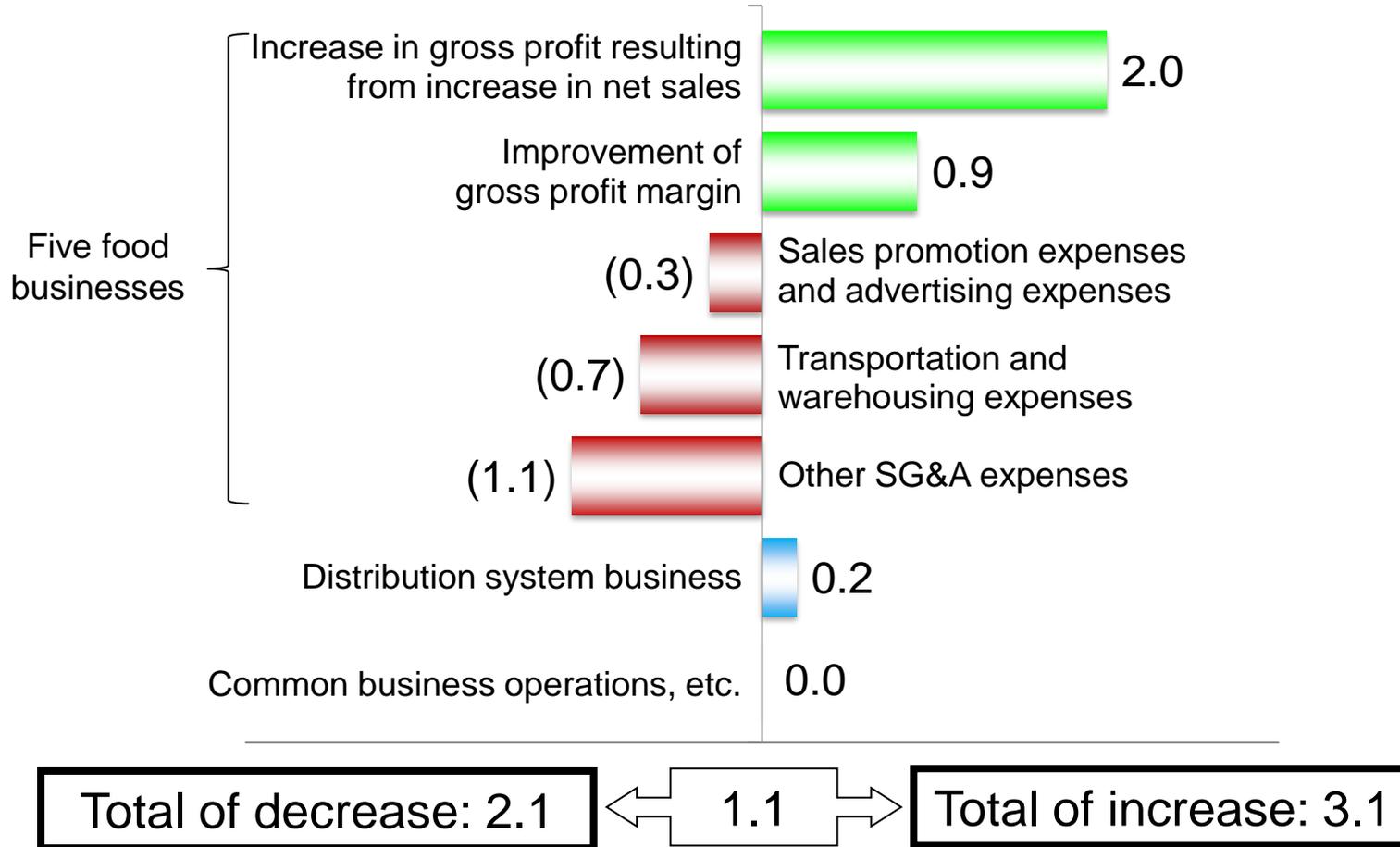
* Beginning in fiscal 2016, the accounting standards for recording net sales and the depreciation method for fixed assets were changed.

* Depreciation expenses for fiscal 2016 includes negative 2.8 billion yen for one-time write-off of residual book value.

Reference: Fiscal 2018 2H Factors Causing Increase (Decrease) in Operating Income

(¥bn)

	11/17 2H	11/18 2H Plan	Difference
Operating Income	16.5	17.5	1.1



Reference: Fiscal 2018 Interim Factors Causing Increase (Decrease)
in Operating Income by Segments

(¥bn)

	Increase (decrease) in gross profit resulting from increase in net sales	Changes in gross profit margin	Sales promotion expenses and advertising expenses	Transportation and warehousing expenses	Other SG&A expenses	Increase (decrease) in operating income
Condiments Products Business	0.2	0.1	0.1	(0.1)	(0.7)	(0.3)
Egg Products Business	(0.1)	1.5	(0.0)	(0.3)	(0.1)	1.0
Delicatessen Products Business	0.6	0.2	0.2	(0.4)	(0.2)	0.3
Processed Foods Business	0.0	0.2	0.0	0.0	(0.1)	0.2
Fine Chemical Products Business	(0.0)	0.3	(0.1)	(0.0)	(0.0)	0.1
Consolidation Adjustments	—	—	—	0.0	(0.0)	—
Total for five food businesses	0.8	2.3	0.2	(0.7)	(1.1)	1.5

Reference: Fiscal 2018 Plan Factors Causing Increase (Decrease)
in Operating Income by Segments

(¥bn)

	Increase (decrease) in gross profit resulting from increase in net sales	Changes in gross profit margin	Sales promotion expenses and advertising expenses	Transportation and warehousing expenses	Other SG&A expenses	Increase (decrease) in operating income
Condiments Products Business	1.7	(0.2)	(0.2)	(0.1)	(1.5)	(0.3)
Egg Products Business	(0.1)	2.1	0.0	(0.4)	(0.2)	1.5
Delicatessen Products Business	1.2	0.6	0.1	(0.7)	(0.6)	0.6
Processed Foods Business	(0.1)	0.6	0.1	(0.1)	(0.2)	0.4
Fine Chemical Products Business	0.1	0.1	(0.0)	(0.1)	0.1	0.1
Consolidation Adjustments	—	—	—	(0.2)	0.2	—
Total for five food businesses	2.8	3.2	(0.1)	(1.4)	(2.2)	2.3

Reference: Results of Salad Condiments by Category Type in Japan

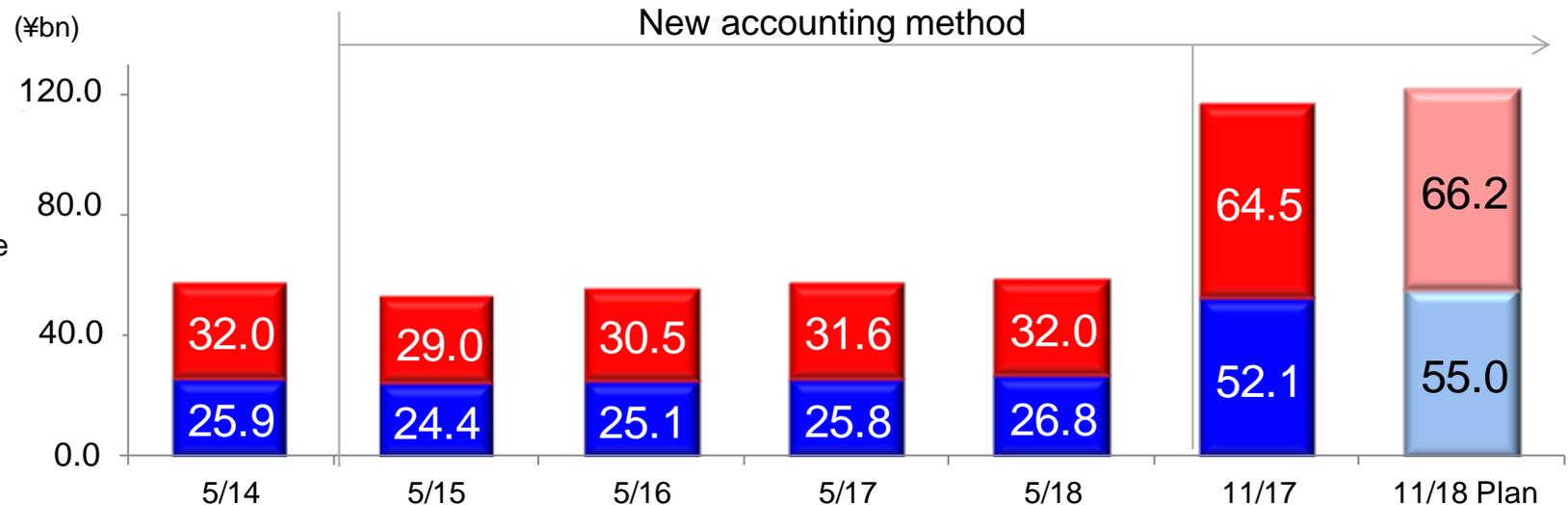
			5/14	5/15	5/16	5/17	5/18	Change YoY
For household use	Volume (1,000 t)		64	63	65	64	63	(1.1)%
	Amount (¥bn)	New accounting method		32.1	32.5	32.8	32.2	(1.6)%
		Former accounting method	37.8	38.8				
For commercial use	Volume (1,000 t)		53	53	53	54	54	1.5%
	Amount (¥bn)	New accounting method		20.6	20.4	20.3	20.7	1.7%
		Former accounting method	21.0	20.8				
Total	Volume (1,000 t)		117	116	118	118	118	0.1%
	Amount (¥bn)	New accounting method		52.7	52.9	53.1	52.9	(0.3)%
		Former accounting method	59.7	59.5				

* Changes to accounting standards for recording net sales took effect from fiscal 2016.

Reference: Mayonnaise/Dressings Changes in Net Sales (including overseas)

(¥bn)

	5/14	5/15	5/16	5/17	5/18	11/17	11/18 Plan
《New accounting method》							
Mayonnaise		29.0	30.5	31.6	32.0	64.5	66.2
Dressings		24.4	25.1	25.8	26.8	52.1	55.0
Total		53.4	55.6	57.4	58.8	116.7	121.2
《Former accounting method》							
Mayonnaise	32.0	33.0					
Dressings	25.9	27.3					
Total	57.9	60.3					



* Changes to accounting standards for recording net sales took effect from fiscal 2016.

Reference: Results and Indicators for Main Markets

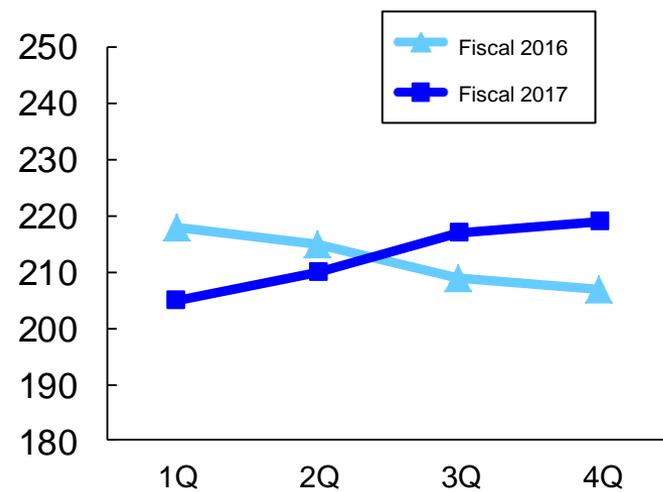
(¥)

	5/17	5/18 Results	11/17	11/18 Beginning of 2018 indicator	11/18 July indicator
Average Price of Institutional Use (Tank Truck Base) for Processed Oil and Fats (per kg)	207	232	213	227	232
Medium-Sized Egg, Tokyo Market Average Price (per kg)	214	188	207	205	185
US\$ exchange rates (average over fiscal year) (per 1 \$)	112	111	111	112	108
RMB exchange rates (average over fiscal year) (per 1 RMB)	16	17	16	16	17

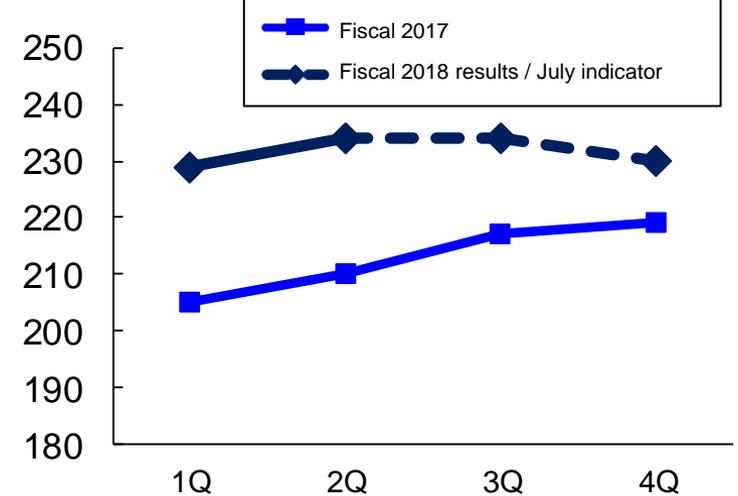
Reference: Conditions in Markets for Major Raw Materials

【Average price of institutional use (tank truck base) for refined soybean and colesed oils for processed oil and fats】

Comparison of fiscal 2016 and fiscal 2017

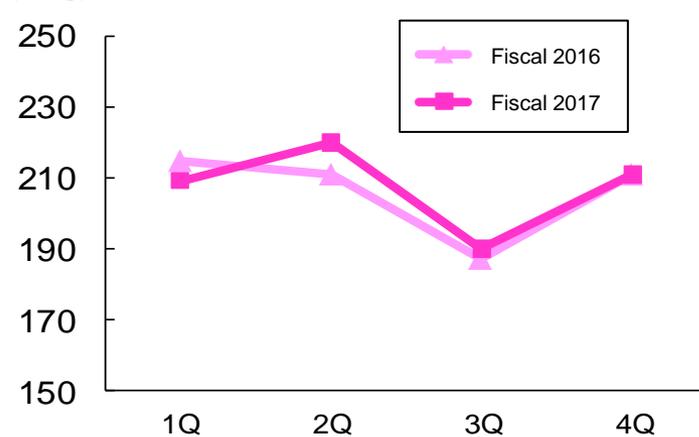


Comparison of fiscal 2017 and fiscal 2018

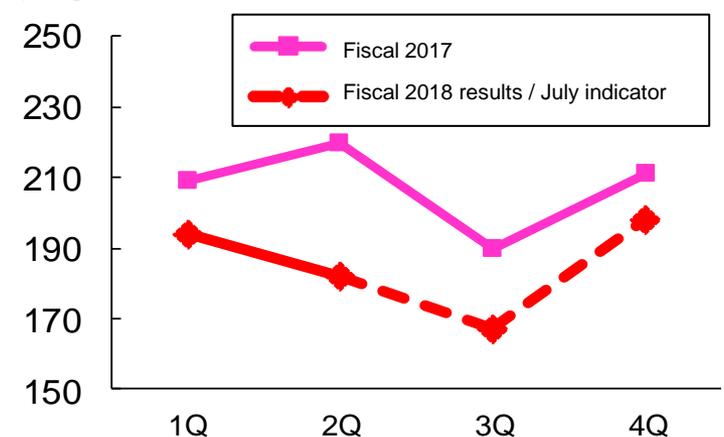


【Benchmark price for medium-sized eggs, Tokyo market】

Comparison of fiscal 2016 and fiscal 2017



Comparison of fiscal 2017 and fiscal 2018



Note:

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