



FY2020 1H Financial Meeting

July 2, 2020
Kewpie Corporation

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■ Content of these materials

- Overseas figures cover the period from October through March and include exports from Japan. Exports from Japan cover the period from December through May.
- The three businesses in Japan are the Condiments and Processed Foods Business, the Salad and Delicatessen Business and the Egg Business in Japan.
- Figures in this report are rounded down to the nearest million, except for monetary amounts expressed in billions of yen, which are rounded down to the nearest billion. Ratios in this report are rounded to the nearest whole number.

1. Overview of FY2020 1H Results

Overview of FY2020 1H Results

◆ Net sales decreased by 5.9 billion yen year on year

- In Japan, sales decreased significantly in the Condiments and Processed Foods Business (-4.6 billion yen) and the Egg Business (-3.5 billion yen) due to sluggish demand for products for commercial use.
- Sales rose 0.6 billion yen in the Distribution Business.

◆ Operating income fell 4.9 billion yen year on year

- In Japan, operating income rose 0.5 billion yen in the Salad and Delicatessen Business, but fell sharply in the Egg Business (-2.7 billion yen) and the Condiments and Processed Foods Business (-1.6 billion yen) due to the impact of lower sales of products for commercial use.
- Operating income fell 1.0 billion yen in the Distribution Business in Japan due to the impact of the spread of the novel coronavirus and higher expenses resulting from the launch of a new center.

◆ Profit attributable to owners of parent fell 3.9 billion yen year on year

- Decline was due to the impact of lower operating income.

	FY2019 1H	FY2020 1H	YoY Change	Change	Change in Dec 2019-Feb 2020	Change in March-May 2020
Net sales	269.0 ¥bn	263.1 ¥bn	-2%	-5.9 ¥bn	+4.8 ¥bn	-10.8 ¥bn
Japan: Food business	175.8	169.4	-4	-6.4	+2.7	-9.1
Japan: Distribution business	69.2	69.8	1	+0.6	+1.5	-0.9
Overseas	24.0	23.8	-1	-0.1	+0.6	-0.7
Operating income	16.1 ¥bn	11.2 ¥bn	-30%	-4.9 ¥bn	-0.9 ¥bn	-4.0 ¥bn
Japan: Food business	14.9	11.3	-24	-3.6	-0.7	-2.9
Japan: Distribution business	2.1	1.1	-48	-1.0	-0.1	-0.9
Overseas	2.4	2.0	-16	-0.4	-0.0	-0.4
Company-wide expenses	-3.3	-3.2	—	+0.1	-0.1	+0.2
Ordinary income	16.9 ¥bn	11.4 ¥bn	-33%	-5.6 ¥bn	-1.1 ¥bn	-4.4 ¥bn
Profit attributable to owners of parent	9.6 ¥bn	5.6 ¥bn	-41%	-3.9 ¥bn	-0.9 ¥bn	-3.0 ¥bn

FY2020 1H Changes by Category Type

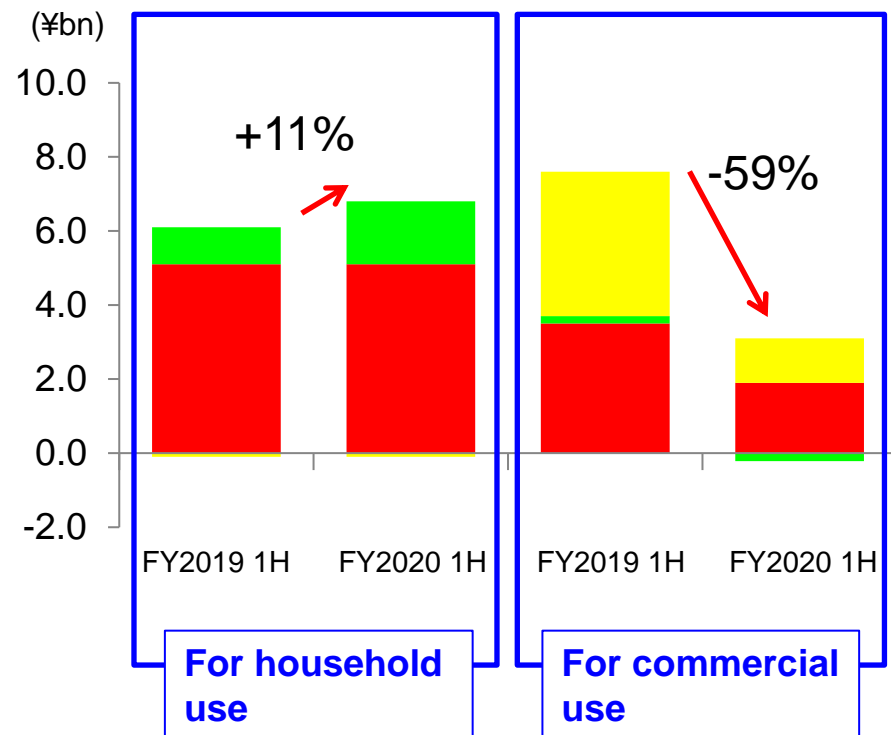
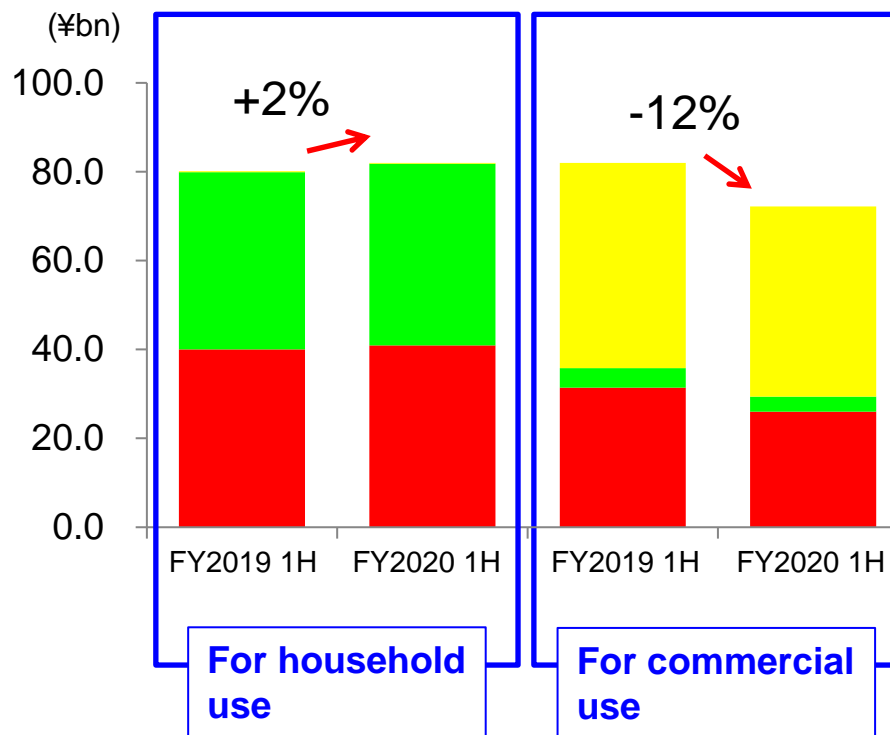
Changes in products for household use and commercial use in three main businesses in Japan

Net sales

Operating income

For household use +1.8 ¥bn/For commercial use -9.9 ¥bn

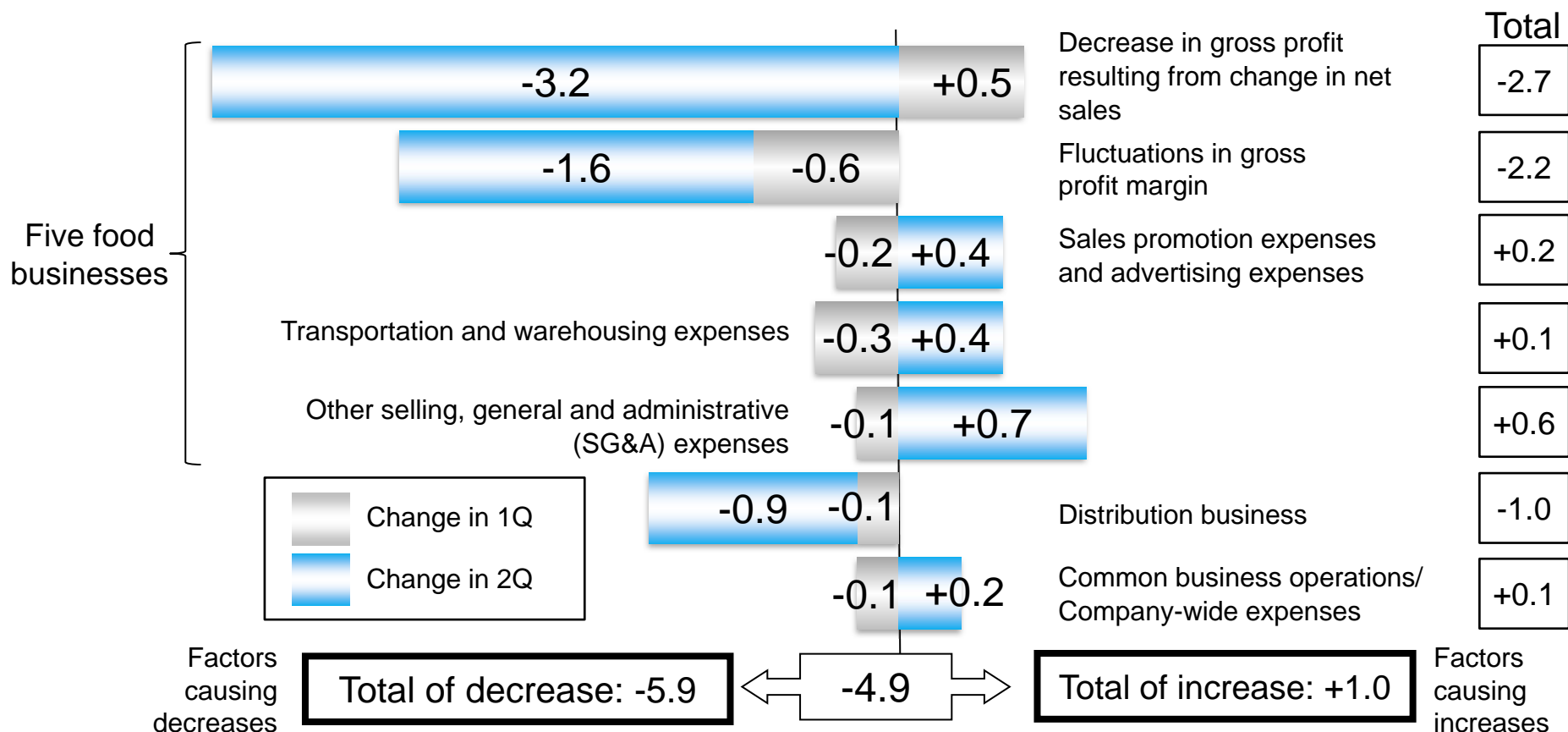
For household use +0.7 ¥bn/For commercial use -4.5 ¥bn



■ Condiments and Processed Foods
 ■ Salad and Delicatessen
 ■ Egg

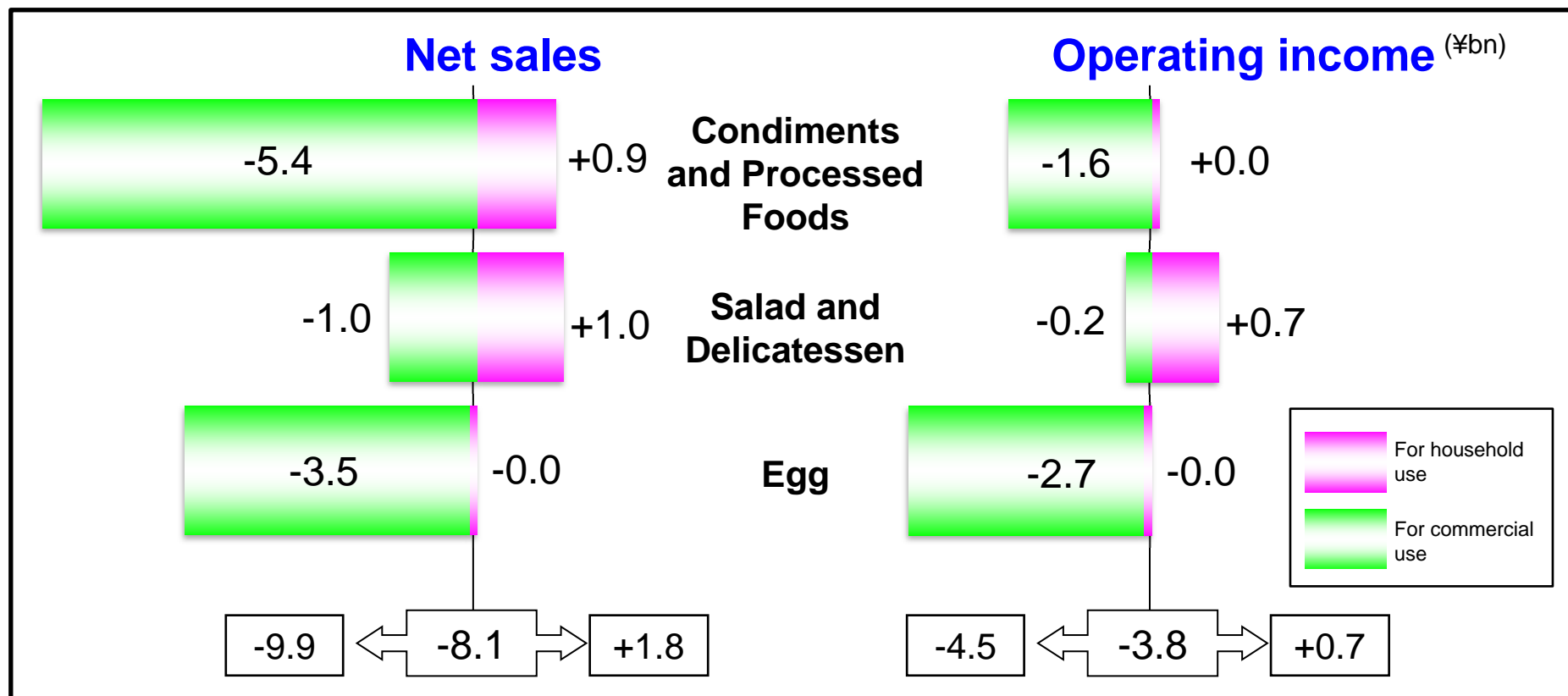
FY2020 1H Factors Causing Changes in Operating Income (YoY)

	FY2020 1H	Change	Change in Dec 2019-Feb 2020	Change in Mar-May 2020	(¥bn)
Operating income	11.2	-4.9	-0.9	-4.0	



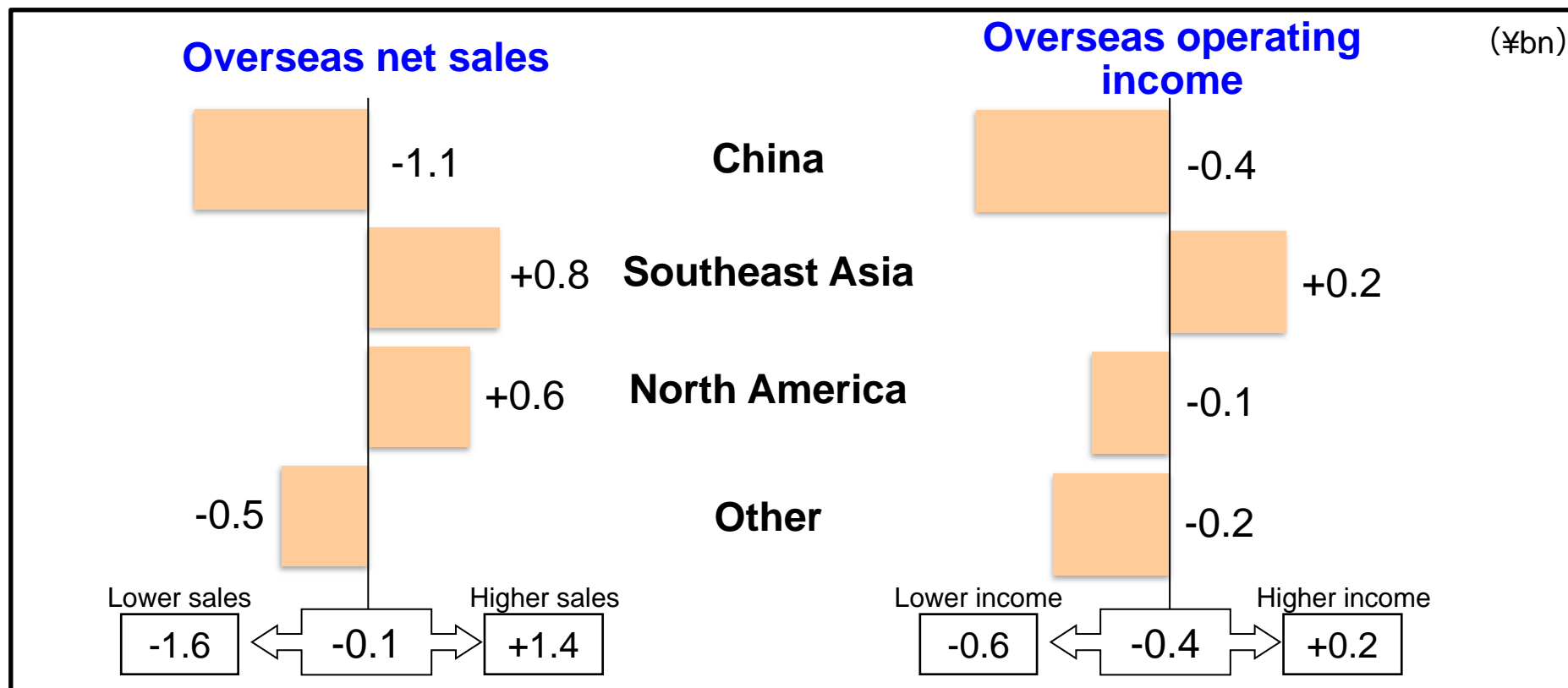
Although we endeavored to curb operating costs, such as selling, general and administrative (SG&A) expenses, operating income declined due to lower sales and the resulting inability to absorb fixed costs.

FY2020 1H Changes in Performance of Three Main Businesses in Japan (YoY)



Business	Net sales (YoY Change)		Operating income (YoY Change)		Main factors
	Revenue (¥bn)	%	Revenue (¥bn)	%	
Condiments and Processed Foods	66.9	-6%	7.3	-18%	Sales of products for commercial use fell more than demand increased for products for household use, resulting in lower income.
Salad and Delicatessen	44.2	0%	1.7	+43%	Sales of delicatessen items fell because customers made fewer trips to supermarkets, but income increased due to growth in the sales of cut vegetables with a longer shelf life.
Egg	43.0	-7%	1.1	-71%	Income fell sharply due to the impact of stubbornly high prices in Japanese egg market and a steep drop in demand from restaurants and confectionery manufacturers.

FY2020 1H Changes in Overseas Financial Results (YoY)



Area	Net sales (YoY Change)		Operating income (YoY Change)		Main factors
	Net sales (¥bn)	%	Operating income (¥bn)	%	
China	8.2 ¥bn	-12%	1.0 ¥bn	-30%	Demand for products for household use increased and sales of products for commercial use fell due to the impact of the coronavirus outbreak from February, resulting in lower sales and lower income.
Southeast Asia	6.2 ¥bn	+15%	0.6 ¥bn	+44%	Net sales continued to show double-digit growth. Sales of products for both household and commercial use increased, resulting in higher sales and income.
North America	6.3 ¥bn	+10%	0.3 ¥bn	-23%	Demand for condiments for household use increased (23% growth). The price of eggs fell due to a decline in the US market for dried eggs.

FY2020 1H Overview of Non-operating Income (Expenses) and Extraordinary Gains (Losses)

(¥bn)

◆ Non-operating Income (Expenses)

- Decrease in subsidy income
(-0.3 ¥bn)
- Decrease in cancellation repayments,
etc. related to the transition of a
subsidiary's retirement program
(-0.2 ¥bn)

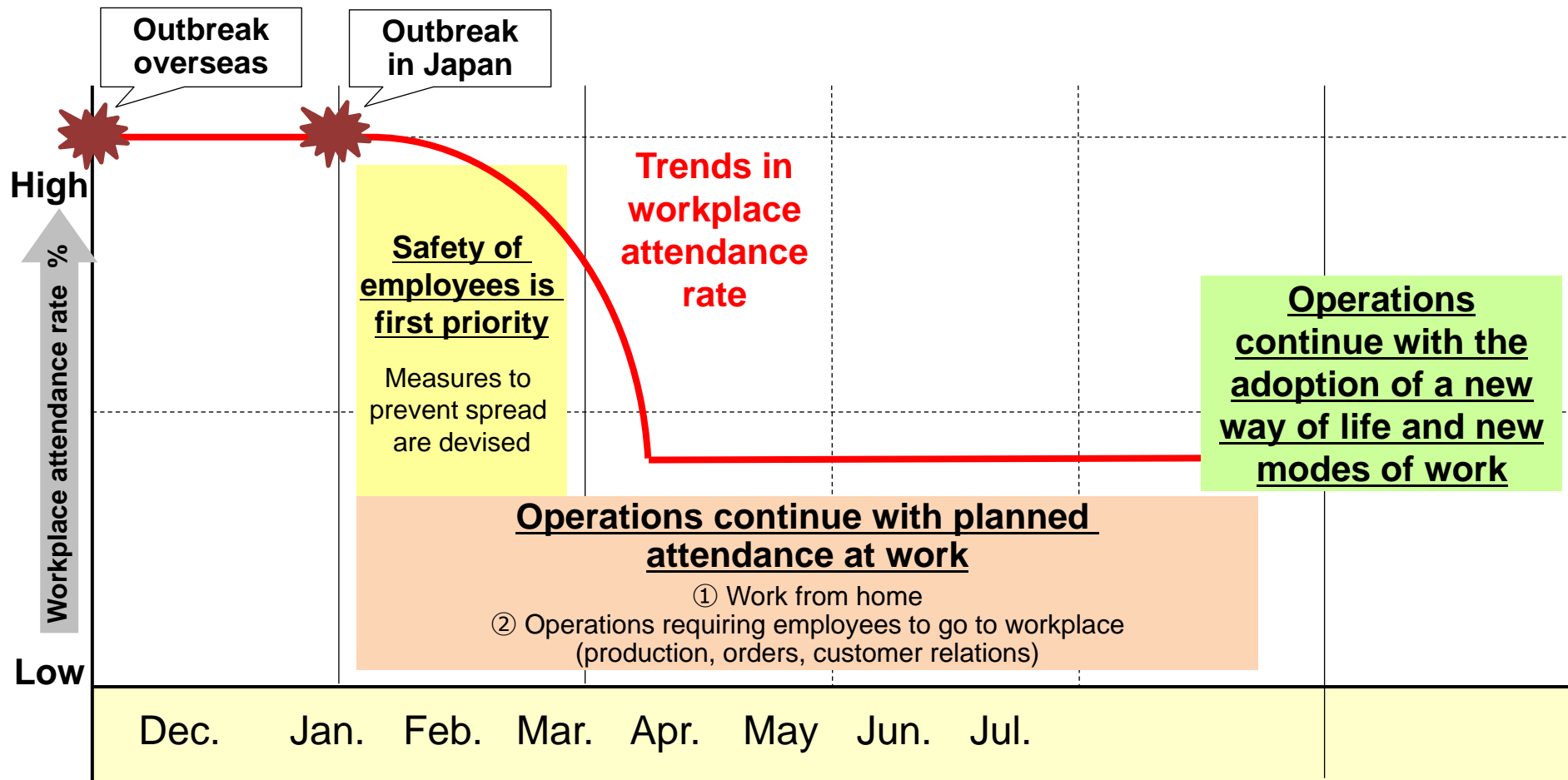
◆ Extraordinary Gains (Losses)

- Decrease in gains on transfer of
business
(-0.6 ¥bn)
- Loss on suspension of operations due
to impact of coronavirus outbreak in
China
(-0.1 ¥bn)

	FY2019 1H	FY2020 1H	Change
Operating income	16.1	11.2	-4.9
Non-operating income (expenses)	0.8	0.2	-0.7
Ordinary income	16.9	11.4	-5.6
Extraordinary gains (losses)	-0.4	-1.0	-0.6
Profit before income taxes	16.5	10.4	-6.1
Income taxes, and profit attributable to non-controlling interests	7.0	4.8	-2.2
Profit attributable to owners of parent	9.6	5.6	-3.9

Approach to Novel Coronavirus

◆ Trends in Kewpie Group's business continuity structure



Approach to Novel Coronavirus: Three Policies

1. Cooperate with national and local measures and lower risk of infection
2. Fulfill our mission as a food manufacturer, premised on the above
3. In addition, contribute to society in the ways that only Kewpie can

1. Lower risk of infection

- (1) Comply with government's emergency measures
- (2) Reduce risk of infection for employees



Work from home

2. Fulfill mission as a food manufacturer

- (1) Manufacturing activities and product supply
- (2) Distribute content to support people during lockdown



Recommended menus for dinners at home



Enjoyable content

3. Contribute to society in the ways that only Kewpie can

- (1) Support medical practitioners
- (2) Support that leads to physical and emotional health of children
- (3) Support for local community



Donation of salad and delicatessen to medical institutions

御礼

この度は、COVID-19の感染拡大にあたり、医療従事者へのお心遣いをいただきまして心より感謝申し上げます。

医療現場では、先が見えない中、まだ解明されていないCOVID-19の恐怖と日々戦っております。

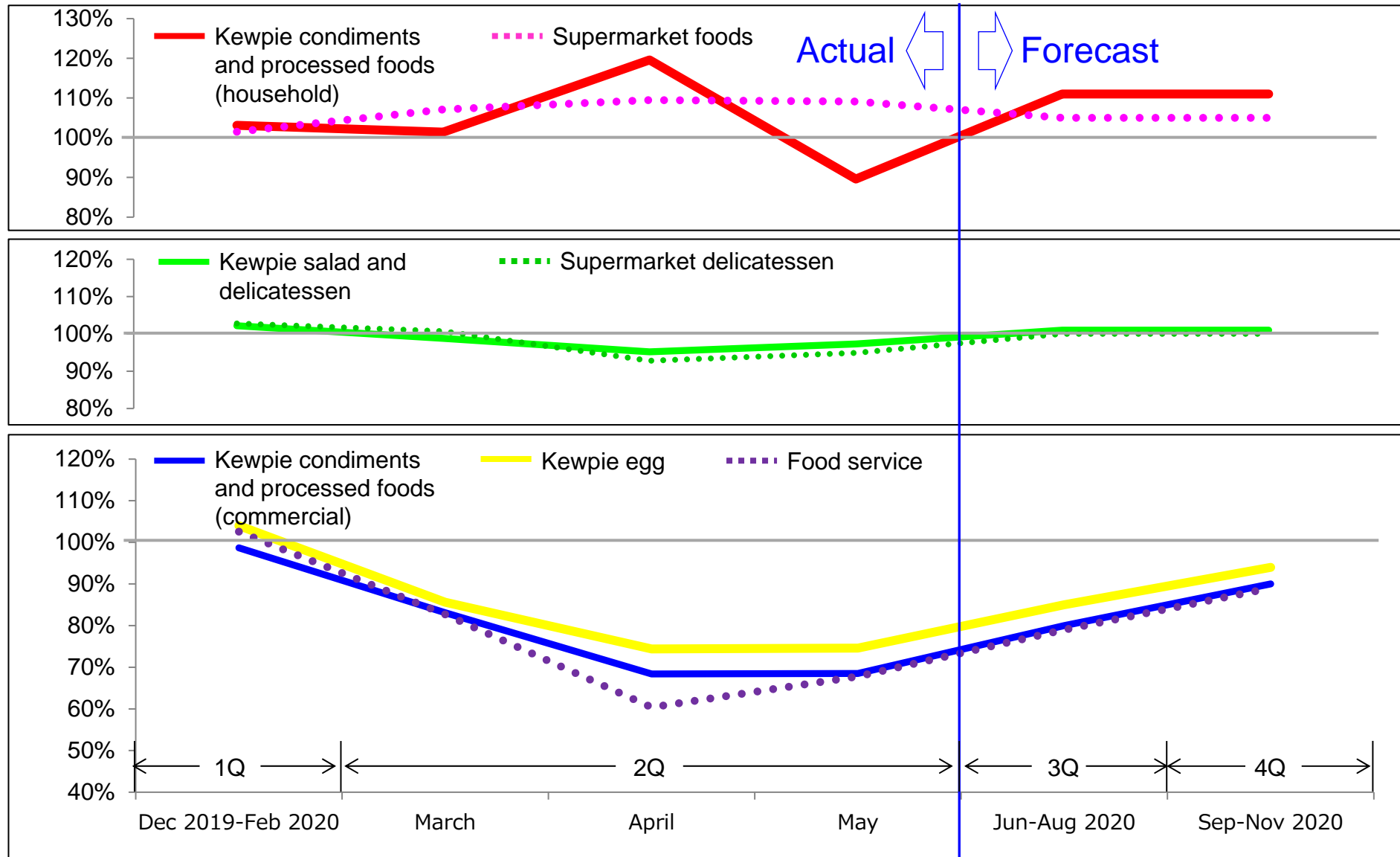
そのようなときに心温まるプレゼントをいただきまして、現場の職員は大変喜んでおります。

2. FY2020 Forecasts

Comparison to Market Movements (YoY Change)

Sales growth rate by Kewpie business and market trends

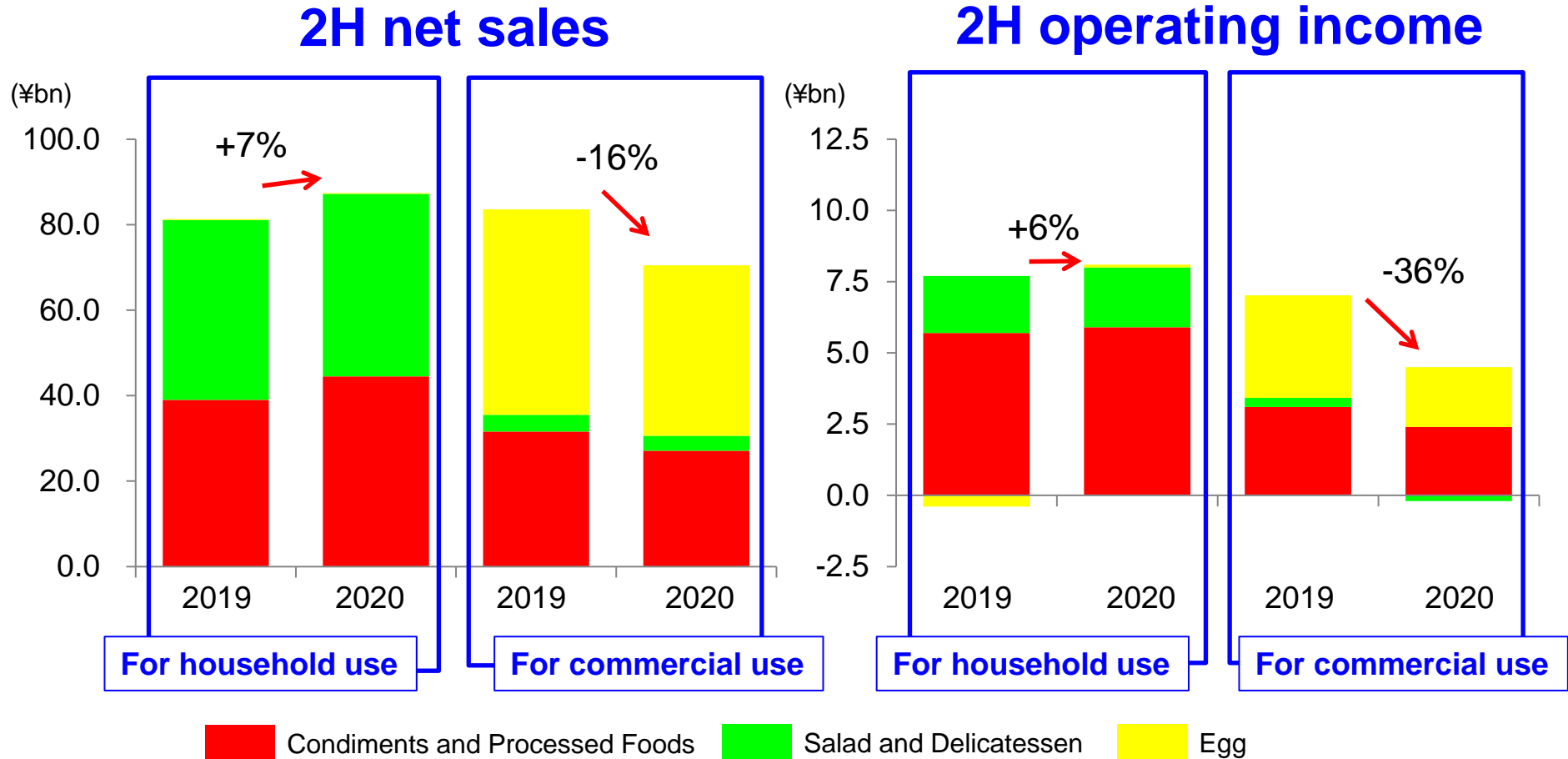
(Note) Figures are approximations.



* Market figures are from materials from the Japan Food Service Association and Japan Chain Store Association; market forecasts are from Kewpie's forecasts.

FY2020 2H Changes by Category Type

Changes in products for household use and commercial use in three main businesses in Japan



Growth in products for household use will slow as the spread of the coronavirus outbreak winds down, and products for commercial use will only see a modest recovery.

FY2020 Plan

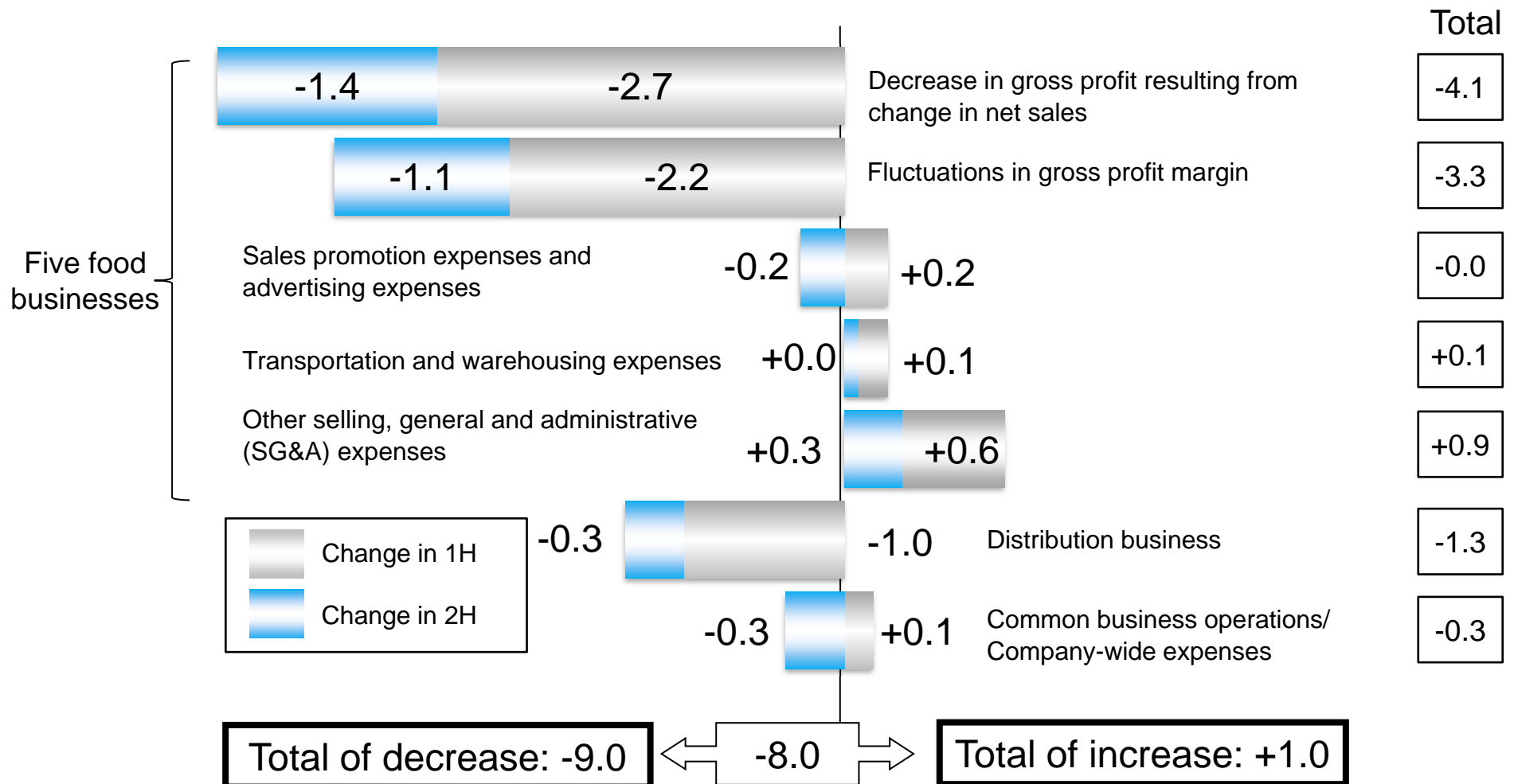
	Previously released target	FY2020	Difference to previous target	Change	Change in 1H	Change in 2H
Net sales	540.0 ¥bn	530.0 ¥bn	-10.0 ¥bn	-15.7 ¥bn	-5.9 ¥bn	-9.8 ¥bn
Japan: Food business	348.7	340.8	-7.9	-13.5	-6.4	-7.1
Japan: Distribution business	144.8	141.6	-3.2	+0.6	+0.6	+0.0
Overseas	46.5	47.6	+1.1	-2.9	-0.1	-2.7
Operating income	30.0 ¥bn	24.0 ¥bn	-6.0 ¥bn	-8.0 ¥bn	-4.9 ¥bn	-3.2 ¥bn
Japan: Food business	29.5	24.6	-4.9	-6.0	-3.6	-2.4
Japan: Distribution business	4.2	2.8	-1.4	-1.3	-1.0	-0.3
Overseas	3.6	3.7	+0.1	-0.8	-0.4	-0.4
Company-wide expenses	-7.3	-7.1	+0.2	+0.1	+0.1	-0.0
Ordinary income	30.5 ¥bn	24.2 ¥bn	-6.3 ¥bn	-9.1 ¥bn	-5.6 ¥bn	-3.5 ¥bn
Profit attributable to owners of parent	12.0 ¥bn	7.7 ¥bn	-4.3 ¥bn	-11.0 ¥bn	-3.9 ¥bn	-7.1 ¥bn

* Our forecasts are premised on the assumptions that, although the impact of the novel coronavirus outbreak's spread gradually subsided from June, it will take time for the global and Japanese economies to recover, and demand for restaurants and inbound tourism will recover slowly.

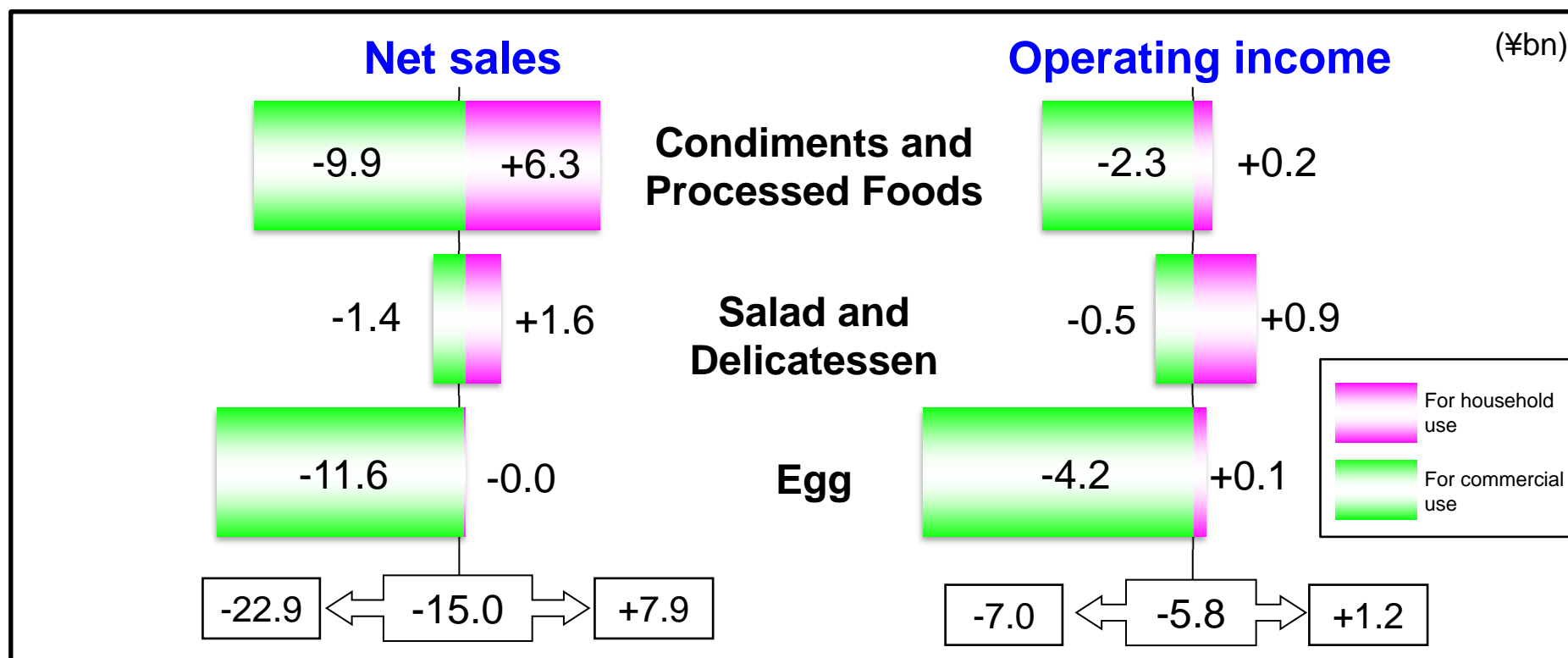
FY2020 Plan: Factors Causing Changes in Operating Income (YoY)

(¥bn)

	FY2019	FY2020	Change	Change in 1H	Change in 2H
Operating income	32.0	24.0	-8.0	-4.9	-3.2

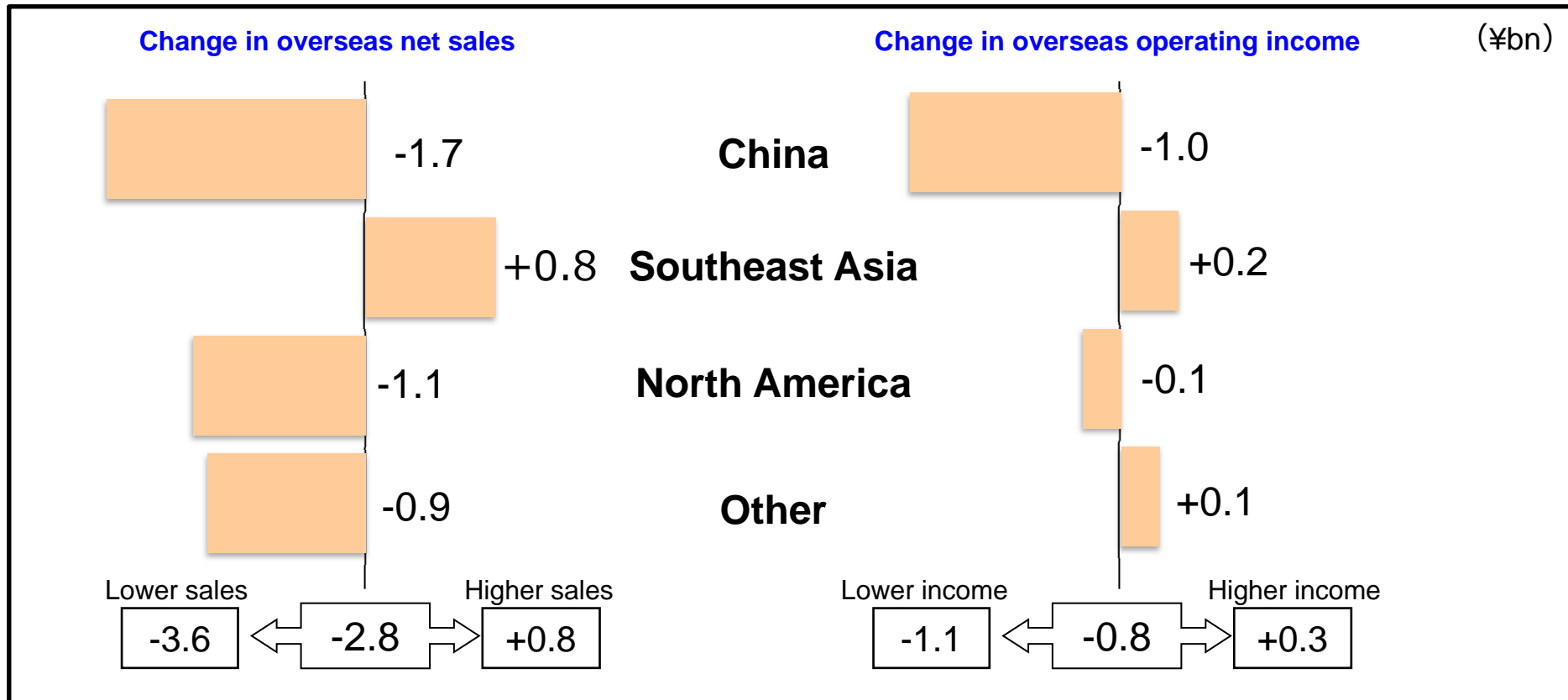


FY2020 Plan: Changes in Financial Results for Three Main Businesses in Japan (YoY)



Business	Net sales (YoY Change)		Operating income (YoY Change)		Main factors
	YoY Change	Value (¥bn)	YoY Change	Value (¥bn)	
Condiments and Processed Foods	-3%	138.5	-12%	15.5	Mayonnaise for household use will experience ongoing growth in its role as versatile condiment. Products for commercial use will generate new revenue with a focus on condiments and takeout and delivery services.
Salad and Delicatessen	0%	90.5	+13%	3.6	Expansion of products with an extended shelf life and expanded sales of salad with mayonnaise dressing; Higher utilization rate at production sites and improved yield.
Egg	-12%	83.1	-55%	3.3	Expanded sales of egg products for household use; generation of merits of production reorganization.

FY2020 Plan: Changes in Overseas Financial Results (YoY)



Area	Net sales (YoY Change)		Operating income (YoY Change)		Main factors
	Net sales (¥bn)	%	Operating income (¥bn)	%	
China	18.6 ¥bn	-8%	1.9 ¥bn	-35%	We expect sales of products for commercial use to recover in 2H, but it will take time for Chinese and Japanese restaurants—our main customers—to recover.
Southeast Asia	11.9 ¥bn	+8%	1.0 ¥bn	+31%	We expect our mainstay products for commercial use to decline from 2H as a result of the impact of the coronavirus.
North America	11.1 ¥bn	-9%	0.6 ¥bn	-13%	Condiments for household use will remain strong performers.

FY2020 Plan: Overview of Non-operating Income (Expenses) and Extraordinary Gains (Losses)

(¥bn)

◆ Extraordinary gains (losses)

We expect an approximately 2.0 billion yen (currently being calculated) loss on share transfers due to the transfer of all shares in HENNINGSEN FOODS, INC. held by KIFUKI U.S.A., our consolidated subsidiary.

In terms of earnings, the company will be within the scope of consolidation through Kewpie's 3Q and will be removed from the scope of consolidation from 4Q.

	FY2019	FY2020	Change
Operating income	32.0	24.0	-8.0
Non-operating income (expenses)	1.3	0.2	-1.2
Ordinary income	33.3	24.2	-9.1
Extraordinary gains (losses)	-0.8	-6.3	-5.5
Profit before income taxes	32.5	17.9	-14.5
Income taxes, and profit attributable to non-controlling interests	13.8	10.2	-3.6
Profit attributable to owners of parent	18.7	7.7	-11.0

Dividends

¥40 dividends in FY2020 (plan)

【Basic guidelines on returning profits to shareholders】

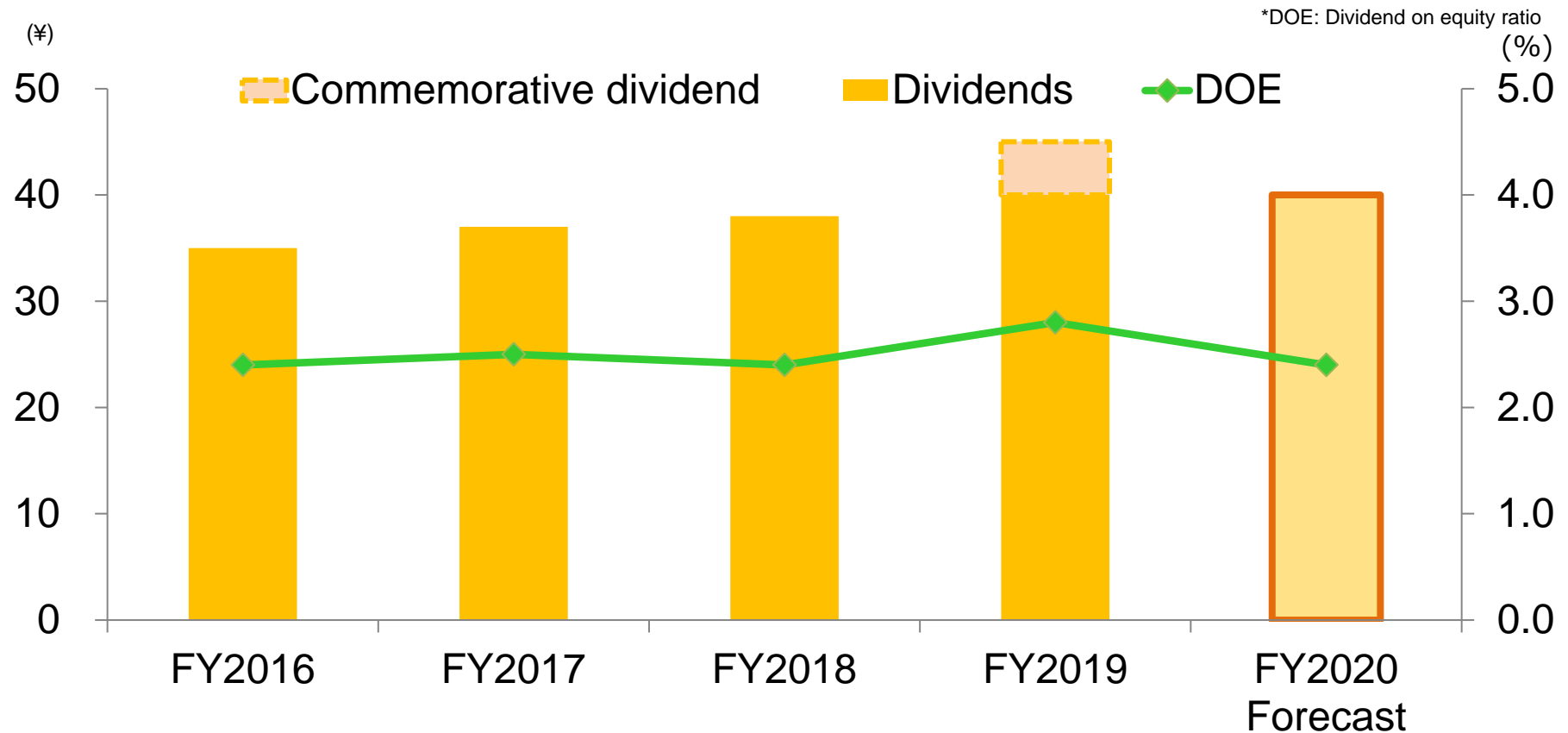
Dividends as highest priority

Aiming for stable, long-term increases in dividends

【Standards for determining dividends】

Targeting a DOE* of 2.2%

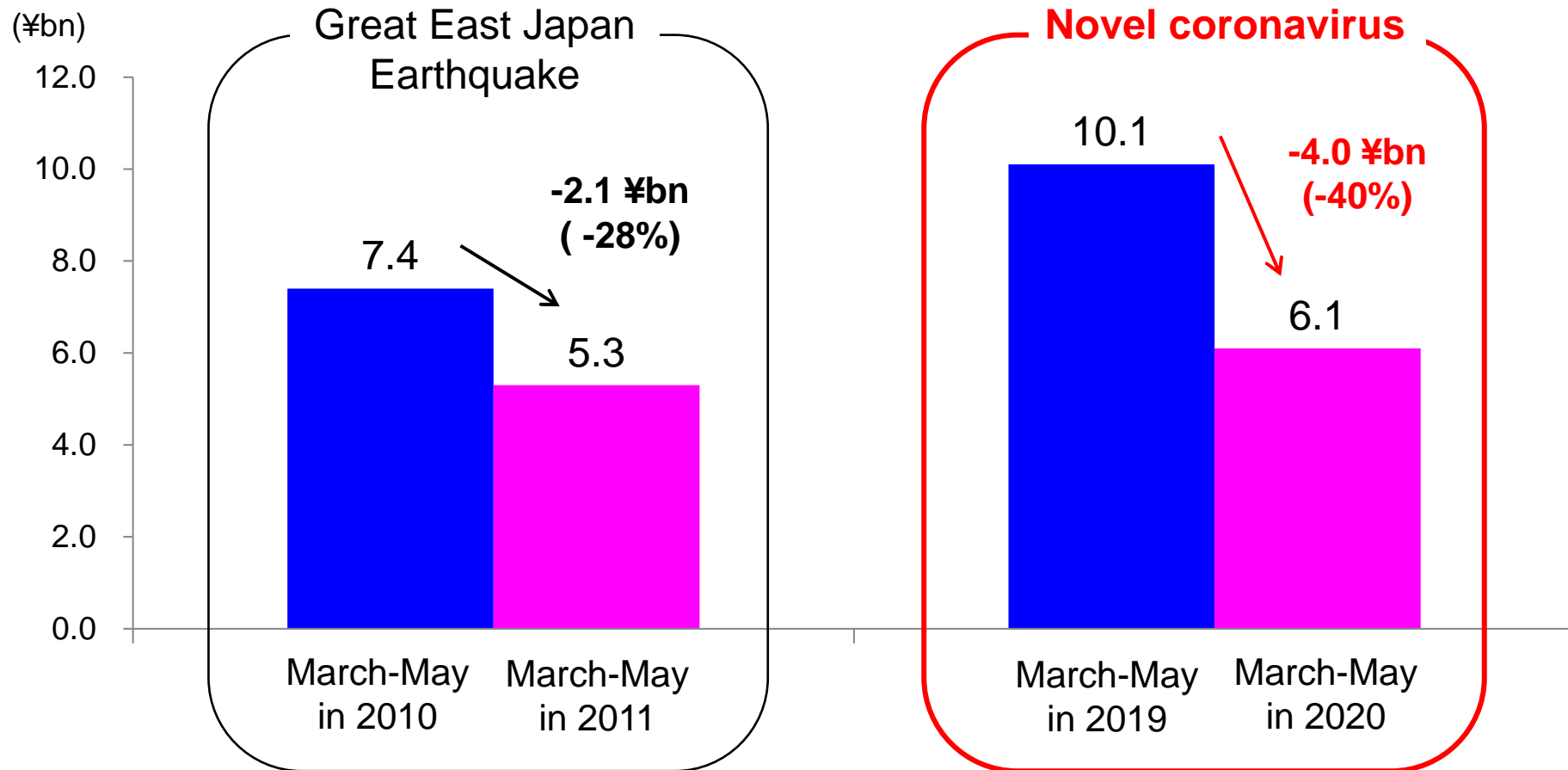
Consolidated dividend payout ratio of 30% or higher



3. Kewpie's Current Conditions and Outlook

Impact of Coronavirus on Financial Results

◆ Previous case in which operating income fell sharply (Quarterly parent-only: Three-month earnings)



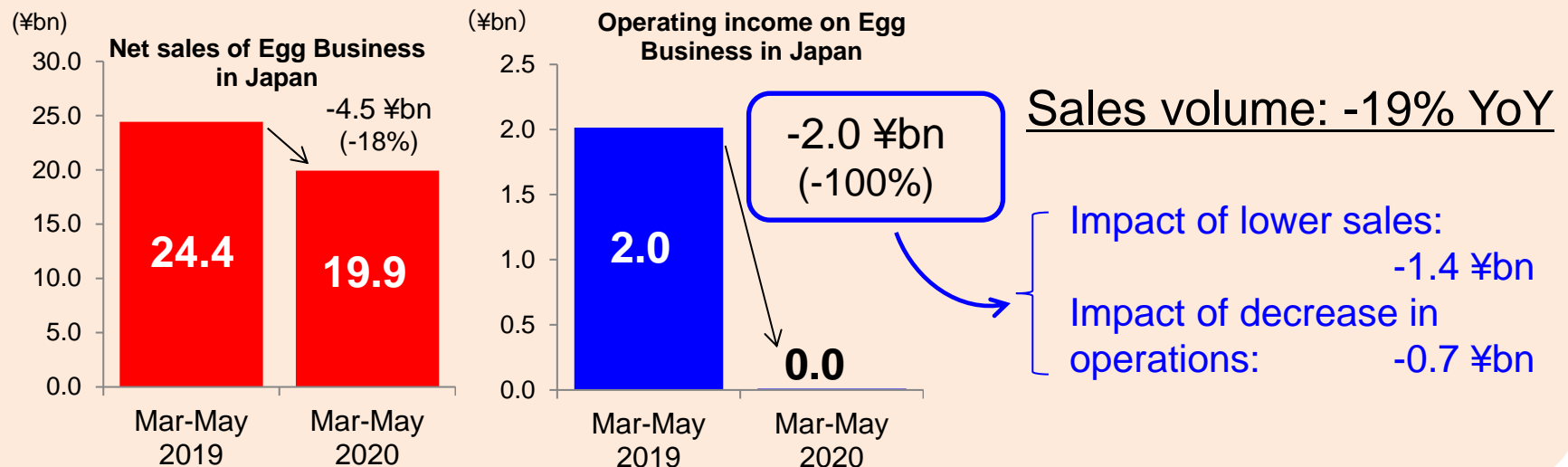
The impact of the novel coronavirus on Kewpie is unlike anything we have previously experienced.

Impact of Coronavirus on Financial Results

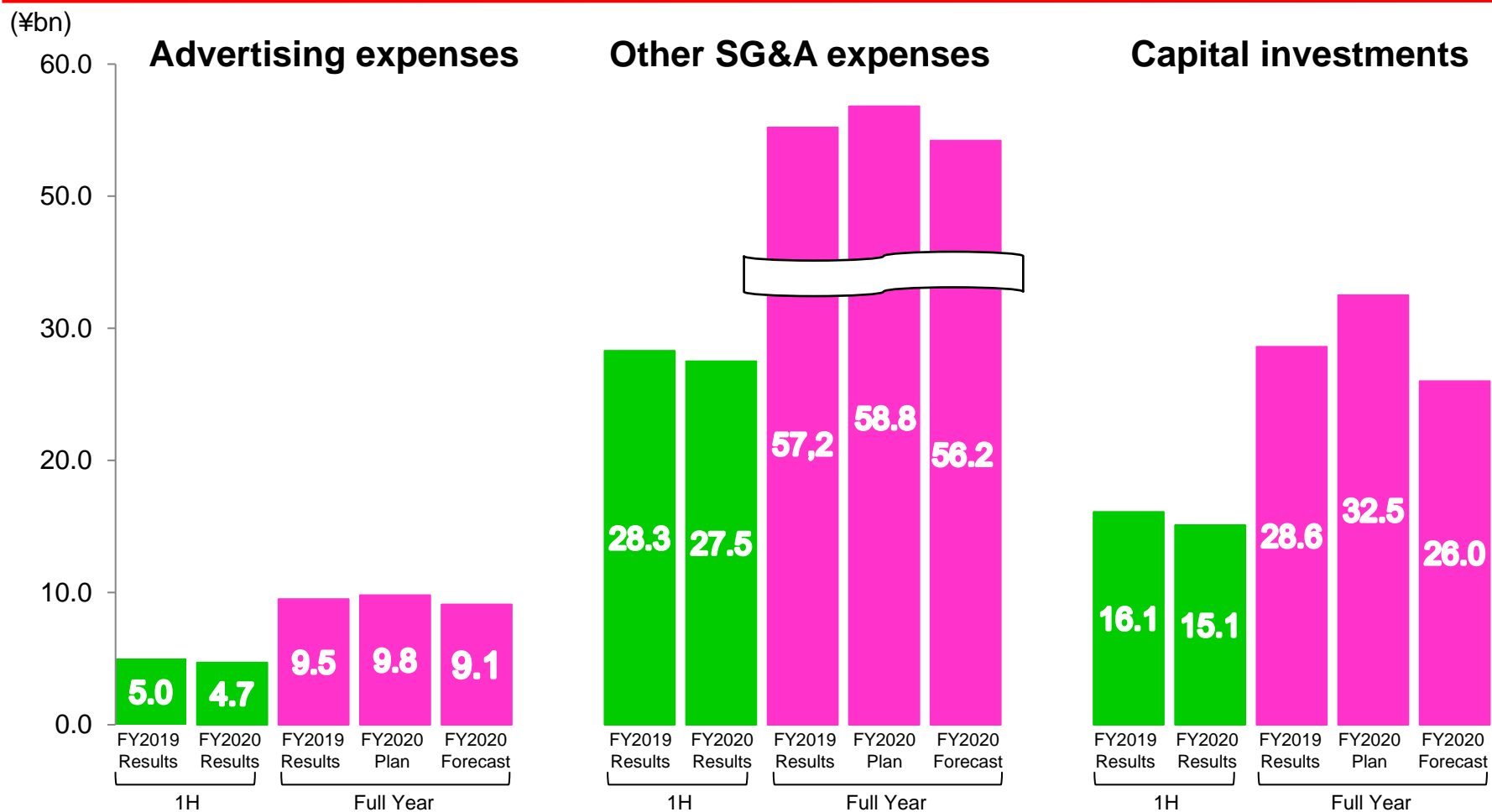
◆ Main three businesses in Japan in Mar-May 2020: Impact of coronavirus by category (Change YoY)

	Total for three businesses	For household use			For commercial use			
		Grocery	Produce	Delica-tessen	Restaurants	School lunches	CVS	For processing
Net sales Change	-10%	+3%	+8%	-3%	-40%	-28%	-15%	-11%
		+2%			-24%			
Percentage of net sales	100%	36%	8%	18%	11%	3%	12%	12%

◆ Severe deterioration in revenue from products for commercial use; Example: Japan Egg Business



More Stringent Cost Controls



* Other SG&A expenses refer to sales and general administration expenses that exclude sales promotion expenses, advertising expenses, transportation and warehousing expenses, and R&D expenses.

Advertising expenses	: Examine closely in line with sales environment and curb
Other SG&A expenses	: Improve efficiency of indirect operations, including work-from-home utilizing IT
Capital investments	: Control based on priorities and importance

Rebuild Commercial Use Business

We expect a modest recovery after the coronavirus outbreak, but we will adapt to a new eating style while reinforcing our structure.

1. Strengthen earning power

(Secure a stable foundation for revenue)

- Review items and categories
- Increase weight of mainstay products in sales

2. Ability to respond to needs

(Identify new sources of demand)

- Propose takeout and delivery menus
- Address greater interest in health

3. Redevisе specialized categories

(Strengthen approach to sectors essential for daily life: BtoBtoC)

- Food service: Retail sales of prepared foods, in-store bakeries
- Processed food manufacturers: Major bread manufacturers, noodle manufacturers, frozen food manufacturers

Solidify the Household Use Business

New realization:

Spending patterns during lockdown showed that consumers distinguished between the products they **preferred** and the products that they **could live without**.



広がる自由。
20TH
深煎りごまドレッシング



We will turn mayonnaise, deep-roasted sesame dressing, leafy vegetables and pasta sauce into products essential for daily living.

Management resources will be focused on expanding the uses of deep-roasted sesame dressing.

Promote Initiatives in Growth Areas

■ Initiatives in untapped areas

In February, we appointed an executive officer to be in charge of new market development.

The Kewpie Group will respond to changes in customers' buying behavior (reduction in time spent and frequency) and meet needs with products exclusively for low-temperature shopping sections.

Aiming for +15.0 billion yen in sales in FY2024, we will continuously launch products beginning in fall FY2020.

1. Eggs for household use

Differentiated products

Create demand with the expansion of eggs for household use

2. Fresh food section

Produce, Meat, Seafood

Exclusive products for each selling section

3. Delicatessen food

Great taste and shelf life

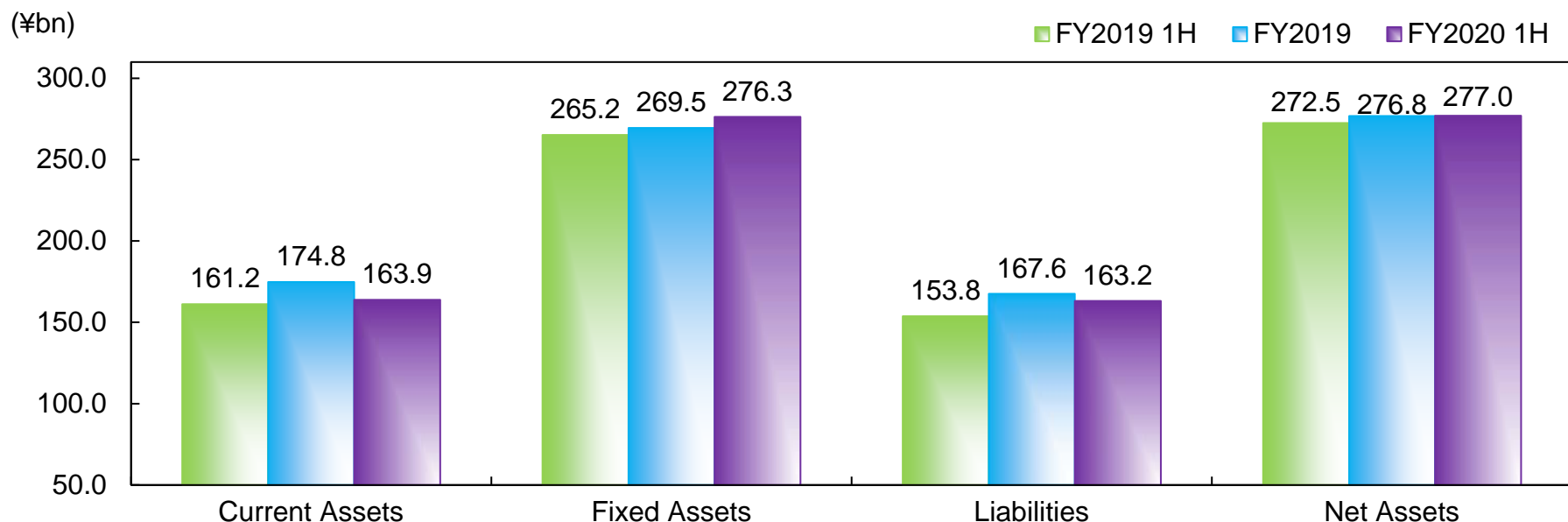
Long-life Delicatessen food using new technology

4. Reference Materials

Reference: Fluctuations in Key Indicators

	FY2019 1H	FY2020 1H	FY2019	FY2020 Plan
Net sales	269.0 ¥bn	263.1 ¥bn	545.7 ¥bn	530.0 ¥bn
Japan: Food business	175.8	169.4	354.3	340.8
Japan: Distribution business	69.2	69.8	141.0	141.6
Overseas	24.0	23.8	50.5	47.6
Operating income	16.1 ¥bn	11.2 ¥bn	32.0 ¥bn	24.0 ¥bn
Japan: Food business	14.9	11.3	30.6	24.6
Japan: Distribution business	2.1	1.1	4.1	2.8
Overseas	2.4	2.0	4.5	3.7
Company-wide expenses	-3.3	-3.2	-7.2	-7.1
Ordinary income	16.9 ¥bn	11.4 ¥bn	33.3 ¥bn	24.2 ¥bn
Profit attributable to owners of parent	9.6 ¥bn	5.6 ¥bn	18.7 ¥bn	7.7 ¥bn
■ Key Indicators	FY2019 1H	FY2020 1H	FY2019	FY2020 Plan
Operating income ratio	6.0 %	4.3 %	5.9 %	4.5 %
Operating income ratio for three businesses in Japan	8.6 %	6.5 %	8.6 %	7.2 %
Sales growth rate in China and Southeast Asia (Local currency basis)	11.0 %	1.0 %	11.0 %	-2.0 %

Reference: Changes Points of Balance Sheet



◆ Comparison with FY2019

Decrease of 10.9 ¥bn in current assets

- Decrease in cash and deposits -3.5
- Decrease in notes and accounts receivable – trade -8.0

Increase of 6.8 ¥bn in fixed assets

- Increase resulting from purchases of tangible and intangible fixed assets +13.5
- Decrease resulting from depreciation -9.6
- Increase in lease assets resulting from change in accounting policies +1.3
- Increase in assets related for retirement benefits +0.7

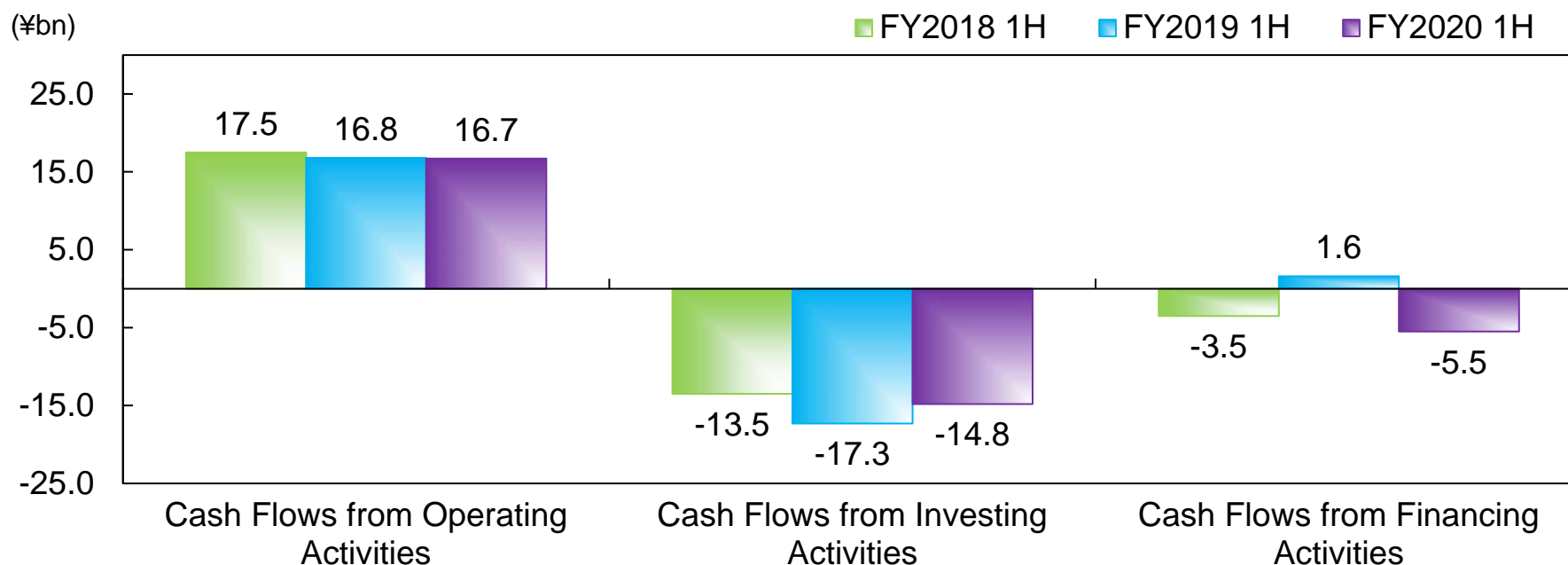
Decrease of 4.4 ¥bn in liabilities

- Decrease in notes and accounts payable – trade -4.4
- Increase in loans payable +2.4
- Decrease in accounts payable - other -5.2
- Increase in reserves +1.3

Increase of 0.3 ¥bn in net assets

- Decrease in capital surplus resulting from the additional contribution for interests in Hangzhou Kewpie Corporation -1.7
- Increase in earned surplus +2.0

Reference: Changes Points of Cash Flows



◆ Comparison with FY2019 1H

Cash Flows from Operating Activities		Cash Flows from Investing Activities		Cash Flows from Financing Activities	
• Profit before income taxes	-6.1	• Decrease in purchases of tangible fixed assets	+1.9	• Decrease in proceeds from loans payable	-3.2
• Changes in notes and accounts receivable – trade	+9.1			• Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-2.9
• Changes in notes and accounts payable – trade	-5.1	<div style="border: 1px solid black; border-radius: 10px; padding: 5px; display: inline-block;">Status of capital investments</div>			
• Decrease in income taxes paid	+2.5	FY2020 1H	FY2020 Plan		
		15.1 ¥bn	26.0 ¥bn		

Reference: Financial Results by Category Type for Three Main Businesses in Japan

(¥bn)

◆ For household use		1H				Full Year			
		FY2019 Results	FY2020 Results	Change	YoY Change	FY2019 Results	FY2020 Plan	Change	YoY Change
Condiments and Processed Foods	Net sales	40.0	40.9	+0.9	+2%	79.1	85.4	+6.3	+8%
	Operating income	5.4	5.4	+0.0	+0%	11.0	11.2	+0.2	+2%
Salad and Delicatessen	Net sales	39.9	40.9	+1.0	+2%	82.0	83.6	+1.6	+2%
	Operating income	1.0	1.7	+0.7	+75%	3.0	3.8	+0.9	+30%
Egg	Net sales	0.2	0.2	-0.0	-2%	0.4	0.4	-0.0	-5%
	Operating income	-0.1	-0.1	-0.0	—	-0.1	-0.0	+0.1	—
◆ For commercial use		1H				Full Year			
		FY2019 Results	FY2020 Results	Change	YoY Change	FY2019 Results	FY2020 Plan	Change	YoY Change
Condiments and Processed Foods	Net sales	31.4	26.0	-5.4	-17 %	63.0	53.1	-9.9	-16 %
	Operating income	3.5	1.9	-1.6	-45 %	6.6	4.3	-2.3	-35 %
Salad and Delicatessen	Net sales	4.4	3.4	-1.0	-23 %	8.3	6.9	-1.4	-16 %
	Operating income	0.2	-0.0	-0.2	—	0.2	-0.2	-0.5	—
Egg	Net sales	46.2	42.8	-3.5	-7 %	94.4	82.7	-11.6	-12 %
	Operating income	3.9	1.2	-2.7	-69 %	7.5	3.3	-4.2	-56 %

Reference: Trends in Financial Results by Business

	(¥bn)				
	FY2018 1H	FY2019 1H	FY2020 1H	FY2019	FY2020 Plan
Condiments and Processed Foods	91.3	91.8	87.5	185.2	180.9
	9.8	10.8	9.2	21.6	18.9
Salad and Delicatessen	61.2	44.3	44.2	90.3	90.5
	1.9	1.2	1.7	3.2	3.6
Egg	49.6	49.0	45.4	100.0	86.5
	3.9	4.0	1.1	7.4	3.2
Fruit Solution	8.2	7.9	8.3	15.6	16.6
	0.5	0.1	0.2	0.3	0.4
Fine Chemicals	4.8	4.3	4.0	8.3	7.9
	0.4	0.4	0.4	1.2	1.2
Distribution	67.0	69.2	69.8	141.0	141.6
	2.2	2.1	1.1	4.1	2.8
Common Business Operations	2.9	2.6	3.7	5.3	6.0
	0.8	0.8	0.7	1.3	1.0
Company-wide Expenses	—	—	—	—	—
	-3.5	-3.3	-3.2	-7.2	-7.1
Total	285.0	269.0	263.1	545.7	530.0
	16.0	16.1	11.2	32.0	24.0

*The figures in the upper row indicate net sales and the figures in the lower row indicate operating income.

Reference: FY2020 1H Net Sales, Operating Income, and Operating Income Ratio by Segment

(¥bn)	Net sales by segment			Operating income by segment			Operating income ratio by segment		
	FY2019 1H	FY2020 1H	Change	FY2019 1H	FY2020 1H	Change	FY2019 1H	FY2020 1H	Change
Total	269.0	263.1	-5.9	16.1	11.2	-4.9	6.0 %	4.3 %	-1.7 %
Condiments and Processed Foods Business	91.8	87.5	-4.2	10.8	9.2	-1.7	11.8	10.5	-1.3
Japan	71.4	66.9	-4.6	8.8	7.3	-1.6	12.4	10.9	-1.5
Overseas	20.3	20.7	+0.3	2.0	1.9	-0.1	9.6	9.1	-0.6
Salad and Delicatessen Business	44.3	44.2	-0.1	1.2	1.7	+0.5	2.6	3.8	+1.1
Egg Business	49.0	45.4	-3.6	4.0	1.1	-3.0	8.2	2.4	-5.8
Japan	46.4	43.0	-3.5	3.9	1.1	-2.7	8.3	2.6	-5.7
Overseas (U.S.)	2.6	2.5	-0.1	0.2	-0.0	-0.2	6.4	—	—
Fruit Solution Business	7.9	8.3	+0.5	0.1	0.2	+0.1	1.6	2.9	+1.3
Fine Chemicals Business	4.3	4.0	-0.3	0.4	0.4	+0.0	8.9	10.0	+1.1
Distribution Business	69.2	69.8	+0.6	2.1	1.1	-1.0	3.1	1.6	-1.5
Common Business Operations	2.6	3.7	+1.2	0.8	0.7	-0.0	30.3	19.6	-10.7
Company-wide Expenses	—	—	—	-3.3	-3.2	+0.1	—	—	—
Total of Three Businesses In Japan	162.1	154.1	-8.1	13.9	10.1	-3.8	8.6	6.5	-2.0

Reference: FY2020 1H Main Contents of Factors Causing Changes in Operating Income (YoY)

【Increase in gross profit resulting from changes in net sales】 [-2.7] (¥bn)

Impact on net sales	-2.7	Decrease in sales of condiments for commercial use	-1.7
		Decrease in sales of egg-based products and processed egg products	-1.2

【Improvement of gross profit margin】 [-2.2]

Raising added value	-0.3	Sluggish growth in value-added products (egg-based products, cooking sauces, etc.)	-0.2
Impact from manufacturing costs	-0.7	Decline in capacity utilization	-0.9
		Increase in cost of starting up new factories	-0.2
Impact from primary raw material	-0.4	Main raw materials in salad condiments in Japan	-0.4
Other	-0.8	Impact of Japanese egg market	-0.9

【Sales promotion expenses and advertising expenses】 [+0.2]

Sales promotion expenses and advertising expenses	+0.2	Holding down sales promotion and advertising costs in Japan	+0.3
		Standardized product bar codes in China	-0.2

【Transportation and warehousing expenses】 [+0.1]

Increase in transportation and warehousing expenses	+0.1	Decrease in distribution costs due to lower sales	+0.1
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【Other SG&A expenses】 [+0.6]

Other SG&A expenses	+0.6	Travel and transportation costs and training costs curbed, etc.	+0.6
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Reference: FY2020 Net Sales, Operating Income, and Operating Income Ratio by Segment

(¥bn)	Net sales by segment			Operating income by segment			Operating income ratio by segment		
	FY2019	FY2020 Plan	Change	FY2019	FY2020 Plan	Change	FY2019	FY2020 Plan	Change
Total	545.7	530.0	-15.7	32.0	24.0	-8.0	5.9 %	4.5 %	-1.3 %
Condiments and Processed Foods Business	185.2	180.9	-4.3	21.6	18.9	-2.7	11.7	10.4	-1.2
Japan	142.1	138.5	-3.6	17.6	15.5	-2.1	12.4	11.2	-1.2
Overseas	43.2	42.4	-0.8	4.0	3.4	-0.6	9.2	8.0	-1.2
Salad and Delicatessen Business	90.3	90.5	+0.2	3.2	3.6	+0.4	3.5	4.0	+0.4
Egg Business	100.0	86.5	-13.5	7.4	3.2	-4.2	7.4	3.7	-3.7
Japan	94.8	83.1	-11.7	7.4	3.3	-4.1	7.8	4.0	-3.8
Overseas (U.S.)	5.2	3.4	-1.8	0.1	-0.1	-0.2	1.1	-	-
Fruit Solution Business	15.6	16.6	+1.0	0.3	0.4	+0.1	2.0	2.4	+0.4
Fine Chemicals Business	8.3	7.9	-0.4	1.2	1.2	-0.0	14.8	15.2	+0.4
Distribution Business	141.0	141.6	+0.6	4.1	2.8	-1.3	2.9	2.0	-1.0
Common Business Operations	5.3	6.0	+0.7	1.3	1.0	-0.3	25.7	16.7	-9.0
Company-wide Expenses	-	-	-	-7.2	-7.1	+0.1	-	-	-
Total of Three Businesses In Japan	327.1	312.1	-15.0	28.2	22.4	-5.8	8.6	7.2	-1.4

Reference: FY2020 Main Contents of Factors Causing Changes in Operating Income (YoY)

【Increase in gross profit resulting from changes in net sales】 [-4.1] (¥bn)

Impact on net sales	-4.1	Decrease in sales of condiments for commercial use	-2.2
		Decrease in sales of egg-based products and processed egg products	-2.1

【Improvement of gross profit margin】 [-3.3]

Raising added value	-0.5	Sluggish growth in value-added products (egg-based products, cooking sauces, etc.)	-0.5
Impact from manufacturing costs	-1.3	Decline in capacity utilization	-1.3
		Increase in cost of starting up new factories	-0.3
Impact from primary raw material	-0.9	Main raw materials in salad condiments in Japan	-0.9
Other	-0.6	Impact of Japanese egg market	-1.2

【Sales promotion expenses and advertising expenses】 [-0.0]

Sales promotion expenses and advertising expenses	-0.0	Holding down sales promotion and advertising costs in Japan	+0.5
		Standardized product bar codes in China	-0.5

【Transportation and warehousing expenses】 [+0.1]

Increase in transportation and warehousing expenses	+0.1	Decrease in distribution costs due to lower sales	+0.1
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【Other SG&A expenses】 [+0.9]

Other SG&A expenses	+0.9	Travel and transportation costs and training costs curbed, etc.	+0.9
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Reference: FY2020 1H Factors Causing Changes in Operating Income by Segment (YoY)

(¥bn)

	Change in gross profit resulting from change in net sales	Change in gross profit margin	Sales promotion expenses and advertising expenses	Transportation and warehousing expenses	Other SG&A expenses	Change in operating income
Total of five businesses in Japan	-2.7	-2.2	+0.2	+0.1	+0.6	-4.0
Condiments and Processed Foods	-1.7	-0.6	+0.4	+0.1	+0.1	-1.7
Salad and Delicatessen	+0.0	+0.4	+0.0	-0.1	+0.2	+0.5
Egg	-1.2	-2.2	+0.0	+0.1	+0.3	-3.0
Fruit Solution	+0.2	+0.0	-0.1	-0.0	+0.0	+0.1
Fine Chemicals	-0.0	+0.2	-0.2	-0.0	+0.0	+0.0

Reference: FY2020 Factors Causing Changes in Operating Income by Segment (YoY)

(¥bn)

	Change in gross profit resulting from change in net sales	Change in gross profit margin	Sales promotion expenses and advertising expenses	Transportation and warehousing expenses	Other SG&A expenses	Change in operating income
Total of five businesses in Japan	-4.1	-3.3	-0.0	+0.1	+0.9	-6.4
Condiments and Processed Foods	-2.2	-1.1	+0.4	+0.2	+0.1	-2.7
Salad and Delicatessen	+0.0	+0.4	+0.0	-0.2	+0.2	+0.4
Egg	-2.1	-3.1	-0.0	+0.4	+0.6	-4.2
Fruit Solution	+0.3	-0.0	-0.1	-0.1	+0.0	+0.1
Fine Chemicals	-0.2	+0.5	-0.3	-0.1	+0.0	-0.0

Reference: FY2020 1H 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 [-4.2]
 - Japan: Struggle for products for commercial use due to impact of coronavirus
 - Overseas: Although business was difficult in China, sales increased due to growth in Southeast Asia.
- ◇ Operating income [-1.7]
 - Japan: Lower income due to decrease in sales for commercial-use products
 - Overseas: Lower sales due to cost of product bar code standardization in China

Fruit Solution Business

- ◇ Net sales [+0.5]
 - Sales of jam and spreads for household use grew due in part to demand from people eating at home and building up stockpiles.
- ◇ Operating income [+0.1]
 - Income rose due to higher sales of jam and spreads as well as ready-to-eat processed fruit products.

Salad and Delicatessen Business

- ◇ Net sales [-0.1]
 - Shredded cabbage with a longer shelf life captured customer needs and led to increased sales, but overall sales decreased due to low demand for delicatessen and restaurants.
- ◇ Operating income [+0.5]
 - Sales of mainstay products increased, productivity improved due to full operations of a labor-saving production line developed last year, and raw material costs declined

Fine Chemicals Business

- ◇ Net sales [-0.3]
 - Mail-order business performed well.
 - Slump in sales of raw materials for hyaluronic acid
- ◇ Operating income [+0.0]
 - Improved profitability in mail-order business

Egg Business

- ◇ Net sales [-3.6]
 - Japan: Sales decreased due to a decline in sales volume
 - Overseas: Sales decreased due to a drop in the dried egg market and a decline in sales volume
- ◇ Operating income [-3.0]
 - Japan: Sales decreased due to higher prices in Japanese egg market and lower sales volume
 - Overseas: Income decreased due to drop in dried egg market

Distribution Business

- ◇ Net sales [+0.6]
 - Sales increased due to limits on movement imposed due to the coronavirus, expansion of new transactions such as chain stores, and existing transactions
- ◇ Operating income [-1.0]
 - Income decreased due to lower volume of shipments as a result of restrictions on movements and on leaving home, as well as higher costs for launching a new center

Reference: FY2020 Forecast for 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 [-4.3]
 - Japan: Expansion of new products that make high contributions to income
 - Overseas: Reinforce proposals for China's mayonnaise tubes and deep-roasted sesame dressing
- ◇ Operating income [-2.7]
 - Improvements to unprofitable products
 - More efficient production of mayonnaise

Fruit Solution Business

- ◇ Net sales [+1.0]
 - Expansion of applications by proposing menus using jam and spreads
 - Expand series of ready-to-eat processed fruit products
- ◇ Operating income [+0.1]
 - Build a production system that can adapt to changes in demand

Salad and Delicatessen Business

- ◇ Net sales [+0.2]
 - Expansion of mainstay products (shredded cabbage, salad with mayonnaise dressing)
 - Expansion of products with extended shelf life
 - Expand sales channels in growth markets (EC, home delivery, drugstores)
 - Expand fields in produce and prepared food markets
- ◇ Operating income [+0.4]

Fine Chemicals Business

- ◇ Net sales [-0.4]
 - Strengthen proposals for the use of hyaluronic acid in internal and external beauty for the mail-order business
 - Reinforce hyaluronic raw materials business
- ◇ Operating income [-0.0]
 - Improve profitability for mail-order business
 - Reduce cost of sales for hyaluronic acid

Egg Business

- ◇ Net sales [-13.5]
 - Expansion of mainstay products (ingredients)
 - Strengthen expansion of processing route
- ◇ Operating income [-4.2]
 - Recovery in sales volume for value-added products
 - Curbs to distribution costs and costs that can be managed

Distribution Business

- ◇ Net sales [+0.6]
 - Common logistics: Expand new and existing business
 - Customized logistics: Expand fields for new and existing customers
- ◇ Operating income [-1.3]
 - Proposals for value-added distribution business
 - Overhaul of capital investment

Reference: Growth Rates for Net Sales by Overseas Area (Based on Local Currency, YoY Change)

(%)

	FY2018 1H	FY2019 1H	FY2020 1H	FY2019	FY2020 Plan
China	-1	+11	-7	+11	-5
Southeast Asia	+12	+10	+15	+11	+6
U.S.	+11	-1	+13	-1	-8
Condiments and Processed Foods	+3	-3	+26	+2	+12
Egg	+24	+1	-3	-4	-34
Europe	+142	+7	+1	+8	-14

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

		(¥bn)		
		FY2018 1H	FY2019 1H	FY2020 1H
Mayonnaise	Japan	21.8	23.1	22.4
	Overseas	10.2	10.3	10.6
Dressings	Japan	21.4	20.5	18.8
	Overseas	5.4	4.6	4.8
Total	Japan	43.2	43.6	41.2
	Overseas	15.6	14.9	15.4
	Total	58.8	58.5	56.7

Note:

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

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