

# **Fiscal 2019 Interim Financial Meeting**

**Working to maintain growth in Japan  
and accelerate growth overseas**

**1st Stage Interim Report**

July 5, 2019  
Kewpie Corporation

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# Fiscal 2019 Interim Results

# Fiscal 2019 Interim Results

Net sales decreased by 16.0 billion yen and operating income increased by 0.1 billion yen (year on year)

	5/18	5/19	Change YoY	Increase (Decrease)
Net Sales	285.0 ¥bn	269.0 ¥bn	(5.6)%	(16.0) ¥bn
Japan	262.3	245.0	(6.6)	(17.3)
Overseas	22.7	24.0	5.7	1.3
Operating Income	16.0 ¥bn	16.1 ¥bn	0.8%	0.1 ¥bn
Japan	18.1	17.0	(5.8)	(1.0)
Overseas	1.3	2.4	75.9	1.0
Company-wide expenses	(3.5)	(3.3)	(4.6)	0.2
Ordinary Income	16.5 ¥bn	16.9 ¥bn	2.4%	0.4 ¥bn
Profit attributable to owners of parent	9.1 ¥bn	9.6 ¥bn	5.4%	0.5 ¥bn

## ■ Key Indicators

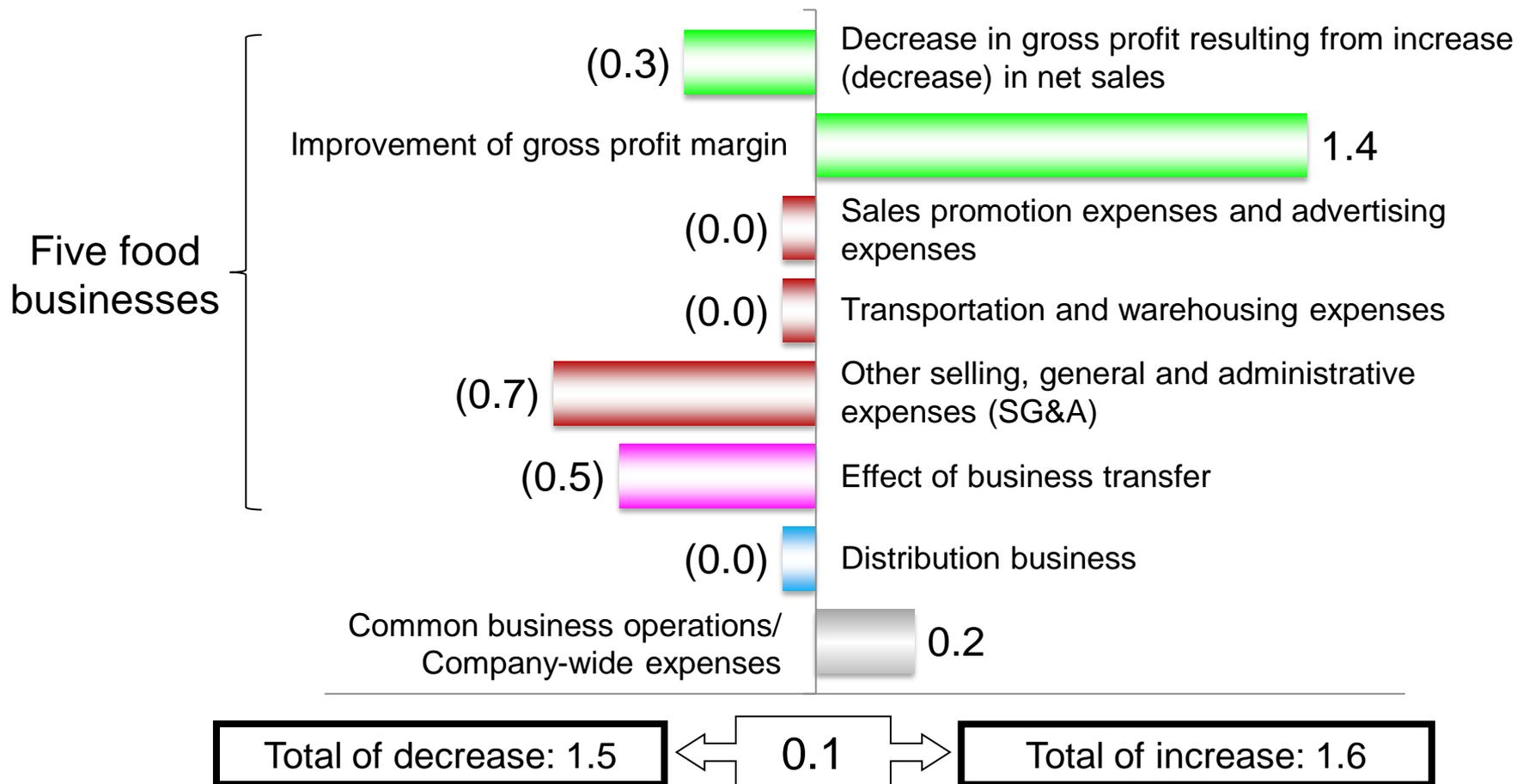
Operating Income Ratio	5.6%	6.0%	—	0.4%
Operating income ratio for three businesses in Japan	8.0%	8.6%	—	0.5%
Sales growth rate in China and Southeast Asia (The figures in brackets are presented on a local currency basis.)	9.0% [4.0%]	8.0% [11.0%]	—	(1.0)% [7.0%]

- \* Overseas figures cover 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 includes the impact of the exchange rate (which lowered net sales by 0.5 billion yen and operating income by 0.1 billion yen).
- \* The effect of the transfer of the CVS vendor business and medical EPA business carried out in fiscal 2018 (which lowered net sales by 16.1 billion yen and operating income by 0.5 billion yen) is included.
- \* The three domestic businesses are the domestic condiments and processed foods business, the salad and delicatessen business and the domestic egg business.

# Fiscal 2019 Interim Factors Causing Increase (Decrease) in Operating Income

(¥bn)

	5/18	5/19	Change
<b>Operating Income</b>	16.0	16.1	0.1



\* The breakdown by business segment is listed on page 36.

# Fiscal 2019 Interim Main Contents of Factors Causing Increase (Decrease) in Operating Income

【Decrease in gross profit resulting from increase (decrease) in net sales】 [(0.3)] (¥bn)

Impact on net sales	(0.3)	Increased overseas sales of condiments	0.4
		Increase in sales due to new products and new initiatives	0.2
		Decrease in sales of cut vegetables	(0.9)

【Improvement of gross profit margin】[1.4]

Raising added value	0.5	Shift to value-added products (egg-based products, dressings, etc.)	0.5
Improvement of costs	0.6	Lowering costs at production sites	0.6
Impact of main raw materials cost	0.6	Main raw materials in salad condiments	0.6

【Other SG&A expenses】[(0.7)]

Increase in payroll expenses	(0.6)	Increase due to business expansion, etc.	(0.6)
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# Key Points for Non-operating Income (Expenses) and Extraordinary Gains (Losses)

	(¥bn)		
	5/18	5/19	Increase (Decrease)
Operating income	16.0	16.1	0.1
Non-operating income (expenses)	0.6	0.8	0.3
Ordinary income	16.5	16.9	0.4
Extraordinary gains (losses)	(0.5)	(0.4)	0.1
Profit before income taxes	16.1	16.5	0.5
Income taxes, and profit attributable to non-controlling interests	7.0	7.0	(0.0)
Profit attributable to owners of parent	9.1	9.6	0.5

## <Key Points for Non-operating Income (Expenses)>

Increase in subsidy income 0.2

Increase in insurance income 0.2

## <Key Points for Extraordinary Gains (Losses)>

Increase in gains on transfer  
of business 0.6

Increase in losses on  
impairment of fixed assets (0.6)

# Fiscal 2019 Interim Net Sales and Operating Income by Segment

									(¥bn)
	Net Sales by Segment				Operating Income by Segment				
	5/18	5/19	Change YoY	Increase (Decrease)	5/18	5/19	Change YoY	Increase (Decrease)	
Total	285.0	269.0	(5.6)%	(16.0)	16.0	16.1	0.8%	0.1	
Condiments and Processed Foods	91.3	91.8	0.5	0.4	9.8	10.8	10.5	1.0	
Salad and Delicatessen	61.2	44.3	(27.7)	(16.9)	1.9	1.2	(39.6)	(0.8)	
Egg	49.6	49.0	(1.1)	(0.6)	3.9	4.0	4.1	0.2	
Fruit Solution	8.2	7.9	(3.9)	(0.3)	0.5	0.1	(77.7)	(0.4)	
Fine Chemicals	4.8	4.3	(11.2)	(0.5)	0.4	0.4	0.0	0.0	
Distribution	67.0	69.2	3.3	2.2	2.2	2.1	(2.0)	(0.0)	
Common business operations	2.9	2.6	(11.3)	(0.3)	0.8	0.8	1.3	0.0	
Company-wide expenses	—	—	—	—	(3.5)	(3.3)	(4.6)	0.2	

\* Figures for the new business segments are used for fiscal 2018 interim. Please refer to page 29 for changes in business segment.

\* Figures for the salad and delicatessen business include the effect of the transfer of the CVS vendor business carried out in fiscal 2018 (which lowered net sales by 15.4 billion yen and operating income by 0.4 billion yen).

\* Figures for the fine chemicals business include the effect of the transfer of the medical EPA business carried out in fiscal 2018 (which lowered net sales by 0.7 billion yen and operating income by 0.1 billion yen).

# Primary Factors Causing Increase (Decrease) in Fiscal 2019 Interim Net Sales and Operating Income by Segment

\* Figures in parentheses are the change over the previous year; the unit is billion yen.

## Condiments and Processed Foods Business

### ◇ Net Sales [0.4]

- Strong sales of mayonnaise in Japan
- Strong sales of mayonnaise and dressing overseas

### ◇ Operating income [1.0]

- Decrease in main raw materials cost, review of unprofitable products

## Fruit Solution Business

### ◇ Net Sales [(0.3)]

- Drop in sales to food manufacturers
- Solid performance of jams and spreads

### ◇ Operating income [(0.4)]

- Shift in production of prepared foods to other businesses

## Salad and Delicatessen Business

### ◇ Net Sales [(16.9)]

### ◇ Operating income [(0.8)]

- Effect of business transfer in fiscal 2018 (CVS vendor)
- Lower demand for cut vegetables due to a drop in market for leafy vegetables

## Fine Chemicals Business

### ◇ Net Sales [(0.5)]

### ◇ Operating income [0.0]

- Effect of business transfer (medical EPA) in fiscal 2018
- Strong performance of medical equipment business

## Egg Business

### ◇ Net Sales [(0.6)]

- Decrease in sales due to a decline in the domestic market for hen's eggs
- Increase in sales volume in Japan

### ◇ Operating income [0.2]

- Growth in value-added products
- Higher income due to increase in dried egg market in the U.S.

## Distribution Business

### ◇ Net Sales [2.2]

- Expansion in handling of existing customers for joint distribution and other

### ◇ Operating income [(0.0)]

- Increase in personnel costs, etc. due to expanded business and reinforced system
- Progress in streamlining distribution and storage

# Fiscal 2019 Plans

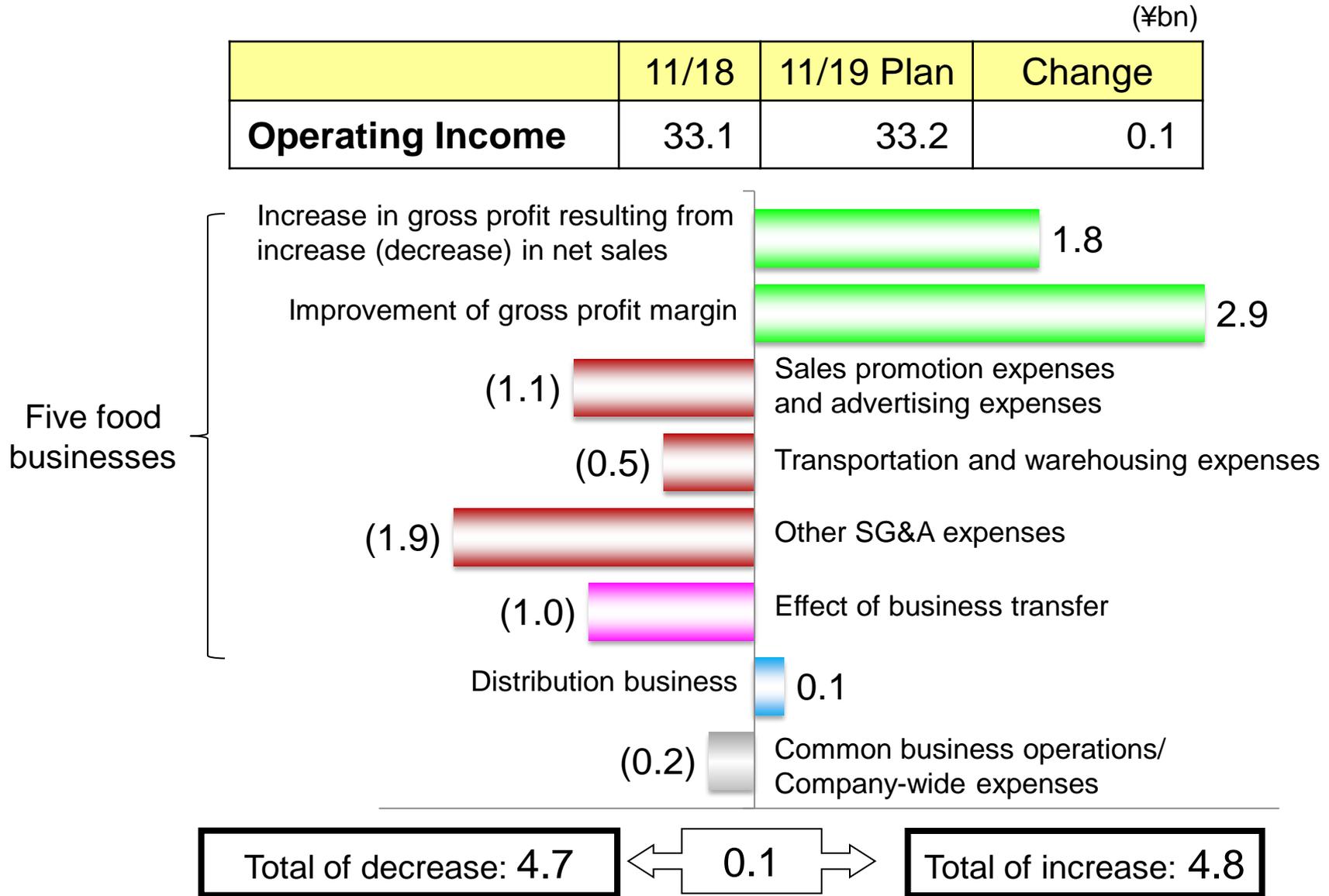
# Fiscal 2019 Plans

	11/18	11/19 Plan	Change YoY	Increase (Decrease)
Net Sales	573.5 ¥bn	550.0 ¥bn	(4.1)%	(23.5 ¥bn)
Japan	525.5	498.2	(5.2)	(27.3)
Overseas	48.0	51.8	7.9	3.8
Operating Income	33.1 ¥bn	33.2 ¥bn	0.4%	0.1 ¥bn
Japan	36.6	35.6	(2.8)	(1.0)
Overseas	3.6	4.8	35.0	1.2
Company-wide expenses	(7.1)	(7.2)	1.3	(0.1)
Ordinary Income	34.3 ¥bn	34.4 ¥bn	0.1%	0.1 ¥bn
Profit attributable to owners of parent	18.3 ¥bn	18.4 ¥bn	0.4%	0.1 ¥bn
ROA (Return on assets)	8.2%	7.9%	—	(0.3)%
EBITDA (Operating income + Depreciation expenses)	51.3 ¥bn	52.3 ¥bn	1.9%	1.0 ¥bn
<b>■ Key Indicators</b>				
Operating Income Ratio	5.8%	6.0%	—	0.3%
ROE (Return on equity)	8.1%	8.0%	—	(0.1)%
Operating income ratio for three businesses in Japan	8.0%	8.6%	—	0.5%
Sales growth rate in China and Southeast Asia	10.0%	10.0%	—	0.0%
(The figures in brackets are presented on a local currency basis.)	[6.0%]	[12.0%]		[6.0%]

\* Overseas figures cover 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 includes the impact of the exchange rate (which lowered net sales by 0.6 billion yen and operating income by 0.1 billion yen).

\* The effect of the transfer of the CVS vendor business and medical EPA business carried out in fiscal 2018 (which lowered net sales by 29.2 billion yen and operating income by 1.0 billion yen) is included.

# Fiscal 2019 Plan Factors Causing Increase (Decrease) in Operating Income



\* The breakdown by business segment is listed on the upper half of page 37.

## Fiscal 2019 Plan Main Contents of Factors Causing Increase (Decrease) in Operating Income

【Increase in gross profit resulting from increase (decrease) in net sales】 [1.8] (¥bn)

Impact on net sales	1.8	Increase in sales due to new products and new initiatives	0.7
		Increased overseas sales of condiments	1.1

【Improvement of gross profit margin】 [2.9]

Raising added value	1.2	Shift to value-added products (egg-based products, dressings, etc.)	1.2
Improvement of costs	1.4	Lowering costs at production sites	1.4
Impact of main raw materials cost	0.5	Main raw materials in salad condiments	0.5

【Sales promotion expenses and advertising expenses】 [(1.1)]

Sales promotion expenses and advertising expenses	(1.1)	Overseas expansion, higher sales promotion costs due to 100th anniversary of founding	(1.1)
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【Transportation and warehousing expenses】 [(0.5)]

Increase in transportation and warehousing expenses	(0.5)	Increase in transportation and warehousing expenses due to increase in net sales	(0.5)
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【Other SG&A expenses】 [(1.9)]

Increase in payroll expenses	(1.3)	Increase due to business expansion, etc.	(1.3)
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# Key Initiatives in Japan

# Building Optimal Production System

Expansion of labor-saving production line for cut vegetables

## Salad Club Inc. Enshu Factory

(Labor-saving line began operating in February 2019)



Concept

- Cold chain set at 10°C
- Processing time: about one third
- Number of people on line: about one half

**Better cost competitiveness**

**Extended shelf life**

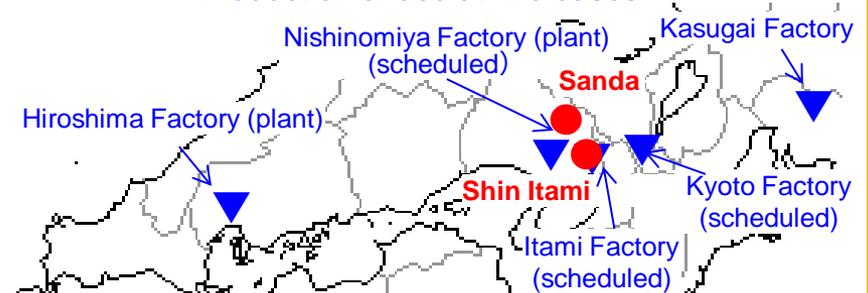
(Six days including processing date)

**Better taste**

**Horizontal expansion of part of the line throughout Japan**

## Kewpie Eggs: Reorganization of production bases in western Japan Two new bases for liquid eggs and processed products

Production ended at five bases



**Factory exclusively for liquid eggs**

**Factory exclusively for processed goods**

**Sanda Factory**  
To begin operations in August 2019

Mass production using high-speed egg-breaking machines

Compatible with the production of small quantities of a wide variety of products

**Itami (New Factory) (tentative)**  
To begin operations in January 2020

Consistent production from the point at which egg is cracked

Create value-added products with processing technology

**Capturing markets in western Japan**

# Promoting Integration of Three Businesses

## Salad and Delicatessen

× **Condiments and Processed Foods**

Expand salad field by integrating products

### Use cut vegetables in soup



Cut vegetables

Sauce for soup (with beans and grains)

Salad made like soup (to be launched in mid-August)



Soup salad

Create new markets by expanding sales channels for **Egg technology** × **Condiments and Processed Foods**

### Expand processed egg products to household market



### Renji de Torori Soft Yolk Sunny Side-Up Egg Style

- Easy preparation in microwave
- Egg yolk remains soft even when it is heated up

To be launched in early July in the frozen foods section of major CVS

Promoting Products Centering on Salad and Delicatessen and Egg businesses, as integral parts of people's daily meals

# Key Initiatives Overseas

# Overseas Operations: Themes and Results

## Focus on expanding condiments, particularly in China and Southeast Asia

Sustain double-digit growth in China by expanding market areas and strengthening recommendations for mayonnaise and dressing

Expand sales primarily of dark-roasted sesame dressing in Southeast Asia

Net Sales (¥bn)	5/18	5/19	Increase (Decrease)	Change YoY	Local currency YoY change	11/18	11/19 Plan	Increase (Decrease)	Change YoY	Local currency YoY change
Overseas total	22.7	24.0	1.3	6%	8%	48.0	51.8	3.8	8%	9%
China	8.7	9.2	0.6	7	11	19.3	21.1	1.8	9	13
Southeast Asia	4.9	5.4	0.5	10	10	10.0	11.2	1.1	11	11
Operating Income (¥bn)	5/18	5/19	Increase (Decrease)	Change YoY	Local currency YoY change	11/18	11/19 Plan	Increase (Decrease)	Change YoY	Local currency YoY change
Overseas total	1.3	2.4	1.0	76%	80%	3.6	4.8	1.2	35%	37%
China	0.8	1.4	0.6	76	84	2.4	2.9	0.5	22	25
Southeast Asia	0.3	0.4	0.1	36	35	0.6	0.7	0.1	16	15

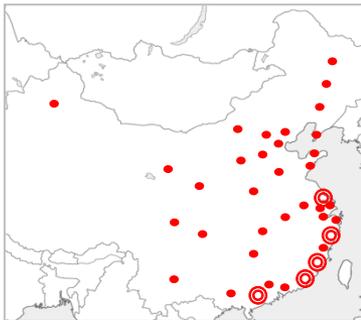
\* Data covers the period from October to March. The YoY change for the "overseas total" includes the effect of exchange rates (which lowered net sales by 0.5 billion yen and operating income by 0.1 billion yen).

\* Data covers the period from October to September. The YoY change for the "overseas total" includes the effect of exchange rates (which lowered net sales by 0.6 billion yen and operating income by 0.1 billion yen).

## Sustain double-digit growth by expanding market areas and strengthening ability to make recommendations

### Expand and strengthen market areas

- ◇ Increase sales bases along the coast by five sites
- ◇ Plan of expansion to urban areas with high potential growth



China sales sites

Fiscal 2018: 32 bases  
Fiscal 2019: 37 bases

Fiscal 2021: 40 or more bases

◎ : New bases in fiscal 2019

### Recommendations focused on quality

- ◇ Improve quality of store promotions (strengthen related sales, improve substance of taste tests)
- ◇ Promote use in Japanese and Chinese cooking

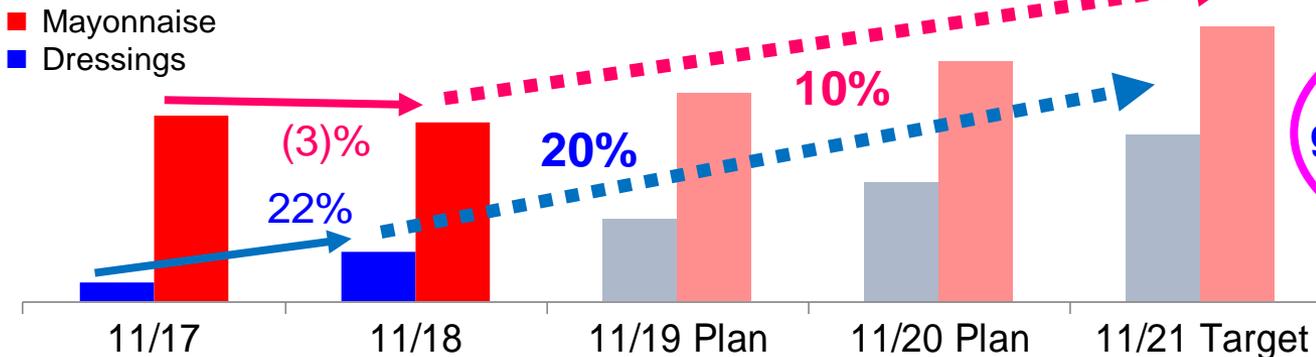


Menu recommendations using familiar ingredients (bread, eggs, and ham)



Menu recommendations for Japanese and Chinese restaurants

Net sales: Trends in YoY change on a local currency basis



**Sustain double-digit growth for mayonnaise and dressings**

## Create demand focused on dark-roasted sesame dressing

### Expand dressings applications

- ◇ Related sales in vegetable section
- ◇ Strengthen recommendations for local cooking



Menu recommendations introduced in the vegetable section



Introduction in Chinese menu



Small packages for fresh spring roll packs

### Product expansion in all areas

- ◇ Sale of sesame dressing tailored to tastes in individual countries



Yuzu flavor (Malaysia)

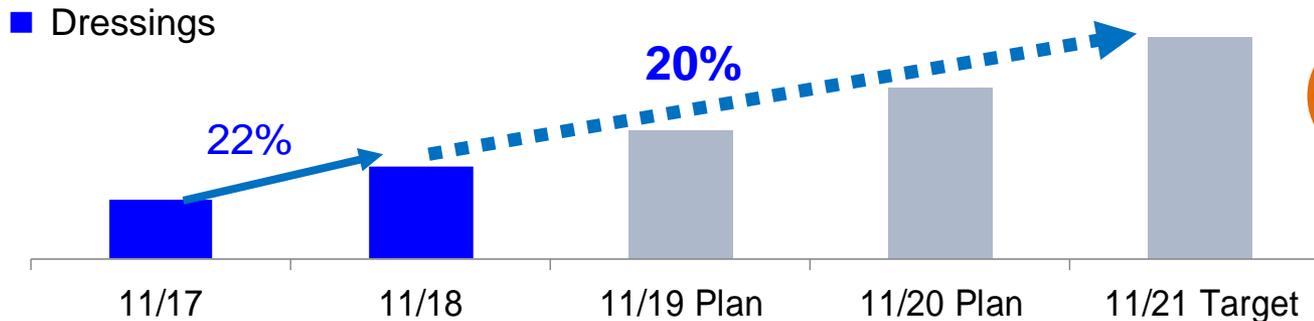


Spicy (Thailand)



Chili sauce and sesame seed dressing (Vietnam)

Net sales: Trends in YoY change on a local currency basis



**Sustain 20% growth in Southeast Asia**

# Main Initiatives by Business Segment

# Fiscal 2019 Plan by Business Segment

									(¥bn)
	Net Sales by Segment				Operating Income by Segment				
	11/18	11/19 Plan	% Change	Increase (Decrease)	11/18	11/19 Plan	% Change	Increase (Decrease)	
Total	573.5	550.0	(4.1)%	(23.5)	33.1	33.2	0.4%	0.1	
Condiments and Processed Foods	184.3	189.8	3.0	5.5	19.8	21.2	6.9	1.4	
Salad and Delicatessen	118.3	91.5	(22.7)	(26.8)	4.3	3.2	(25.4)	(1.1)	
Egg	100.9	99.8	(1.1)	(1.1)	7.8	8.3	6.6	0.5	
Fruit Solution	15.9	16.2	2.1	0.3	0.7	0.3	(55.8)	(0.4)	
Fine Chemicals	10.0	8.8	(12.3)	(1.2)	1.5	1.2	(17.8)	(0.3)	
Distribution	138.3	138.4	0.1	0.1	4.7	4.8	3.0	0.1	
Common business operations	5.8	5.5	(5.9)	(0.3)	1.5	1.4	(4.4)	(0.1)	
Company-wide expenses	—	—	—	—	(7.1)	(7.2)	1.3	(0.1)	

\* Figures for the new business segments are used for fiscal 2018. Please refer to page 29 for changes in business segment.

\* The effect of the transfer of the CVS vendor business carried out in fiscal 2018 (which lowered net sales by 27.5 billion yen and operating income by 0.8 billion yen) is included in the salad and delicatessen business.

\* The effect of the transfer of the medical EPA business carried out in fiscal 2018 (which lowered net sales by 1.7 billion yen and operating income by 0.2 billion yen) is included in the fine chemicals business.

# Condiments and Processed Foods Business

(¥bn)	11/19 Plan	11/18 Difference
Net Sales	189.8	5.5
Operating Income	21.2	1.4
Operating Income Ratio	11.2%	0.4%

【Factors causing increase (decrease) in operating income】

(¥bn)	5/19 Results (H1)	11/19 Plan (Annual)
Increase in gross profit resulting from increase (decrease) in net sales	0.3	1.7
Improvement of gross profit margin	0.8	1.2
Sales promotion expenses and advertising expenses	(0.0)	(0.8)
Transportation and warehousing expenses	0.2	0.3
Other SG&A expenses	(0.3)	(1.0)
Total	1.0	1.4

## 【Key Initiatives in the Second Half】

**Reinforce earning capacity with growth in core categories**

### ■ Strengthen core categories

- Identify changes in health needs and strengthen sales promotion recommendations for dressing
- Promote mayonnaise as a versatile condiment and dressings as an all-purpose nature condiment to revitalize the market



To be launched in mid-August

Olive Oil & Onion Dressing



Dressing for Meat and Vegetables

To be launched in mid-August

### ■ Expand sales channels by business integration

- Launch of new series of products for exclusive sale in vegetable section, proposing a wider range of ways to consume vegetables
- Expand processing route by proposing portion functions



Salad Club Dressing for Shredded Cabbage

# Salad and Delicatessen Business

(¥bn)	11/19 Plan	11/18 Difference
Net Sales	91.5	(26.8)
Operating Income	3.2	(1.1)
Operating Income Ratio	3.5%	(0.1)%

【Factors causing increase (decrease) in operating income】

(¥bn)	5/19 Results (H1)	11/19 Plan (Annual)
Increase in gross profit resulting from increase (decrease) in net sales	(0.4)	0.2
Improvement of gross profit margin	0.1	0.4
Sales promotion expenses and advertising expenses	(0.0)	(0.1)
Transportation and warehousing expenses	0.1	(0.2)
Other SG&A expenses	(0.2)	(0.6)
Effect of business transfer	(0.4)	(0.8)
Total	(0.8)	(1.1)

## 【Key Initiatives in the Second Half】

**Address social issues by improving taste and extending shelf life**

### ■ Cut food loss and increase demand by extending shelf life

- New production methods and cold chain (shredded cabbage)

Expiration date: Six days including processing date

- Innovations in processing technology (potato salad)



Shredded Cabbage

### ■ Contributing to food lifestyle by creating new healthy categories

- Cabbage rice, developed to meet a health need
- Delicatessen foods with a focus on balanced nutrition



Cabbage rice  
(For those worried about carbs)

### ■ Addressing labor shortage

- Horizontal expansion of labor-saving line technology for cut vegetables
- Deployment of AI raw materials and foreign body detection equipment

# Egg Business

(¥bn)	11/19 Plan	11/18 Difference
Net Sales	99.8	(1.1)
Operating Income	8.3	0.5
Operating Income Ratio	8.3%	0.6%

## 【Factors causing increase (decrease)】

(¥bn)	5/19 Results (H1)	11/19 Plan (Annual)
Increase in gross profit resulting from increase (decrease) in net sales	(0.1)	0.0
Improvement of gross profit margin	0.8	1.3
Sales promotion expenses and advertising expenses	(0.0)	(0.0)
Transportation and warehousing expenses	(0.4)	(0.6)
Other SG&A expenses	(0.1)	(0.2)
Total	0.2	0.5

## 【Key Initiatives in the Second Half】

### Improve earning capacity by creating and expanding value-added products

#### ■ Use of sales channels within Group

- New developments in household use market (Egg Spread)
- Reinforce expansion into delicatessen stores (thick omelet, dessert)



Egg Spread

To be launched in early September

#### ■ Expand products utilizing technical strengths

- Develop topping products utilizing half-boiled egg technology



Example of a menu using round omelet in style of sunny side-up egg

#### ■ Expansion into ready-made food market

- Create new delicatessen products by proposing small-volume frozen egg operations (thick omelets prepared fresh in mass retail stores)



Photo of thick omelet

# Fruit Solution Business

(¥bn)	11/19 Plan	11/18 Difference
Net Sales	16.2	0.3
Operating Income	0.3	(0.4)
Operating Income Ratio	1.9%	(2.4)%

## 【Factors causing increase (decrease)】

(¥bn)	5/19 Results (H1)	11/19 Plan (Annual)
Increase in gross profit resulting from increase (decrease) in net sales	(0.2)	(0.2)
Improvement of gross profit margin	(0.2)	0.0
Sales promotion expenses and advertising expenses	0.0	(0.1)
Transportation and warehousing expenses	0.0	0.0
Other SG&A expenses	(0.1)	(0.2)
Total	(0.4)	(0.4)

## 【Key Initiatives in the Second Half】

### Create a new processed fruit product market

#### ■ Create new customers with ready-to-eat processed food that is unlike frozen fruit up until now

- Achieved with commitment to product variety and area of production and proprietary technology



Aohata Kuchidoke - Ichigo

- Soft frozen technology
- Focus on aroma, color and sweetness

\* Sales began in May at some stores

- Expand new ways of enjoying food for home-cooked foods market, restaurants and food manufacturers

#### ■ From cultivation to processing: Reinforce consistent system

- Develop strawberries for processing in cultivation research facilities in Japan and overseas; develop stable procurement from around the world



Aohata's fruit R&D station  
(Hiroshima prefecture)

# Fine Chemicals Business

(¥bn)	11/19 Plan	11/18 Difference
Net Sales	8.8	(1.2)
Operating Income	1.2	(0.3)
Operating Income Ratio	13.6%	(0.9)%

## 【Factors causing increase (decrease)】

(¥bn)	5/19 Results (H1)	11/19 Plan (Annual)
Increase in gross profit resulting from increase (decrease) in net sales	0.1	0.1
Improvement of gross profit margin	(0.1)	(0.0)
Sales promotion expenses and advertising expenses	(0.0)	(0.1)
Transportation and warehousing expenses	(0.0)	(0.1)
Other SG&A expenses	0.1	0.1
Effect of business transfer	(0.1)	(0.2)
Total	0.0	(0.3)

## 【Key Initiatives in the Second Half】

**Focus on hyaluronic acid and expand from there**

### ■ To new growth areas

- Take up challenge of medical equipment business

From K Smart's market penetration to stabilization

\* K Smart: Sales launched in November 2018 - Kewpie's first medical device  
Endoscopic submucosal injection materials



K Smart

### ■ Proposing new value in direct sales

- Create new value with internal and external beauty products using hyaluronic acid

Launch skincare products combining our own hyaluronic acid and strengthen recommendations for supplements and skin care

Hyaluro Moisture 240



×



Skincare products

# Distribution Business

(¥bn)	11/19 Plan	11/18 Difference
Net Sales	138.4	0.1
Operating Income	4.8	0.1
Operating Income Ratio	3.5%	0.1%

## 【Factors causing increase (decrease)】

(¥bn)	5/19 Results (H1)	11/19 Plan (Annual)
Improvement of earning capacity	0.5	2.5
Strengthen of transportation and storage functions	0.3	1.5
Impact of transportation costs (vehicle procurement, impact of fuel costs, etc.)	(0.1)	(0.4)
Operating costs, labor costs, SG&A costs, etc.	(0.3)	(2.3)
Decrease in existing transactions, etc.	(0.3)	(1.2)
Total	(0.0)	0.1

## 【Key Initiatives in the Second Half】

### Promote overall optimization by strengthening and augmenting functions

#### ■ Joint Distribution

- Strengthen earning capacity
  - Strengthen new marketing and improve storage and transportation efficiency
  - Collection of appropriate fees, ease and suspend ancillary work
- Network-building
  - Expand low-temperature joint transportation in Tokyo metropolitan area, operate new base
- Ensure distribution capacity
  - Strengthen main line transportation capacity, promote modal shift

#### ■ Dedicated Distribution

- New commissions for mass merchandise stores
- Improve profits by stabilizing center management

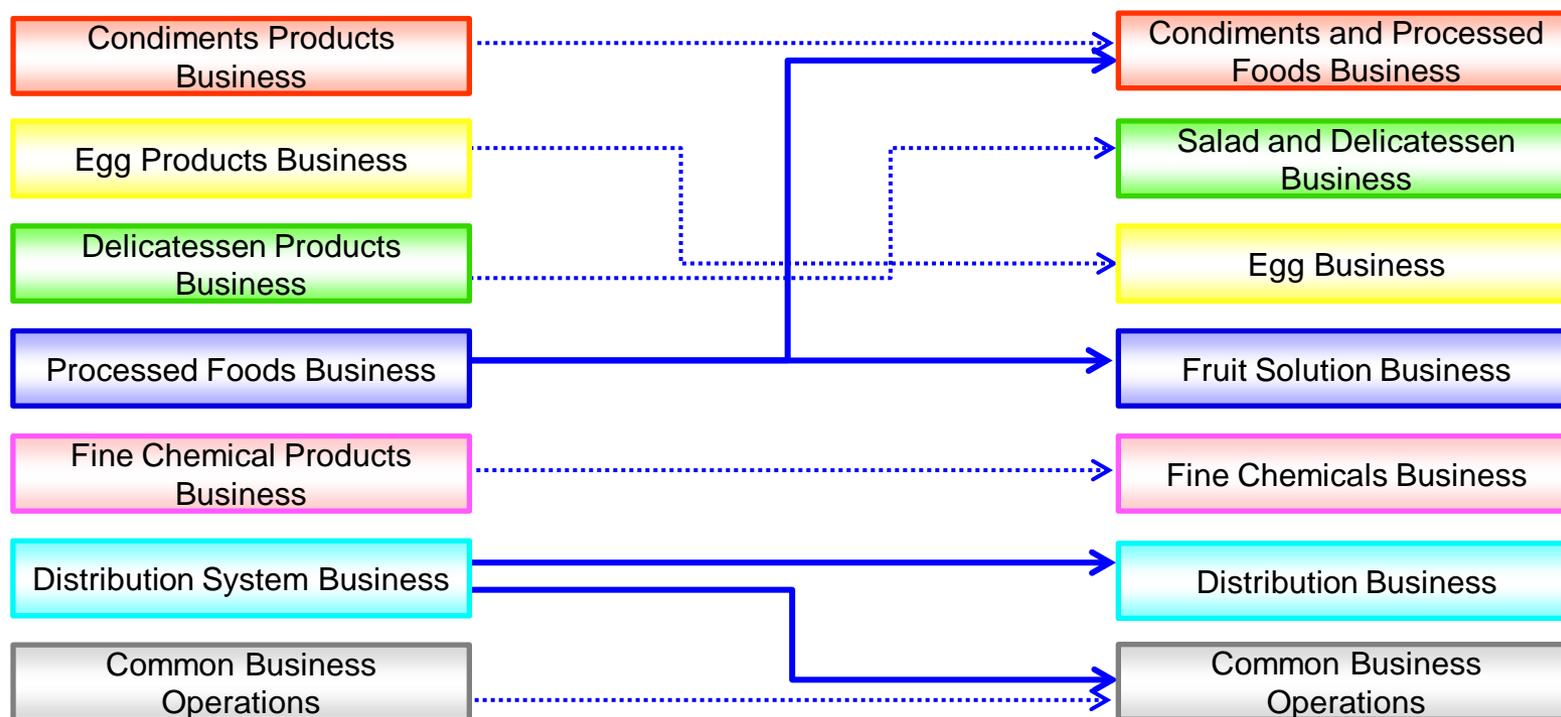
#### ■ Initiatives to change work style and working environment

- Introduce unmanned, labor-saving equipment
- Augment labor system, implement HR rotation

# Reference Materials

## ◇ Changes in business category

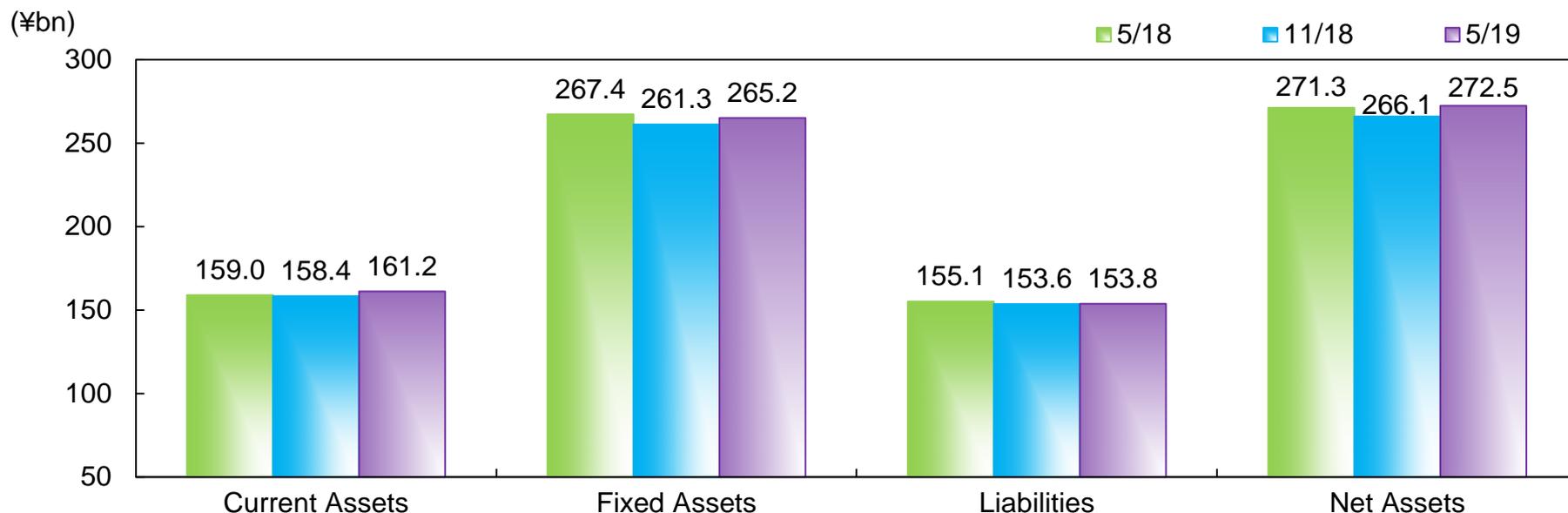
- All business operations of the Processed foods business segment except the Aohata Corporation portion have been transferred to the “Condiments products business” segment and this segment was renamed as the “Condiments and processed foods business.”
- The Aohata Corporation portion of the “Processed foods business” segment has been split off as the “Fruit solution business.”
- The “Distribution system business” segment transformed its leasing related transactions to “Common business operations,” and was renamed as “Distribution business.”



## ◇ Company-wide expenses

Expenses not attributable to any specific business (headquarters expenses, etc.) have been classified as “Company-wide expenses.”

# Reference: Increase (Decrease) Points of Balance Sheet



## ■ Comparison with Fiscal 2018

### Increase of 2.8 ¥bn in current assets

- Increase in cash and deposits 1.0
- Increase in notes and accounts receivable – trade 1.0
- Increase in inventories 0.3

### Increase of 3.9 ¥bn in fixed assets

- Increase resulting from purchases of tangible and intangible fixed assets 16.0
- Decrease resulting from depreciation (9.0)
- Decrease in investment securities (2.6)

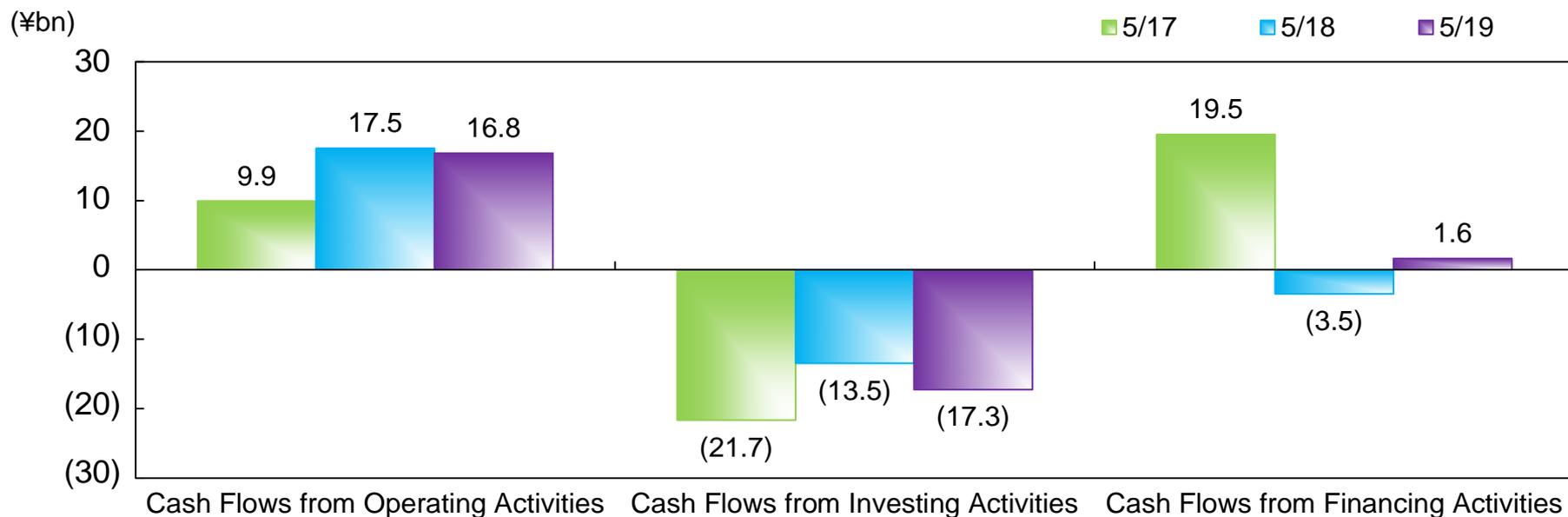
### Increase of 0.2 ¥bn in liabilities

- Increase in loans payable 5.5
- Decrease in accrued income taxes (1.1)
- Decrease in accounts payable – other (1.8)
- Decrease in accounts payable – facilities (1.4)

### Increase of 6.4 ¥bn in net assets

- Increase in earned surplus 6.8
- Decrease in accumulated other comprehensive income (1.6)
- Increase in non-controlling interests 1.3

# Reference: Increase (Decrease) Points of Cash Flows



## ■ Comparison with Fiscal 2018 interim

Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities				
<ul style="list-style-type: none"> <li>Decrease in notes and accounts receivable – trade 1.8</li> <li>Increase in income taxes paid (2.8)</li> </ul>	<ul style="list-style-type: none"> <li>Increase in purchases of intangible fixed assets (3.2)</li> </ul>	<ul style="list-style-type: none"> <li>Increase in proceeds from loans payable 5.0</li> </ul>				
<div style="border: 1px solid black; border-radius: 10px; padding: 5px; display: inline-block;">Status of capital investments</div>						
		<table border="1"> <thead> <tr> <th>5/19</th> <th>11/19 Plan</th> </tr> </thead> <tbody> <tr> <td>16.1 ¥bn</td> <td>41.4 ¥bn</td> </tr> </tbody> </table>	5/19	11/19 Plan	16.1 ¥bn	41.4 ¥bn
5/19	11/19 Plan					
16.1 ¥bn	41.4 ¥bn					

# Reference: Performance Trends by Business

(¥bn)

	5/16	5/17	5/18	5/19	11/18	11/19 Plan
<b>«New business category»</b>						
Condiments and Processed Foods			91.3 9.8	91.8 10.8	184.3 19.8	189.8 21.2
Salad and Delicatessen			61.2 1.9	44.3 1.2	118.3 4.3	91.5 3.2
Egg			49.6 3.9	49.0 4.0	100.9 7.8	99.8 8.3
Fruit Solution			8.2 0.5	7.9 0.1	15.9 0.7	16.2 0.3
Fine Chemicals			4.8 0.4	4.3 0.4	10.0 1.5	8.8 1.2
Distribution			67.0 2.2	69.2 2.1	138.3 4.7	138.4 4.8
Common business operations			2.9 0.8	2.6 0.8	5.8 1.5	5.5 1.4
Company-wide expenses			— (3.5)	— (3.3)	— (7.1)	— (7.2)
<b>Total</b>			285.0 16.0	269.0 16.1	573.5 33.1	550.0 33.2
<b>«Former business category»</b>						
Condiments Products	71.8 6.2	74.0 7.3	76.1 7.1		153.4 14.4	
Egg Products	51.9 3.2	49.9 2.0	49.6 3.1		100.9 6.0	
Delicatessen Products	54.1 1.5	56.8 1.7	61.2 2.0		118.3 4.4	
Processed Foods	25.7 0.3	23.2 0.3	23.4 0.5		46.8 0.6	
Fine Chemical Products	5.3 0.6	5.1 0.1	4.8 0.3		10.0 1.3	
Distribution System	62.3 2.1	64.2 2.9	67.0 2.6		138.3 5.6	
Common business operations	2.5 0.3	3.9 0.5	2.9 0.4		5.8 0.8	
<b>Total</b>	273.4 14.2	277.2 14.8	285.0 16.0		573.5 33.1	

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

# Reference: Capital Investments and Main SG&A Expenses

	( ¥bn )					
	5/16	5/17	5/18	5/19	11/18	11/19 Plan
Capital Investments	15.1	16.2	13.2	16.1	32.1	41.4
Depreciation Expenses	10.3	8.1	8.9	9.2	18.2	19.1
Sales Promotion Expenses	1.7	1.9	1.9	1.8	3.9	4.6
Advertising Expenses	4.2	5.2	5.0	5.0	9.1	9.6
Transportation and Warehousing Expenses	12.5	12.7	13.5	12.8	26.8	26.4
Payroll Expenses	14.5	15.5	16.2	16.6	32.7	34.1
R&D Expenses	1.9	1.9	1.9	1.9	4.1	4.3

# Reference: Fiscal 2019 Interim Net Sales, Operating Income, and Operating Income Ratio by Segment

(¥bn)	Net sales by segment			Operating income by segment			Operating income ratio by segment		
	5/18	5/19	Increase (Decrease)	5/18	5/19	Increase (Decrease)	5/18	5/19	Increase (Decrease)
Total	285.0	269.0	(16.0)	16.0	16.1	0.1	5.6%	6.0%	0.4%
Condiments and Processed Foods	91.3	91.8	0.4	9.8	10.8	1.0	10.7	11.8	1.1
Japan	72.3	71.4	(0.8)	8.7	8.8	0.1	12.1	12.4	0.3
Overseas	19.1	20.3	1.2	1.1	2.0	0.9	5.5	9.6	4.1
Salad and Delicatessen	61.2	44.3	(16.9)	1.9	1.2	(0.8)	3.1	2.6	(0.5)
Egg	49.6	49.0	(0.6)	3.9	4.0	0.2	7.8	8.2	0.4
Japan	47.0	46.4	(0.6)	3.8	3.9	0.1	8.1	8.3	0.3
Overseas (U.S.)	2.6	2.6	0.1	0.1	0.2	0.1	3.0	6.4	3.4
Fruit Solution	8.2	7.9	(0.3)	0.5	0.1	(0.4)	6.6	1.6	(5.1)
Fine Chemicals	4.8	4.3	(0.5)	0.4	0.4	0.0	7.9	8.9	1.0
Distribution	67.0	69.2	2.2	2.2	2.1	(0.0)	3.2	3.1	(0.2)
Common business operations	2.9	2.6	(0.3)	0.8	0.8	0.0	26.5	30.3	3.8
Company-wide expenses	—	—	—	(3.5)	(3.3)	0.2	—	—	—
Total of three domestic businesses	180.5	162.1	(18.3)	14.4	13.9	(0.6)	8.0	8.6	0.5

\* Figures for the new business segments are used for fiscal 2018 interim. Please refer to page 29 for changes in business segment.

\* Figures for the salad and delicatessen business include the effect of the transfer of the CVS vendor business carried out in fiscal 2018 (which lowered net sales by 15.4 billion yen and operating income by 0.4 billion yen).

\* Figures for the fine chemicals business include the effect of the transfer of the medical EPA business carried out in fiscal 2018 (which lowered net sales by 0.7 billion yen and operating income by 0.1 billion yen).

\* The three domestic businesses are the domestic condiments and processed foods business, the salad and delicatessen business and the domestic egg business.

# Reference: Fiscal 2019 Plan for Net Sales, Operating Income, and Operating Income Ratio by Segment

(¥bn)	Net sales by segment			Operating income by segment			Operating income ratio by segment		
	11/18	11/19 Plan	Increase (Decrease)	11/18	11/19 Plan	Increase (Decrease)	11/18	11/19	Increase (Decrease)
Total	573.5	550.0	(23.5)	33.1	33.2	0.1	5.8%	6.0%	0.3%
Condiments and Processed Foods	184.3	189.8	5.5	19.8	21.2	1.4	10.8	11.2	0.4
Japan	143.7	145.6	1.9	17.0	17.2	0.2	11.8	11.8	0.0
Overseas	40.6	44.2	3.6	2.8	4.0	1.2	7.0	9.0	2.1
Salad and Delicatessen	118.3	91.5	(26.8)	4.3	3.2	(1.1)	3.6	3.5	(0.1)
Egg	100.9	99.8	(1.1)	7.8	8.3	0.5	7.7	8.3	0.6
Japan	95.4	94.6	(0.8)	7.5	8.0	0.5	7.8	8.5	0.6
Overseas (U.S.)	5.5	5.2	(0.3)	0.3	0.3	(0.0)	5.7	5.8	0.1
Fruit Solution	15.9	16.2	0.3	0.7	0.3	(0.4)	4.3	1.9	(2.4)
Fine Chemicals	10.0	8.8	(1.2)	1.5	1.2	(0.3)	14.5	13.6	(0.9)
Distribution	138.3	138.4	0.1	4.7	4.8	0.1	3.4	3.5	0.1
Common business operations	5.8	5.5	(0.3)	1.5	1.4	(0.1)	25.1	25.5	0.4
Company-wide expenses	—	—	—	(7.1)	(7.2)	(0.1)	—	—	—
Total of three domestic businesses	357.4	331.7	(25.7)	28.8	28.4	(0.4)	8.0	8.6	0.5

\* Figures for the new business segments are used for fiscal 2018. Please refer to page 29 for changes in business segment.

\* Figures for the salad and delicatessen business include the effect of the transfer of the CVS vendor business carried out in fiscal 2018 (which lowered net sales by 27.5 billion yen and operating income by 0.8 billion yen).

\* Figures for the fine chemicals business include the effect of the transfer of the medical EPA business carried out in fiscal 2018 (which lowered net sales by 1.7 billion yen and operating income by 0.2 billion yen).

\* The three domestic businesses are the domestic condiments and processed foods business, the salad and delicatessen business and the domestic egg business.

Reference: Fiscal 2019 Interim Factors Causing Increase (Decrease) in Operating Income by Segment (YoY)

(¥bn)

	Increase (decrease) in gross profit resulting from increase (decrease) in net sales	Improvement of gross profit margin	Sales promotion expenses and advertising expenses	Transportation and warehousing expenses	Other SG&A expenses	Effect of business transfer	Increase (Decrease) In operating income
Total of five domestic businesses	(0.3)	1.4	(0.0)	(0.0)	(0.7)	(0.5)	(0.1)
Condiments and Processed Foods	0.3	0.8	(0.0)	0.2	(0.3)	—	1.0
Salad and Delicatessen	(0.4)	0.1	(0.0)	0.1	(0.2)	(0.4)	(0.8)
Egg	(0.1)	0.8	(0.0)	(0.4)	(0.1)	—	0.2
Fruit Solution	(0.2)	(0.2)	0.0	0.0	(0.1)	—	(0.4)
Fine Chemicals	0.1	(0.1)	(0.0)	(0.0)	0.1	(0.1)	0.0

Reference: Fiscal 2019 Plan Factors Causing Increase (Decrease) in Operating Income by Segment (YoY)

(¥bn)

	Increase (decrease) in gross profit resulting from increase (decrease) in net sales	Improvement of gross profit margin	Sales promotion expenses and advertising expenses	Transportation and warehousing expenses	Other SG&A expenses	Effect of business transfer	Increase (Decrease) In operating income
Total of five domestic businesses	1.8	2.9	(1.1)	(0.5)	(1.9)	(1.0)	0.2
Condiments and Processed Foods	1.7	1.2	(0.8)	0.3	(1.0)	—	1.4
Salad and Delicatessen	0.2	0.4	(0.1)	(0.2)	(0.6)	(0.8)	(1.1)
Egg	0.0	1.3	(0.0)	(0.6)	(0.2)	—	0.5
Fruit Solution	(0.2)	0.0	(0.1)	0.0	(0.2)	—	(0.4)
Fine Chemicals	0.1	(0.0)	(0.1)	(0.1)	0.1	(0.2)	(0.3)

# Reference: Fiscal 2019 Interim Net Sales and Operating Income by Overseas Area

(¥bn)	Net sales by area					Operating income by area				
	5/18	5/19	Increase (Decrease)	Change YoY	Local currency change YoY	5/18	5/19	Increase (Decrease)	Change YoY	Local currency change YoY
Total overseas	22.7	24.0	1.3	6%	8%	1.3	2.4	1.0	76%	80%
China	8.7	9.2	0.6	7	11	0.8	1.4	0.6	76	84
Southeast Asia	4.9	5.4	0.5	10	10	0.3	0.4	0.1	36	35
U.S.	5.8	5.8	(0.0)	0	(1)	0.3	0.4	0.1	53	52
Condiments and Processed Foods	3.2	3.2	(0.1)	(2)	(3)	0.2	0.2	0.0	23	22
Egg	2.6	2.6	0.1	2	1	0.1	0.2	0.1	117	115
Europe	1.6	1.6	0.0	0	7	(0.2)	(0.0)	0.1	—	—
Exports	1.8	2.0	0.2	13	—	0.3	0.4	0.0	14	—
Other expenses	—	—	—	—	—	(0.2)	(0.2)	(0.0)	9	—

\* Overseas figures cover the period from October through March. "Exports" includes only exports from Japan (exports from Japan cover the period from December through May).

\* Increase (decrease) for "Total overseas" figures include the impact of the exchange rate (which lowered net sales by 0.5 billion yen and operating income by 0.1 billion yen).

\* From fiscal 2018, expenses allocated for foreign operations that cannot be proportionately allocated by area are categorized as "Other expenses."

# Reference: Fiscal 2019 Plan for Overseas Net Sales and Operating Income by Area

(¥bn)	Net sales by area					Operating income by area				
	11/18	11/19 Plan	Increase (Decrease)	Change YoY	Local currency change YoY	11/18	11/19 Plan	Increase (Decrease)	Change YoY	Local currency change YoY
Total overseas	48.0	51.8	3.8	8%	9%	3.6	4.8	1.2	35%	37%
China	19.3	21.1	1.8	9	13	2.4	2.9	0.5	22	25
Southeast Asia	10.0	11.2	1.1	11	11	0.6	0.7	0.1	16	15
U.S.	12.3	12.1	(0.2)	(1)	(2)	0.8	0.8	0.0	0	(1)
Condiments and processed foods	6.8	6.9	0.1	1	1	0.5	0.5	0.0	9	8
Egg	5.5	5.2	(0.3)	(5)	(6)	0.3	0.3	(0.0)	(13)	(14)
Europe	2.8	2.9	0.1	3	9	(0.5)	(0.2)	0.4	—	—
Exports	3.6	4.5	0.9	26	—	0.6	0.8	0.1	22	—
Other expenses	—	—	—	—	—	(0.4)	(0.3)	0.1	(27)	—

\* Overseas figures cover the period from October through September. "Exports" includes only exports from Japan (exports from Japan cover the period from December through November).

\* Increase (decrease) for "Total overseas" figures include the impact of the exchange rate (which lowered net sales by 0.6 billion yen and operating income by 0.1 billion yen).

\* From fiscal 2018, expenses allocated for foreign operations that cannot be proportionately allocated by area are categorized as "Other expenses."

Reference: Sales growth rate by overseas area (based on local currency, YoY)

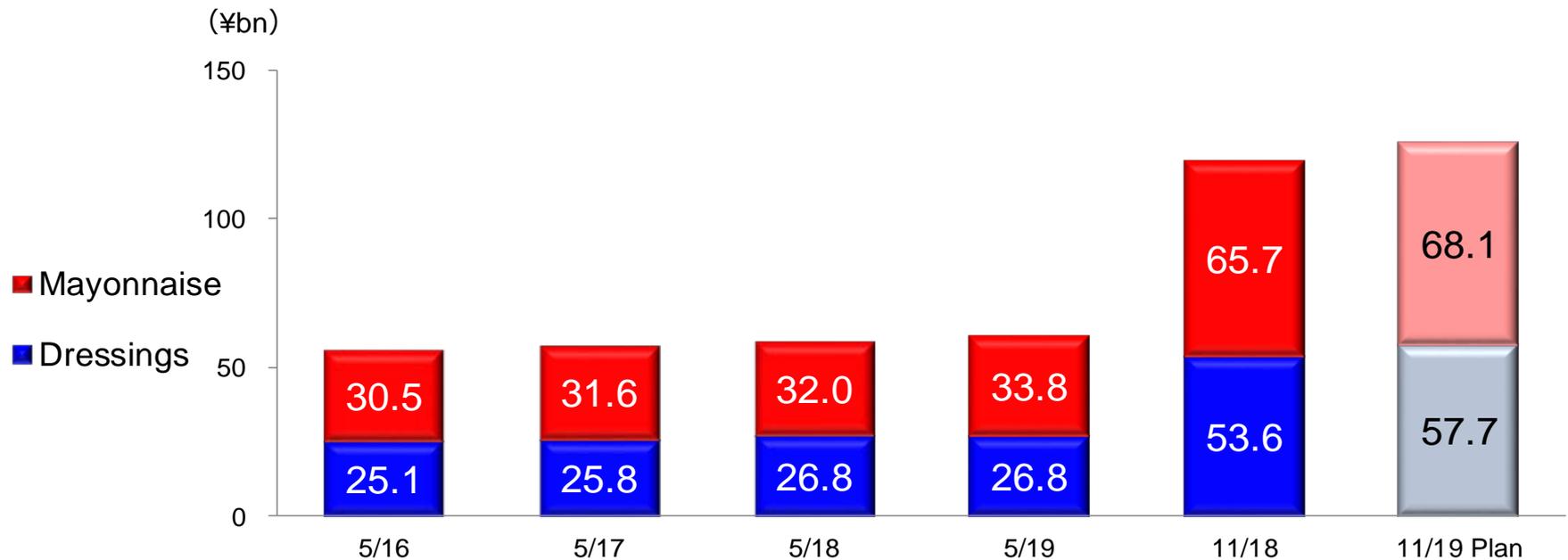
						(%)	
		5/16	5/17	5/18	5/19	11/18	11/19 Plan
China		22	26	(1)	11	3	13
Southeast Asia		6	11	12	10	13	11
U.S.	Condiments and Processed Foods Business	22	13	3	(3)	2	1
	Egg Business	(2)	(34)	24	1	27	(6)
Europe		—	—	142	7	57	9

# Reference: Results of Salad Condiments by Category Type in Japan

		5/16	5/17	5/18	5/19	Change YoY
For household use	Volume (1,000 t)	65	64	63	66	5%
	Amount (¥bn)	32.5	32.8	32.2	32.9	2%
For commercial use	Volume (1,000 t)	53	54	54	53	(3)%
	Amount (¥bn)	20.4	20.3	20.7	20.0	(3)%
Total	Volume (1,000 t)	118	118	118	119	1%
	Amount (¥bn)	52.9	53.1	52.9	52.9	0%

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

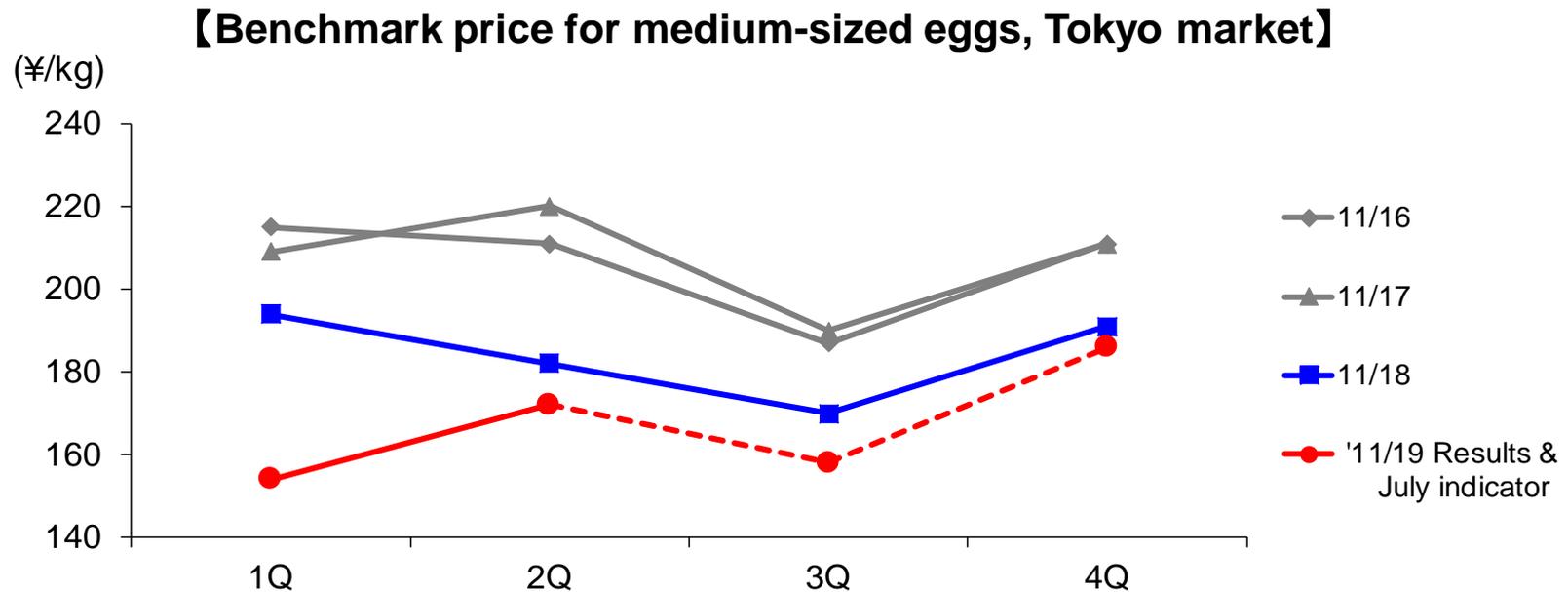
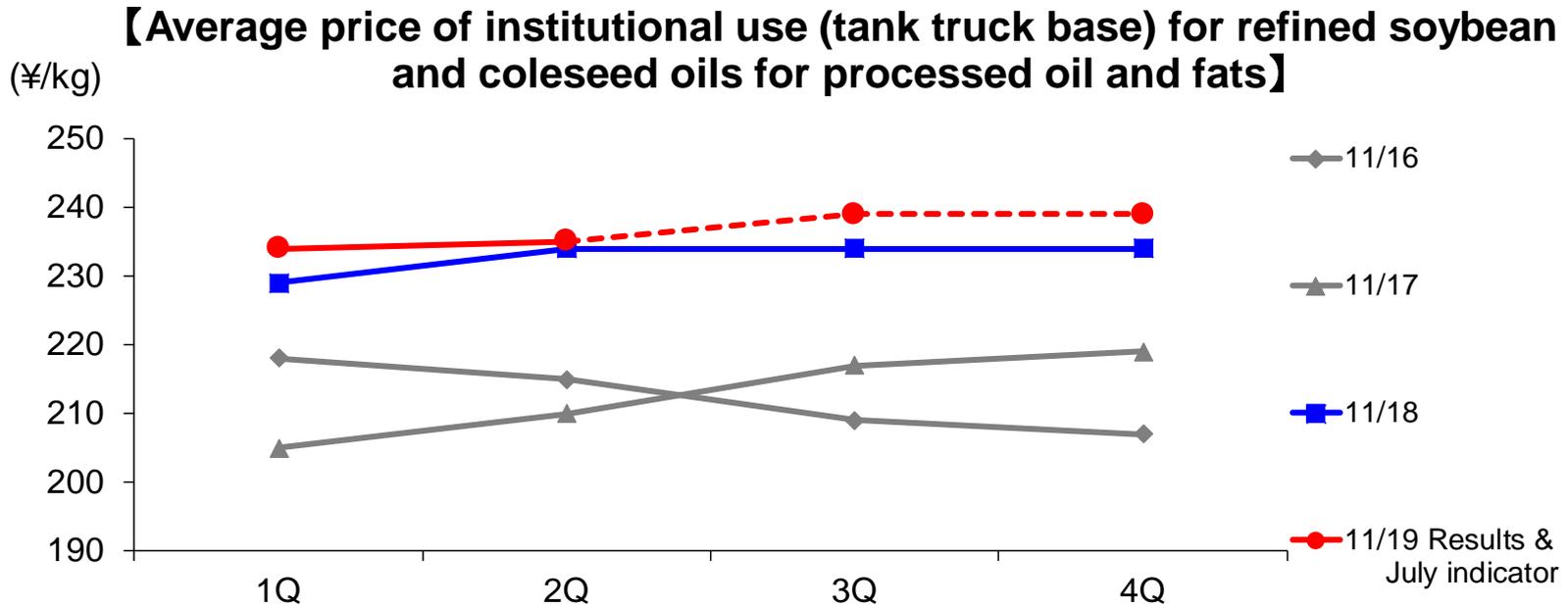
	( ¥bn )					
	5/16	5/17	5/18	5/19	11/18	11/19 Plan
Mayonnaise	30.5	31.6	32.0	33.8	65.7	68.1
Dressings	25.1	25.8	26.8	26.8	53.6	57.7
Total	55.6	57.4	58.8	59.7	119.3	125.8



# Reference: Results and Indicators in Major Markets

	5/16	5/17	5/18	5/19	11/18	11/19 Beginning of 2019 indicator	11/19 July indicator
Average Price of Institutional Use (Tank Truck Base) for Processed Oil and Fats (per kg)	216	207	232	235	233	226	237
Medium-Sized Egg, Tokyo Market Average Price (per kg)	213	214	188	163	184	195	168
USD Exchange Rate (average during period) (per \$1)	118	112	111	112	110	112	111
RMB Exchange Rate average during period (per RMB1)	18	16	17	16	17	17	16

# Reference: Conditions in Markets for Major Raw Materials



# Reference: Sustainability targets

Theme	Indicator	Fiscal 2021 target	Fiscal 2030 target
<b>Contribution to extending healthy lifespan</b>	<b>As a leading company in salads and eggs, we will:</b> <ul style="list-style-type: none"> <li>• <b>Contribute to achieving a vegetable intake target of 350 grams per day</b></li> <li>• <b>Promote a boost in egg consumption in order to contribute to increasing protein intake</b></li> </ul>		
<b>Effective use of resources and sustainable procurement</b>	<b>Unused portion of key vegetables</b> used by the Group	Effective use of 30% or more of the unused portion	Effective use of 90% or more of the unused portion
	<b>Product waste</b>	25% decrease (compared to fiscal 2015)	50% decrease (compared to fiscal 2015)
<b>Reductions for CO<sub>2</sub> emissions</b>	<b>CO<sub>2</sub> emissions</b>	7.5% decrease (compared to fiscal 2013)	20.0% decrease (compared to fiscal 2013)
<b>Mental and physical health support for children</b>	<b>Number of smiles from children</b> we interact with in Group food education activities	—	More than 1 million people in aggregate from fiscal 2019
<b>Promotion of Diversity</b>	<b>Percentage of women in management positions (Kewpie Corporation alone)</b>	12%	30%

## **Note:**

With the exception of historical events, information in Kewpie Corporation's present plan, forecast, and strategy, reported in this handout refers to forecasts of future performance.

These materials are based on judgments made by the management of Kewpie Corporation in light of the information currently available, and include risks and uncertainties. Readers are asked not to rely completely on the performance forecasts contained herein.

Although every effort was made to ensure the accuracy of the content in these materials, we assume no responsibility whatsoever for any damages resulting from possible errors in the contents.

Also, this handout is not intended to solicit investment. Please make any investment decisions according to your own judgment.