

# The Kewpie Group Integrated Report 2020

[www.kewpie.com/en/](http://www.kewpie.com/en/)

Corporate Philosophy of the Kewpie Group

Corporate Motto

“RAKU-GYOU-KAI-ETSU”

Corporate Principles

- “Act on Moral Principles”
- “Strive for Originality and Ingenuity”
- “Look After Parent’s Well Being”

Words to remember: “The world is fairer than you imagine”

Toichiro Nakashima (Founder) was deeply impressed by the following words that he encountered in his younger days: “It may seem that the lazy and sly get ahead in the world. However, the world is actually a place where the people who strive in sincerity and earnestness are the winners in the long run.” He held the belief that “the world is fairer than you imagine.” When faced with difficulties, Toichiro would consider what was true and what was right, and always strove for originality and ingenuity. Throughout his life he continued to show gratitude toward all those who helped him. These words inherited from Toichiro were included in the Kewpie Group corporate principles up to 1992.

Our Ideal

We aim to be a group contributing to the food culture and health of the world through “great taste, empathy, and uniqueness.”

The Kewpie Group Policies

Guided by the corporate philosophy that draws on its Corporate Motto and Principles, Kewpie has put in place the Group Policies that embody the Group’s commitment to earning the highest degree of trust from its stakeholders, including customers, shareholders, business partners, employees, and society, who provide the underlying strength for all of its business activities. In ensuring that each and every member of the Group fully understands and carries out the spirit of the Group Policies we are better positioned to further enhance our transparency as a company and to garner the trust of customers.

Code of Ethics

(Our responsibilities as a corporate citizen.)

Respect for the Law

We comply with the laws, regulations and social norms of our own and other countries, as well as our internal company rules, and conduct our corporate activities in an ethical manner.

Respect for Human Rights

We respect human rights and never engage in discrimination or harassment based on race, nationality, religion, gender, age, or mental or physical disability.

Fair and Sustainable Corporate Activities

We engage in free and fair competition, building transparent and stable relationships with business partners, shareholders, investors, and governmental organizations.

Commitment to Information Security

We protect and do not allow the misuse or wrongful disclosure of the personal or confidential information of our customers, clients, and employees.

Rejection of Antisocial Forces

We take decisive action against antisocial forces which disrupt or threaten public law and order, ending all relations with them.

Code of Conduct

(What we must do to enhance the prominence of the Kewpie Group.)

Put Product Quality First

We rise to meet the trust placed in us by our customers, producing safe and reliable products and focusing on quality in all of our actions.

Promote Diversity

We respect the individuality and aspirations for growth of each and every one of our employees around the world, allowing them to perform to their full potential.

Contribute to Society through Nutrition Education

We contribute to society through the advancement of nutritional education, promoting healthy lifestyle choices and working in harmony with local communities and society as a whole.

Protect the Earth’s Environment

We appreciate the blessings of nature and promote a sustainable society for future generations by effectively utilizing resources and preserving the environment.

Accept New Challenges

We drive growth of the company and the individual by continuing to accept new challenges and also by learning from previous lessons.

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Editorial Policy

In putting together the Integrated Report 2020, the Kewpie Group hopes to deepen the understanding of all stakeholders, including its shareholders and investors, regarding efforts to create value over the medium to long term. The Integrated Report 2020 therefore provides an overview of the Group’s business as well as comprehensive strategies and plans aimed at creating corporate value.

The Report also summarizes matters of a material nature that underpin the Group’s efforts to create corporate value. All other information, including details of the Group’s financial results and position, social and environmental initiatives, products, and businesses can be found on its corporate website.

Period Covered by the Report

The Report covers the 12-month period from December 2018 to November 2019.

Past background information and data as well as recent examples of the Group’s activities that fall outside the period covered have also been included when considered appropriate.

Figures indicating projections for FY2020 were released on April 2, 2020.

Forward-Looking Statements

The forecasts and forward-looking statements contained in this Integrated Report 2020 are based on information available as of the date of publication and on certain assumptions deemed rational. These forecasts also include certain probable uncertainties.

Actual performance, etc., could differ greatly from forecasts due to a variety of factors including changes in business conditions.

Note: Figures in this Report showing monetary amounts and shares owned are rounded down except for monetary amounts expressed in billions of yen, which are rounded to the nearest billion. Ratios of owned shares are also rounded to the nearest whole figure.

Website

The Kewpie Group posts a wide range of information from a variety of perspectives on its website.



IR Information

<https://www.kewpie.com/en/ir/>



Sustainability

<https://www.kewpie.com/en/sustainability/>



Recipes/Products

<https://www.kewpie.co.jp> (In Japanese only)



## Message from the President

**For the next 100 years,  
we aim to achieve sustainable growth  
by strengthening our management  
foundations and contributing  
to the resolution of social issues.**

### Osamu Chonan

Representative Director,  
President and Chief Executive Corporate Officer  
Kewpie Corporation



### The Origin of Kewpie's Strengths

The Kewpie Group celebrated its 100th anniversary in 2019. Over the past year, we have expressed our gratitude to customers, shareholders, business partners, and other stakeholders for supporting us through various events.

For many people, I believe mayonnaise is the first thing that springs to mind at the mention of Kewpie. That can be traced back to 1925, when the Company began to manufacture and sell Kewpie Mayonnaise inspired by founder Toichiro Nakashima's ambition "to help improve the physiques and health of Japanese people by making delicious, nutritious mayonnaise so widely available that it became a daily necessity." Kewpie chose a mayonnaise formula that is a difficult method to use to create mayonnaise. Since then, we have struggled to make use of the remaining egg whites in a wide range of applications, including cakes, kamaboko (a fish paste product), and bakery items. That established the base of today's Egg Business. In addition to mayonnaise, we developed and nurtured various products for the first time in Japan, including dressings and sauces.

In meeting various requests from companies that produce salad dishes, we have expanded our technological expertise and our range of applications into condiments centered on mayonnaise and developed potato salads and other delicatessen foods. Striving for originality and ingenuity has become a defining feature of our group.

I believe another core group asset is our diverse sales channels and ability to engage in the well-balanced delivery of menu items including home-cooked meals, ready-made foods, and restaurants. In addition to using mayonnaise and dressings in the home (home-cooked meals), we provide many

of our products for use in restaurants and hotels (restaurants). Moreover, our group delivers salads and delicatessen foods (ready-made foods) sold in supermarkets and other places. We have strengths in our accumulated originality and ingenuity, many top-in-class and unique products, and connections with customers with a variety of dietary scenes.

### Future Direction

Amid accelerating change in the environment surrounding the food business, the range of fields in which the Group can play an active role has been expanding. In Japan, people's lifestyles and values are diversifying, the time they spend in supermarkets is becoming shorter, and interest in food and cooking skills appears to be declining.

Until now, the Kewpie Group has been promoting expansion of each different business through its own sales channels particular to each. Now, however, we are pursuing a new approach under which the three core Group businesses—the Condiments and Processed Foods Business, the Salad and Delicatessen Business, and the Egg Business—mutually utilize sales channels that have proven to be a strength for each and fuse technologies and information. To promote initiatives that take a comprehensive view of the entire group with these efforts, we have newly established a Marketing Division spanning all the businesses and development functions. We are responding to changes in the operating environment by utilizing various sales channels to deliver products that meet customer needs.

Specifically, salads that use mayonnaise and dressings (Condiments and Processed Foods Business) are a menu that contributes greatly to healthy eating habits from the viewpoint of vegetable consumption. By combining them with eggs containing

high-quality proteins (Egg Business), we aim to expand the businesses of our group by playing a leading role rather than a supporting role in dietary scenes. While pursuing sustainable growth in Japan, we intend to further accelerate business expansion overseas, particularly in China and Southeast Asia.

In China, we are building a fourth plant, in Guangzhou, to strengthen our development in the heavily populated southern part of the country. In the Chinese market, awareness of salads and healthy dietary lifestyles is growing in tandem with the improving freshness of raw vegetables. The recognition rate of mayonnaise is 88%, but the rate of household usage is only about 17% (2019 research by Kewpie). The data shows we have lots of opportunity to expanding our business, and, I believe, offers great potential for the Kewpie Group to play a new role in the country's food culture.

In Southeast Asia, including Thailand, Malaysia, Vietnam, Indonesia, and the Philippines, we are carefully conducting market research into the different food cultures in each country. We are proposing a 'Japanese-style' food culture through the development of products tailored to each market.

### Contributing to the Resolution of Social Issues through ESG Initiatives

I have mentioned our founder's ambition about mayonnaise, and as the Kewpie Group today we aim to contribute to the food culture and health of the world through "great taste, empathy, and uniqueness." With that in mind, we have identified the material issues that we should address while referring to the United Nations Sustainable Development Goals (SDGs). We have designated the following four CSR material issues: "Contribution to extending healthy life expectancy," "Mental and physical health support for children," "Efficient use of resources and sustainable procurement," and "Reduction of CO<sub>2</sub> emissions (response to climate change)." In addition, we designate "Promotion of diversity" as the platform of our group sustainable growth strategy. We are working on each of the specific sustainability goals.

One of the social issues related to health in Japan is that there is a gap of about 10 years between average life expectancy and average healthy life expectancy (which is the period in which a person can enjoy life without any limitations in day-to-day activities resulting from health problems). We believe that closing this gap will not only lead to smiling faces for as many people as possible, but also contribute to curbing medical costs, which is a major issue for the government. As the Kewpie Group, we intend to contribute to the extension of healthy life expectancy by supporting delicious and well-balanced dietary lifestyles with salads and eggs.

With regard to the social problem of labor shortages, we are promoting our own initiatives involving collaboration between humans and technologies. One example here is rationalizing inspection technology through the use of artificial intelligence (AI) with a view to realizing employee-friendly factories. We are not keeping these examples of the use of AI to ourselves. Rather, we are actively promoting greater use of AI through the food industry as a whole, thereby helping to alleviate industrywide labor shortages while also contributing to food safety and reliability. In the field of

logistics, we have started joint transportation on trunk lines with different industries to improve loading efficiency. We are also seeking to reduce CO<sub>2</sub> emissions by facilitating a modal shift that entails a combination of long-haul trucks as well as railways and ships.

In addition to efforts from these environmental (E) and social (S) perspectives, we are working to reinforce governance (G) as part of our management policy. In terms of our corporate governance systems, we have already established a Management Advisory Board and a Nomination and Remuneration Committee, and we have been working to strengthen our risk management system. The Kewpie Group is characterized by its ability to harness the diverse attributes of each Group company in its management through mutual cooperation. To make optimal use of this structure, we set out the basic philosophy and the roles and responsibilities of each organization within the Group in January 2020 in the "Fundamental Policy for Group Management."

### Kewpie Group in the Years to Come

FY2020 marks the 101st year since our establishment. With our Long-Term Business Plan launched in FY2019, we have embarked on the first stage of our 2030 Vision, as we take the first steps to realizing Our Ideal. Financial targets for FY2019 were not achieved, and the outlook for FY2020 is not bright. However, we are determined to press ahead with the policies set out in our FY2019-FY2021 Medium-Term Business Plan: "Promoting our products, centering on three businesses, as integral parts of people's daily meals in Japan," "Accelerating overseas business expansion, particularly in China and Southeast Asia," and "Strengthening business foundations for better adaptability to environmental changes."

The global spread of the COVID-19 infection remains an enormous concern for society as a whole and for the Japanese and global economies. We also expect some considerable impact on the Kewpie Group, and we will do our utmost to prevent the spread of infection as a socially responsible company while striving to supply food products to fulfill our mission as a manufacturer of food products.

Let me end by offering one of my favorite sayings: "Fine trees come from deep feeder roots." I take this to mean that good trees can long survive storms without falling if they are supported by roots that invisibly spread deep in the ground. In the management of our group, I believe that the roots are the Kewpie Group Philosophy.

In philosophical training sessions conducted annually with employees in Japan and overseas led by our directors, we examine the choices the Company has made to overcome major crises it has faced in the past and the thinking that lay behind those choices. In FY2019, we held "100th anniversary meetings" to review our 100-year history with employees at a total of 153 sites in Japan and overseas, and I am confident that the Kewpie Group's strengths will continue to be based on the immutable philosophy.

Along with the Group uniting on the basis of shared philosophy, we will continue to grow for the next 100 years by actively incorporating new perspectives for the future.



Kewpie Group Business Activities

Our founder, Toichiro Nakashima, spent about three years in the 1910s in the United Kingdom and the United States as an overseas intern for what was then called the Japan Department of Agriculture and Commerce. That was when he first encountered orange marmalade and mayonnaise.

The Great Kanto Earthquake hit the Tokyo-Yokohama area in 1923. During the subsequent period of reconstruction, Mr. Nakashima saw the country's way of life changing, with one example being the Westernization of female students' clothing. He sensed that change would come to the Japanese diet as well, and in 1925 the Company launched Kewpie Mayonnaise, a highly nutritious mayonnaise made using only egg yolks. The Company began to make use of egg whites, a by-product, and eventually egg yolks and whole eggs, processing and selling them as products, which gave rise to the Egg Business.

In 1932, the Company launched Aohata Marmalade. By developing and applying the processing of various ingredients and canning technology, the Company was able to develop products such as jams, pasta sauces, baby foods, and nursing care foods.

Moreover, in response to social changes, such as the increase in women in the workplace, single-person households, and the shift to nuclear households, the Company began to provide delicatessen foods and packaged salads with the idea of having people eat fresh salads easily without wastage. This is how we developed today's Salad and Delicatessen Business.

Ever since its establishment in 1919 as Shokuhin Kogyo Co., Ltd. (now Kewpie Corporation), the Kewpie Group has adhered to its food manufacturing philosophy of "good products begin only with good ingredients" and has strived to manufacture products based on its values of continuing to be faithful to the hallmarks of honesty and integrity that handles food items.

We will continue to take up new challenges for another 100 years by passing on our founding thought and striving to contribute to the world's food culture and health.



Note: Common Business Operations consist of sales of food manufacturing equipment and has companies engaged in work for the entire group, such as accounting and labor affairs for group companies, as well as the hiring of handicapped people

Business	Summary	Main Products
Condiments and Processed Foods	We were the first in Japan to produce and sell mayonnaise and dressings. While refining our cooking knowledge and technologies, we have produced and sold products ahead of their time, such as pasta sauces for prepared foods, baby foods, and nursing care foods. Having expanded operations both domestically and abroad, we sell food products for every dietary scene, such as the meal at home, restaurants, boxed lunches, and delicatessen foods.	 Mayonnaise  Dressings  Pasta sauces  Nursing care foods
Salad and Delicatessen	We meet diverse needs for food amid changing lifestyles through delicatessen foods prepared in tune with local tastes, such as with freshly packaged salads (cut vegetables for households). This business delivers products from its production centers across the country, mainly to supermarkets.	 Potato salad  Packaged salad (cut vegetables for households)  Delicatessen
Egg	We have created technologies that take advantage of the unique traits of egg, and manufacture and market those products based on such technology. In addition to liquid eggs and frozen eggs used as ingredients in a variety of foods, we widely available supplies of processed egg products such as omelets and egg salads to convenience stores and restaurant chains.	 Ready-made eggs  Torotto egg series  Processed egg products for households
Fruit Solution	Through the production of orange marmalade, the root of our business today, we have refined our ability to procure fruit materials as well as our fruit processing and preservation technologies, the latter to maintain deliciousness for a long time. In addition to jams and spreads, we engage in the sale of processed fruit preparations for industry use.	 Jam  Spread  Fruit Spread
Fine Chemicals	This business was created from the idea of extracting and using the active ingredients in eggs. Turning the power of eggs into value, we have commercialized lecithin, lysozyme, eggshell membrane and other products. Broadening our scope, the business sells hyaluronic acid, which is produced from chicken's comb extract and fermentation technologies, as an ingredient for pharmaceuticals, foods, and cosmetics.	 Hyaluronic acid (ingredient for manufacturers)  Hyaluronic acid supplements (foods with function claims)  Processed foods containing acetic acid bacteria
Distribution	Group companies that specialize in foodstuff distribution offer logistics services in four different temperature zones (room, preset, refrigerated, and frozen) in order to preserve food quality and freshness, depending on the nature of the food items. The business provides comprehensive services ranging from ingredient transportation with marine vessels and trucks to distribution to supermarkets, restaurants, and convenience stores.	

Notes:  
1. See Page 37 for a list of companies in each business segment.  
2. Major items are listed for the products and services of each business segment.



# Kewpie Group Value Creation Process

The business domains and areas in which the Group operates are wide-ranging, both in Japan and overseas. In continuing to hone techniques and proposal capabilities while pursuing deliciousness endlessly, Kewpie presents its ideas for a variety of culinary scenarios, in the entire range of its activities, from product development to delivery to its customers.

Moreover, it is the blessings of nature that underpin our business activities. Our fervent hope is to remain an environmentally conscious group through sincere endeavors including the use of food resources and conservation of the environment and to carry forward a sustainable society to the next generation.

All Group members will continue to accept, learn from one another and share wisdom, tackling head on a changing global environment and social issues in empathy with the corporate philosophy. We aim to be a group that contributes to the food culture and health of the world through "great taste, empathy, and uniqueness."

## Strengths of the Kewpie Group



### A brand with a high degree of consumer confidence

- The No.1\* level of consumer confidence in Japan

\* Kewpie captured No. 1 in Nikkei Research Inc.'s "Brand Strategy Survey 2019" consumer category



### Diverse human resources are playing an active role in and outside of Japan, in empathy with the Kewpie Group philosophy

- 15,000 employees (58 consolidated subsidiaries in 10 business development countries)
- Providing full opportunities for each and every Group employee to leverage their potential



### Product supply capabilities that meet diverse needs

- Ability to think and solve on our own at production sites
- Acquisition of Food Safety System Certification approved by the Global Food Safety Initiative (GFSI) including FSSC 22000, at 82 operating sites
- Product development capable of supporting a wide range of temperature zones and categories
- A procurement network for primary ingredients (eggs, edible oils, cabbage, and others)



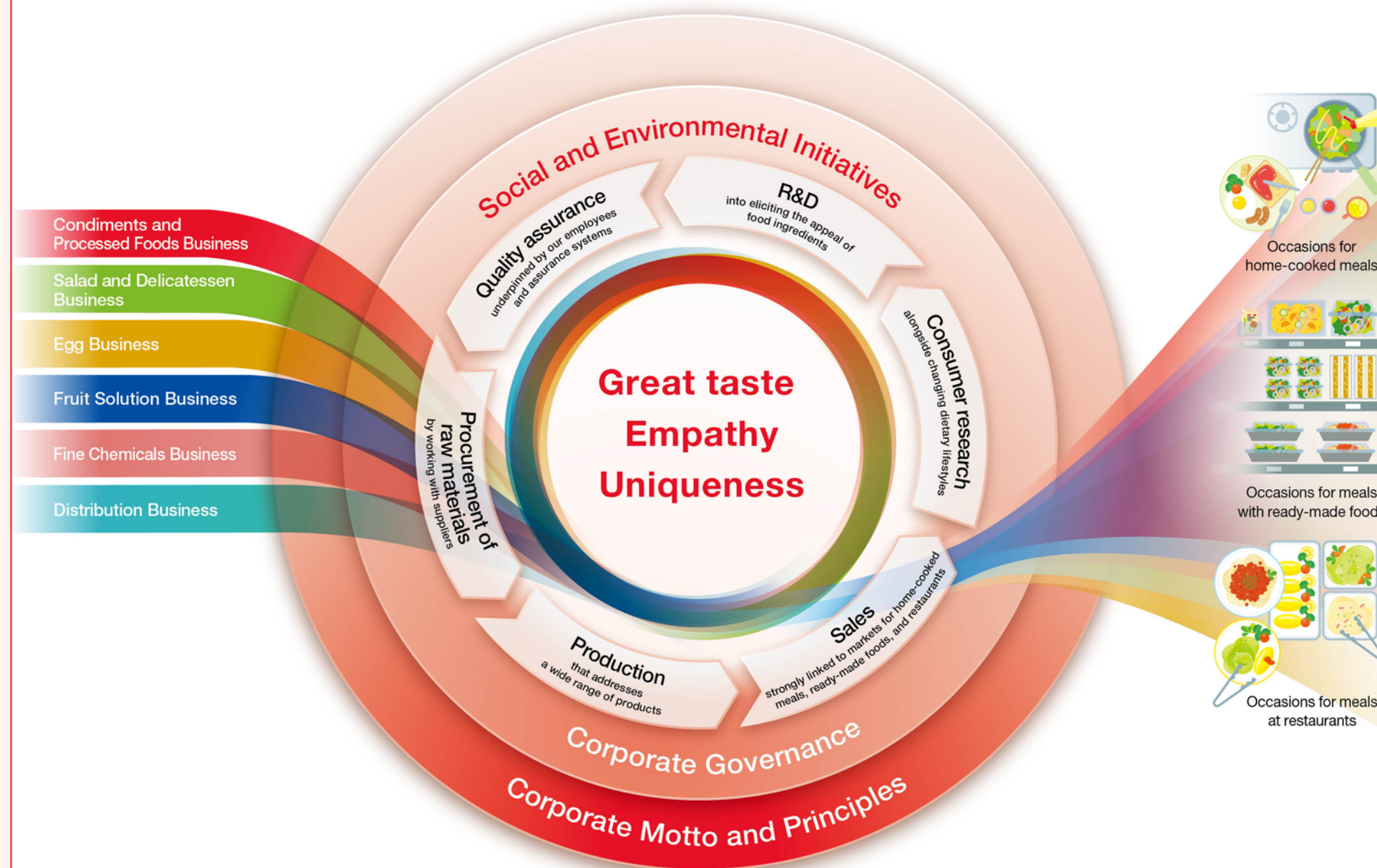
### Diverse sales channels in and outside of Japan

- Addressing the entirety of food needs for home-cooked meals, ready-made foods, and restaurants, in the domestic and overseas markets
- Japan's largest foodstuff distribution network accommodating four different temperature zones

## Business Model

### Changes to the External Environment and Social Issues

- Lifestyle diversification
- High economic growth and expanding consumer markets in developing countries
- Ties with different industries
- Rapid technological innovation
- Changes to social structures such as the super-aged society
- Increasing risk of climate change and destruction of the natural environment
- The declining working population in Japan



## Value Creation with Stakeholders



**We aim to contribute to world food culture and health**

**2030 VISION**  
Food for a smile with Kewpie.

**Customers:** A food partner for every person  
**Society:** A supporter of bringing smiles to children through delicious food

**Performance Targets**

▷ P.12

**Sustainability Targets**

▷ P.20



## Value Creation Story 1

# Contribution to Extension of a Healthy Life Expectancy with the Value of Salads and Eggs

### Social Issue

In 2018, Japan's average lifespan was 87.32 years for women and 81.25 years for men. Although women in Japan have continued to achieve a new record lifespan for six consecutive years and men for seven consecutive years, as of 2016 the healthy life expectancy, an indication of the age to which individuals can live independently, was 74.79 years for women and 72.14 years for men, far lower than the average. Realizing a longevity society in which the elderly can also live healthy lives has therefore become an issue of national proportions from the perspectives of both improving the quality of life and reducing the social security burden.

### Kewpie's Challenge and Approach

We know that 70% of the factors behind the need for nursing care are related to dietary lifestyles. Moreover, it is now clear that the three pillars of "Nutrition (dietary balance, oral function)," "Physical Activity (maintenance of body function and physical strength)," and "Social interaction (human connections, eventful lifestyles, positive feelings)" are also important for realizing healthy life expectancy.

In terms of nutrition, key initiatives for maintaining health in middle age should be targeted at the predisposition toward and overindulgence in fats and carbohydrates, whereas key initiatives for old age should be focused on malnutrition, including protein deficiency. In addition, it is important to balance and sufficiently chew various foods during consumption. By combining salads, which provide vitamins, dietary fiber, and minerals, with eggs, which contain beneficial proteins, we can realize a better nutritional balance in dietary lifestyles.

The Kewpie Group has worked to spread a new dietary lifestyle of consuming vegetables through salad and has grown along with the increasing number of salad menus. While continuing to place importance on mayonnaise and dressings, we also aim to propose abundant, healthy dietary lifestyles by expanding the scope of salads and eggs as a food partner for every person. [▶ P24](#)

Moreover, based on existing epidemiological studies and research, we have recognized that maintaining connections with society is extremely important for both physical and mental health. We therefore cooperate with local governments to leverage the Kewpie Group's proposal capabilities while working to solve deeply rooted food-related issues within communities. At the same time, we have also begun moving

toward building a frailty prevention industry through industry-academia-government collaboration.

Through these kinds of initiatives and in working to become a leading company for salads and eggs, as raised in the Kewpie Group's 2030 Vision, over the next 100 years we will continue to track diets throughout the lives of everyone while contributing to the realization of a longevity society in which everyone can live healthy lives.

## The Kewpie Group Supports Your Health through the Value of Salads and Eggs



### Dialogue

Osamu Chonan

Representative Director, President and Chief Executive Corporate Officer  
Kewpie Corporation

A Leader in Frailty Prevention

Katsuya Iijima

Professor, Doctor  
Institute of Gerontology,  
The University of Tokyo



## Frailty Prevention is Essential for Extension of Healthy Life Expectancy

### The Role of Corporations in Frailty Prevention

**Chonan** Awareness toward frailty seems to have increased recently.

**Iijima** In addition to the diagnosis of frailty in the community becoming part of national policy, I think the ease with which the concept of frailty can be accepted by everyone has also been a factor in the spread of its awareness. Frailty is not just about physical decline but also intertwines mental aspects, cognitive functioning, and sociability. At the same time, it also refers to a decline in independence. In regard to partial physical decline, as doctors we prescribe medication from a medical standpoint and tell patients to ensure they get enough protein in the diet and walk a lot. But in reality, their involvement in society, for example, with whom they eat, is even more important. Only when there is an approach from both angles will we achieve frailty prevention.

**Chonan** I agree completely. We say that "conversation is also a feast," but social involvement and conversations with people are just as important as nutrition and physical activity in preventing frailty.

**Iijima** I have seen many cases where elderly persons who normally have difficulty eating will see conversation with others during meals as their main dish and are able to eat their meals more naturally. The nutritional management and physical fitness that we can support as medical practitioners has been discussed in detail as part of frailty prevention, but I feel that it is rather more important for those in government and the industrial world to support the creation of locations where people can enjoy gathering more naturally.

**Chonan** How do we stage the enjoyment of going to such places and the enjoyment of meals? This is exactly the role that seems to be demanded of us.

### The Effectiveness of Eggs and Vegetables in Frailty Prevention

**Iijima** For those elderly who find it difficult to consume large amounts of food as they age, eggs are an ideal food for efficiently

consuming protein in small portions. This is something I have recognized through my interactions with Kewpie.

**Chonan** During our lectures, we say that people should eat two eggs per day once they are older than 50, but in retrospect I feel we should place more emphasis on providing accurate information regarding the misconceptions that many people have about cholesterol. As a country with a long life expectancy, Japan has the second highest consumption rate of eggs per capita in the world, but the frequency of making egg dishes at home has decreased. People avoid making hardboiled eggs because they are difficult to peel cleanly and fried eggs because the oil used on the frying pans makes washing up a chore. I feel it is thus important to develop products that recognize these kinds of challenges.

**Iijima** That makes sense. In fact, as one variety of frailty, I have advocated a new way of thinking called "Oral Frailty," where oral functioning, like chewing and swallowing, has declined. Oral health, which controls ingestion and mastication,\* is extremely important. And as small oral declines build up, they can become the starting point for a powerful downward spiral in terms of health. Oral frailty prevention requires ideal foods with a certain amount of chewiness. And the representative food in this case is naturally vegetables.

**Chonan** All age groups do not sufficiently consume the desired amount of 350 grams of vegetables per day, so I think we should propose more diverse ways of eating vegetables.

**Iijima** I think that product development for foods, cooking methods, and conveniences that make it easy to put these on the table exemplify today's lifestyles. And nutrition management that serves as the core of frailty prevention among the elderly requires more than dietary fiber and egg dishes that enable people to consume a good nutritional balance through small portions. It also requires the creation of new values, such as a combination of vegetables that maintain chewing strength.

**Chonan** I think that is true. In addition to product development and recipe proposals, we intend to contribute to the extension of healthy life expectancy by broadcasting accurate information.

\* Ingestion: Swallowing food; Mastication: Chewing food

### What is Frailty?

Frailty refers to the state of age-related decline in physical and mental health. Even after becoming frail, rapidly taking the proper action can return one to a healthy condition. Accordingly, "frailty" has become an important keyword in realizing healthy life expectancy.

## Value Creation Story 2

### Innovating through Ability to Think and Solve on Our Own × AI

#### Social Issues and Kewpie Initiatives

With the arrival of a diminishing birthrate and a super aging society, Japan's population had slid to 126 million as of October 2018, marking eight consecutive years of contraction and its greatest drop in terms of both absolute numbers and rate of decline. Against this backdrop, the ratio of the working-age population (ages 15 to 64) fell to 59.7%, the same level as 1950 and the lowest level among comparable years, indicating that labor shortages continue to advance. Given the expectation that Japan will face a shrinking labor population as population decline progresses, the Kewpie Group is actively introducing artificial intelligence (AI) as a method of applying next-generation technologies to solve social issues and is pairing our strengths in thinking and solving on our own with AI in order to stimulate activity.

One feature of the Kewpie Group's AI application is our "human perspective." Along with utilizing AI as a means of stimulating activity, we are creating various innovations through the strong will of both our manufacturing sites and the Group employees.

#### The World's First Practical AI-Based Ingredient Inspection System

In August 2018, we introduced an AI-based ingredient inspection system to the inspection process for ingredients used in baby foods produced at the Kewpie Tosu Plant. Given the nature of baby foods consumed by infants, even if they are safe to eat, black specks of a few millimeters found therein can make users feel uneasy. Until now, Kewpie assigned veteran employees to closely observe hundreds of frozen diced potatoes (peeled potatoes cut into one-centimeter cubes), for example, as they passed in front to sort out defects. In considering whether we could maximize the use of image recognition technology, where AI excels, we began developing an ingredient inspection system in this work in 2016. Instead of teaching the system defective patterns, however, we instead took the opposite approach and taught the system acceptable patterns, thereby dramatically improving accuracy and ultimately leading to the system's adoption as the world's first non-annotated machine learning ingredient inspection system.

Currently, the Kewpie Group uses this system at four of its plants in Japan to inspect diced potatoes, chopped carrots, and other ingredients found in baby food and potato salad. The belief of Kewpie's founder, Toichiro Nakashima, that "good products begin with good ingredients" continues to be passed on to every employee, and serves as the "aspiration" that is shared among our manufacturing sites and has given rise to major strengths. Following installation of the first inspection system, we have made improvements and modifications to realize simpler, more compact operability and evolved the system into a process that is user-friendly for employees.

Our AI-based ingredient inspection system initiative has also been well received by the industrial world, including placing second in the IT Japan Award 2019 (organized by Nikkei Computer), placing first in the DEEP LEARNING BUSINESS AWARDS (organized by Nikkei XTECH), and receiving the Minister of Agriculture, Forestry and Fisheries Award in the 2nd Japan Open Innovation Prize (organized by the Cabinet Office of Japan).

We have also gone beyond using this system to improve our

own productivity and reduce the burden on our own employees, and now provide this innovation to other companies in hopes of improving quality throughout the food industry. In this way, we are broadly deploying use of this ingredient inspection system among ingredient manufacturers and food manufacturers faced with similar issues. By standardizing technologies in these kinds of cooperative areas, the Kewpie Group contributes to improving the value of Japanese brands and the further improvement of food safety and reliability.

The Kewpie Group has also undertaken many other challenges using AI, and is currently advancing more than 40 projects in multiple departments. We have already begun operating and using systems in practice from 12 of these projects. To realize these kinds of innovations, it is important to have clear goals and aspirations while attracting people who empathize with this aspiration, have the resolve to carry it through, and move forward under mutual relationships of trust. Moreover, when partnering with systems development companies that are well-versed in AI, we do not leave the issue up to them entirely. Instead, we value partnerships with those who empathize with our goals and aspirations, and who are willing to move forward in a spirit of cooperation.



The world's first non-annotated machine learning ingredient inspection system installed at a manufacturing site

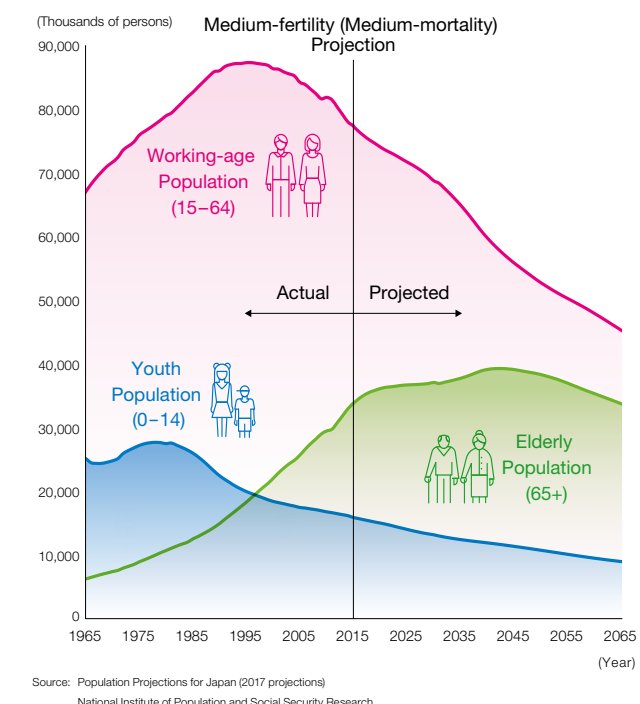
#### Participating in the Task Force for Promoting the Construction of Robot Mounting Models

Kewpie participates in the Task Force for Promoting the Construction of Robot Mounting Models, which was launched by the Ministry of Economy, Trade and Industry and New Energy and Industrial Technology Development Organization (NEDO) in October 2019. This task force is focused on three fields facing such increasingly severe issues as labor shortages, namely facility management, retail/restaurants, and food manufacturing. This task force aims to create process improvement models that utilize robots and that are based on the shared functions derived from the robot-friendly environments being investigated under the assumed revision of existing business processes and facility environments.

The Kewpie Group operates five food businesses that manufacture and sell mayonnaise and other condiments, delicatessen foods, packaged salads, and ingredients and processed foods made from eggs. We also operate the distribution business, but the degree to which robots are deployed in these businesses varies depending on the business and product. Moreover, the food manufacturing industry includes more labor-intensive elements than other industries. For example, the processes used to make delicatessen foods and carry-out boxed lunches for the continuously growing ready-made foods market now need an extremely high number of personnel. Against the backdrop of increasingly severe labor shortages in the future, organizing the various issues regarding business processes at worksites, expanding from individual company issues to industry-wide issues and cooperative

issues, and removing the barriers to introducing robots are urgent actions for the entire industry. In working to create process improvement models that utilize robots for 2022, we will continue to undertake this initiative together with the other participating companies.

#### Population Trends for the Three Major Age Groups



#### Column

#### People Make Innovations, Increase Corporate Value, and Create Customer Value; New Technologies such as AI Serve as a Method

The strength of the Kewpie Group is the robust ability to think and solve on our own that we have built up over the past 100 years. The actors, —newly joining the latest technologies such as AI with this ability in order to make innovations, strengthen corporate value, and create customer value— are people.

Many human resources within the Kewpie Group have overcome the barriers between organizations to undertake the challenge of more than 40 projects that utilize AI, including our ingredient inspection system. And I believe that when they have overcome all difficulties and followed through until the end with resolution, they will have acquired true innovation capability and will become drivers of future revolution.

Although food manufacturers compete against each other in competitive areas, for areas in which industry cooperates, such as safety and reliability, the Kewpie Group is creating and driving a world where companies throughout Japan cooperate and work together in hopes of contributing to a more robust Japanese food industry.



#### Takeshi Ogino

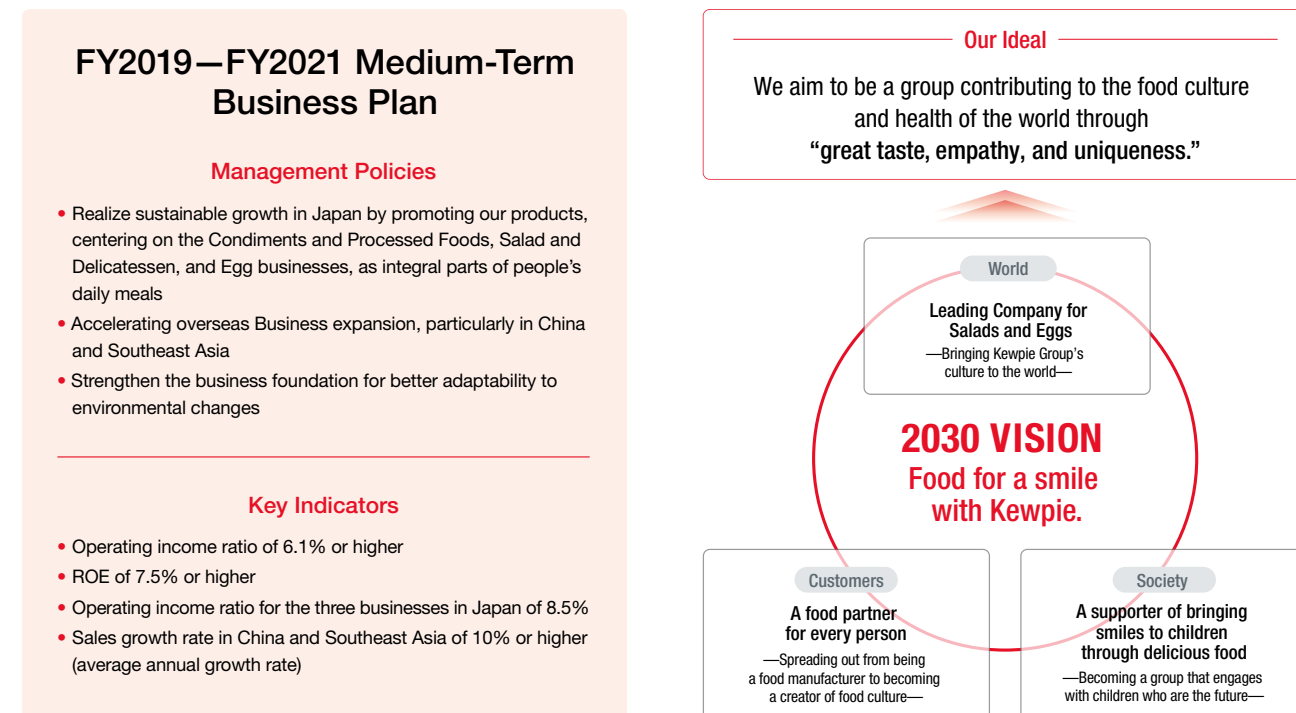
General Manager in charge of Next-Generation Technology Development, Production Technology Department, Production Division  
Kewpie Corporation



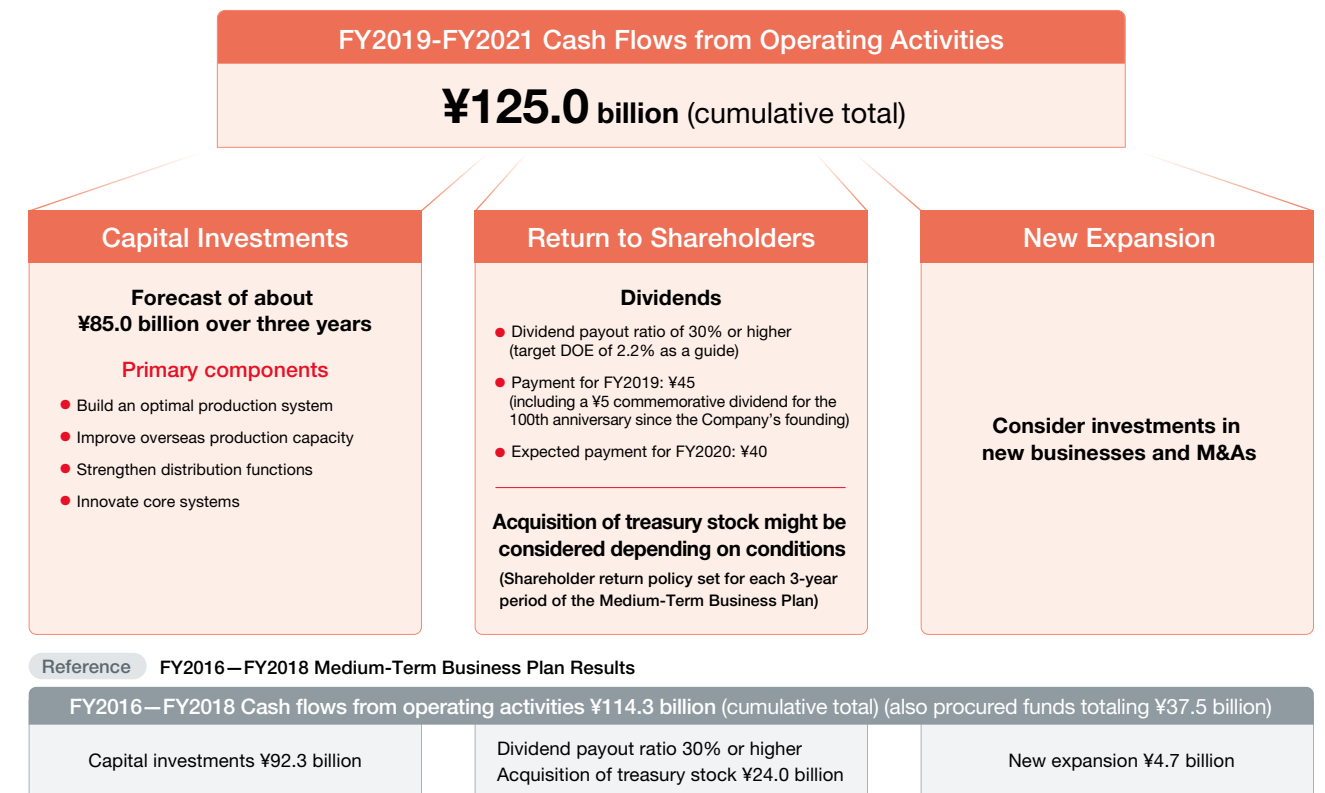
# FY2019—FY2021 Medium-Term Business Plan

The Medium-Term Business Plan launched in FY2019 is the first stage of the “Kewpie Group 2030 Vision.”

Based on the Company’s Management Policies, this stage will achieve continuous growth in the domestic market and accelerated growth in overseas markets.



## About Cash Flow



## Revision of FY2021 Performance Targets

### Performance Targets Revised due to the Need for Strengthening the Domestic Food Businesses

In FY2019, although overseas business performance was almost exactly as planned, due to declining domestic sales of dressing and packaged salad products and increased costs resulting from higher than expected shipping expenses in the food businesses and Distribution Business, business performance targets were revised. We have positioned FY2020 to FY2021 as a transitional period for establishing a stronger base, linking to sustainable growth for FY2022 and beyond.

	FY2019 (vs.FY2018)			
	FY2019	(vs.FY2018)	FY2021(target)	vs. FY2019
<b>Net sales</b>	<b>545.7</b>	<b>(△27.8)</b>	<b>570.0</b>	<b>+24.3</b>
Japan: Food businesses	354.3	(△33.0)	364.2	+9.9
Japan: Distribution business	141.0	(+2.7)	147.0	+6.0
Overseas	50.5	(+2.5)	58.8	+8.4
<b>Operating income</b>	<b>32.0</b>	<b>(△1.0)</b>	<b>34.5</b>	<b>+2.5</b>
Japan: Food businesses	30.6	(△1.3)	31.4	+0.8
Japan: Distribution business	4.1	(△0.5)	4.5	+0.3
Overseas	4.5	(+0.9)	6.2	+1.7
Company-wide expenses	△7.2	(△0.1)	△7.5	△0.3
Ordinary income	33.3	(△1.1)	35.0	+1.7
Profit attributable to owners of parent	18.7	(+0.4)	18.8	+0.1
ROA (Return on assets)	7.7%	(△0.5%)	7.7%	+0.0%
EBITDA (Operating income + Depreciation and amortization)	50.7	(△0.6)	55.0	+4.3
<b>Key Indicators</b>				
Operating income ratio	5.9%	(+0.1%)	6.1%	+0.2%
ROE (Return on equity)	8.1%	(+0.0%)	7.5%	△0.6%
Operating income ratio for three businesses in Japan	8.6%	(+0.6%)	8.5%	△0.1%
Sales growth rate in China and Southeast Asia (Local currency basis)	111%	(+5%)	113%	+2%

Notes:  
1. Increase (decrease) for overseas figures in FY2019 includes the impact of the exchange rate (which lowered net sales by ¥1.4 billion and operating income by ¥0.1 billion).  
2. Domestic food include the impact of the transfer of the CVS vendor business and medical EPA business carried out in FY2018 is included (net sales down ¥29.2 billion and operating income down ¥1.0 billion).

## Business Performance

### Net Sales

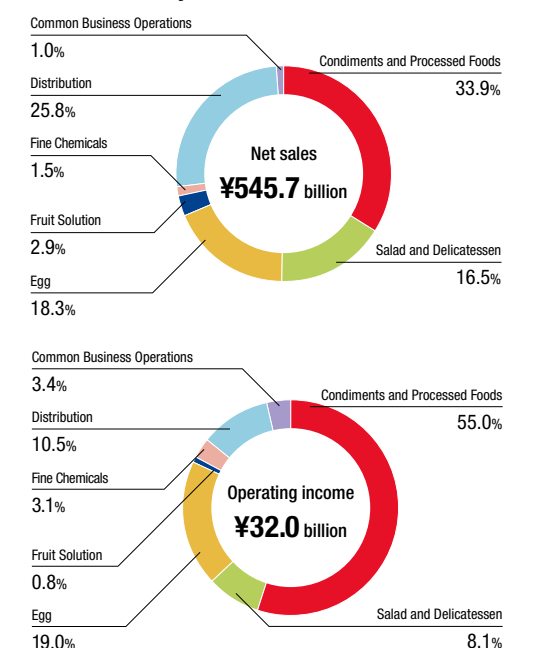
	FY2019 (vs.FY2018)			
	FY2019	(vs.FY2018)	FY2020(plan)	FY2021(target)
■ Condiments and Processed Foods	185.2	(+0.9)	177.5	194.1
■ Salad and Delicatessen	90.3	(△28.0)	91.0	93.0
■ Egg	100.0	(△0.9)	96.2	103.8
■ Fruit Solution	15.6	(△0.2)	16.0	17.0
■ Fine Chemicals	8.3	(△1.7)	8.5	9.5
■ Distribution	141.0	(+2.7)	144.8	147.0
■ Common Business Operations	5.3	(△0.6)	6.0	5.6
<b>Total</b>	<b>545.7</b>	<b>(△27.8)</b>	<b>540.0</b>	<b>570.0</b>

### Operating Income (Business Profit for Each Business)

	FY2019 (vs.FY2018)			
	FY2019	(vs.FY2018)	FY2020(plan)	FY2021(target)
■ Condiments and Processed Foods	21.6	(+1.8)	19.8	22.3
■ Salad and Delicatessen	3.2	(△1.1)	3.5	3.7
■ Egg	7.4	(△0.4)	6.8	8.1
■ Fruit Solution	0.3	(△0.4)	0.6	0.8
■ Fine Chemicals	1.2	(△0.2)	1.2	1.5
■ Distribution	4.1	(△0.5)	4.2	4.5
■ Common Business Operations	1.3	(△0.1)	1.2	1.2
Company-wide expenses	△7.2	(△0.1)	△7.3	△7.5
<b>Total</b>	<b>32.0</b>	<b>(△1.0)</b>	<b>30.0</b>	<b>34.5</b>

\* Business segments have changed since FY2019. Expenses that do not correspond to each business are noted under “company-wide expenses.”

### Breakdown by Business in FY2019



\* For the calculation of ratios for each business, the ¥7.2 billion in company-wide expenses are excluded.



# FY2019—FY2021 Medium-Term Business Plan

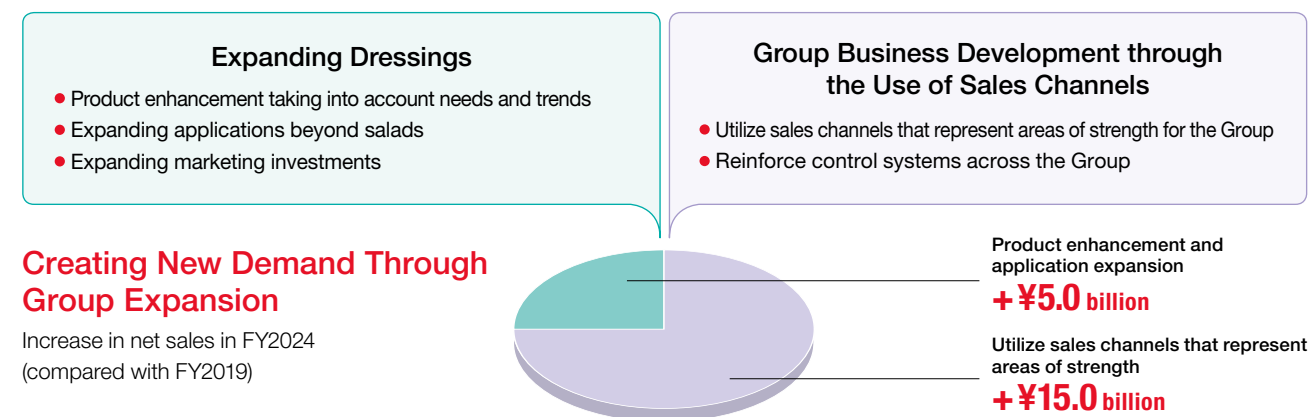
## Domestic and Overseas Initiatives

### Sustainable Growth in Japan

## Group Expansion through Expanding Dressings and Utilize Markets Representing Kewpie's Strengths

Dressings are created to match evolving preferences. This includes, for example, actively incorporating oils that have a sense of healthiness and are enhanced through product development that takes into account needs and trends. In tandem with this, dressings are served with more than just salads. Promoted and nurtured for their versatility, dressings add value to new menu proposals, such as sautéed foods and other dishes.

In addition, we are actively working to achieve growth, remaking products geared toward the fruit and vegetable markets as well as delicatessen markets, that are the specialized domains of the Salad and Delicatessen Business.



### Accelerate Growth Overseas

## Focusing on Expanding Condiments, Particularly in China and Southeast Asia

Making full use of our menu proposal capabilities and techniques cultivated in Japan, we are creating and popularizing new food cultures through the development of products in line with respective market characteristics while working to expand our business.

In China, we expect to incur one-time costs that result from standardizing product bar codes that differ by area in FY2020. Nonetheless, by strengthening the functions of the controlling company, and bolstering sales capabilities by establishing new sales and marketing bases, we aim to realize steady revenue streams from FY2021.

In Southeast Asia, we are promoting collaboration with Thailand, Malaysia, Vietnam, Indonesia, and the Philippines, and accelerating growth. In this way, we are building mechanisms that lead to stable revenue streams. In addition, we are cultivating new markets by expanding exports to surrounding countries such as Cambodia and Myanmar.

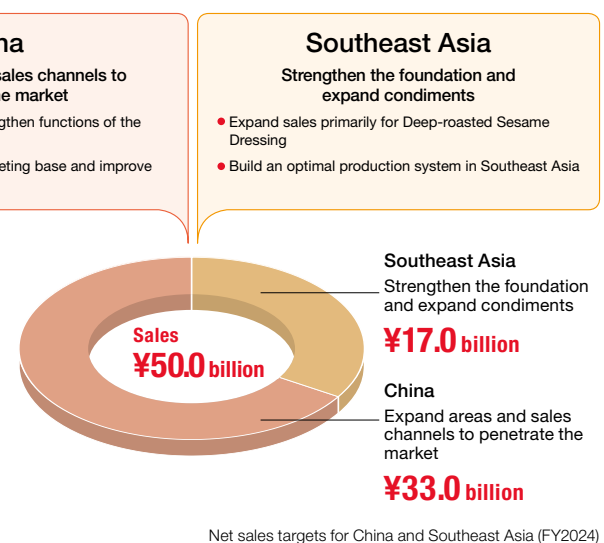
## Continue to Post a Sales Growth Rate\* of 10% or Higher in China and Southeast Asia

(Average Annual Growth Rate)

\* Based on local currency

## Growth of Mayonnaise in the Chinese Market

We aim for further market expansion by revamping packages with a mesh design and standardizing bar codes.



## Global Strategic Product “Deep-roasted Sesame Dressing”

Deep-roasted Sesame Dressing has gained broad acceptance as a condiment that matches any number of ingredients and menus, and has established a position as the No. 1 dressing in Japan. Through overseas expansion, it has earned a presence in markets around the world, not only in China and Southeast Asia but in the United States and Europe as well, owing to its affinity with local food cultures.

In consideration of making Deep-roasted Sesame Dressing a worldwide product, the Kewpie Group has positioned this as a global strategic product. By advancing proposals that are in tune with the ingredients and food cultures of respective countries, we are working to achieve further market penetration.

### 20th Anniversary of Deep-roasted Sesame Dressing Release

Since its market launch in 2000, Deep-roasted Sesame Dressing has gained broad acceptance as a condiment that matches any number of ingredients and menus. This year marks its 20th year as we continue to further its spread around the world.

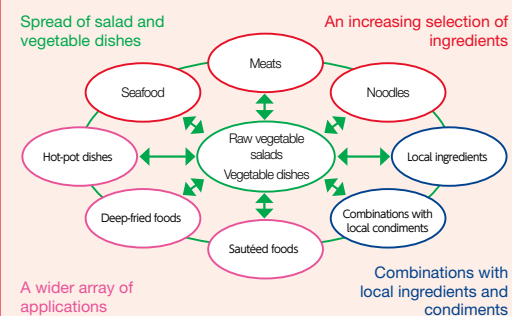


### Expanding Applications Beyond Salads

We are expanding the product's applications by matching it with ingredients while promoting its use with sautéed foods, noodles, and other dishes.



Recipes for Kewpie Deep-roasted Sesame Dressing



## Overseas Expansion of Deep-roasted Sesame Dressing



## Strengthen the Business Foundation to Achieve Medium- to Long-Term Growth

We will focus on providing support to the distribution and production processes within the supply chain that support our daily business activities and will promote initiatives that contribute to the Group's medium- to long-term growth.

### Distribution

In addition to the shortage of drivers, which is becoming increasingly more severe, the logistics sector has been confronted over the past few years by not only higher distribution costs and calls to improve the working environment but also the emergence of social issues, such as the need to lower CO<sub>2</sub> emissions. Under these circumstances, it appears likely that transport capacity will fall short of total demand by about 30% in the next seven to eight years. Adverse weather conditions and repeated natural disasters are also working to impair the distribution function. It is particularly difficult to amass sufficient human resources for the distribution of processed food, especially in light of the enormous amount of manual work required in the loading and unloading of cargo, as well as the time spent waiting during deliveries. To overcome this logistics crisis, the Group believes it is necessary to not only enact measures within the Company but also to work in close cooperation with other industry players and government authorities.

K.R.S. Corporation, a Group company in charge of the distribution business, operates a substantial number of bases in Japan, including warehouses that maintain the constant temperatures essential for food products. In addition to handling the intricate delivery networks and trunk routes connecting the major bases of operation, the business boasts 40 years of know-how and experience in conducting joint transport operations. We are promoting a variety of initiatives in the field, including collaborative efforts with other companies, as shown in the following two examples.

#### Example 1: Joint Trunk-Line Transport Operations by Companies in Three Different Industries

The Kewpie Group, Lion Corporation, and Japan Pallet Rental Corporation have been cooperating in trunk-line transportation using shipping and joint trailers since August 2018. The three companies that previously each handled the transportation of products and equipment by arranging trucks are focused on establishing a stable transport system by creating a cross-industry and cross-business sustainable logistics network. Under this collaboration, we have been able to increase the loading ratio of daily goods, food, and empty pallets transported between the Kanto, Shikoku, and Kyushu regions by adjusting shipment volumes and shipping dates, and by using trailers on a fixed schedule. This has contributed to the ratio of loaded trips to total trips exceeding 99%, which in turn has resulted in the more effective use of vehicles, improved working conditions for drivers, reduced man-hours thanks to the use of ferries, and a modal shift to ships. The arrangement has also contributed to a 62%-plus reduction in CO<sub>2</sub> emissions compared to individual company emissions on a combined basis prior to collaboration, with the companies receiving strong praise for creating an environmentally friendly distribution system. Kewpie's efforts in

this area were recognized with the Minister of Land, Infrastructure, Transport and Tourism's Award for Excellence in the FY2018 Green Logistics Commendation Program, with Japan Pallet Rental Corporation and others. The award is given to businesses showing a special achievement in the building of sustainable logistics systems that reduce the impact on the environment and improve productivity in logistics.

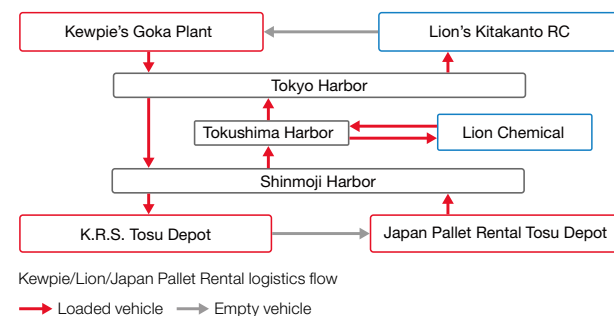
Kewpie, Sunstar, and Japan Pallet Rental Corporation launched joint transport operations using trucks and ships between the Kansai and Kyushu regions in July 2019. By combining heavier products, such as mayonnaise and dressings, with lighter products such as toothpaste and toothbrushes, the companies are able to more effectively utilize container space and transport more cargo.



Improving the load ratio through joint trailer transportation

#### Example 2: SCM Reconstruction through Two-Day Delivery and Doing Away with Inspections upon Delivery

The Kewpie Group is working to simplify and improve planning in its operational processes while upgrading its conventional business practices in manufacturing, distribution, and retailing. We launched two-day delivery only products in the room temperature zone during the busy season in the Tokyo metropolitan area in the summer of 2018



and extended that service nationwide in 2019. At the same time, we started to include in this service products in the three temperature zones of room temperature, frozen, and refrigerated. This effort focused on effectively utilizing lead times to improve the efficiency of delivery vehicles and reduce labor in receiving operations, resulting in a lighter workload for drivers as well as a reduction in vehicle congestion. With the understanding and cooperation of our business partners, we have been able to leverage lead time to adjust the quantity of goods ahead of time. We have also seen improved effectiveness in the use of vehicles and a reduction in out-of-stock items. We aim to evolve the service from 2020 to include two-day deliveries not only during just the busy season but also

throughout the year.

By using FINET EDI, an industry-standard EDI (electronic data interchange) to send shipping information, including the product name, quantity, and expiration date, to our business partners in advance, we aim to reduce labor in receiving operations such as doing away with inspections when the products are delivered. Through these initiatives, we are working to realize enhanced driver and vehicle efficiency and improve the quality of purchasing operations.

The Kewpie Group will continue to expand these kinds of initiatives with potential partner companies, regardless of the industry in which they operate and build a robust sustainable logistics system.

### Column

#### Three Years of Effort Brings Us to a Turning Point in Overcoming the Crisis in Logistics

The Great East Japan Earthquake resulted in an unprecedented shortage of supplies, and the business practices common among Japanese processed food distribution organizations, including excessive competition in freshness dates and competition in lead times, not only contributed to reduced strength in manufacturing, distributing, and retailing but also worked against the interests of consumers. Clearly, the systems in place were in need of revision.

The decline in the working-age population is expected to result in the driver shortage becoming even more severe, making it almost impossible to maintain healthy logistics systems in the food industry without revising transport methods and enacting industry rules and mechanisms that are more in line with the times. Amid such an environment, the Group has launched efforts that are focused on doing away with inspections when products are delivered, optimizing lead times, and conducting joint transport operations.

We believe that improving infrastructure and the working environment in the logistics field is important for the growth of companies. As we accelerate our efforts, I believe the reforms we have initiated and will advance over the three-year period extending through 2021 will result in a turning point in the field of processed food logistics.



Masami Fujita

Senior Corporate Officer, Logistics Management Division  
In charge of IT and Business Reform Promotion  
Kewpie Corporation

### Production

#### Launch of Kansai Kewport, which Consolidates Chilled Processed Production in Western Japan

In January 2020, we completed construction of Kansai Kewport, an integrated production, sales, and distribution base in Itami City, Hyogo Prefecture, which is responsible for the production of chilled processed products in western Japan. The sequential launch of production began in March of the same year. At Kansai Kewport, which is located on the site of the Kewpie Itami Plant, egg breaking, in which eggs are cracked and converted into a liquid, and egg processing, in which the egg liquid is converted into a thick omelet, etc., have been conducted in separate buildings to date, though the facility aims to consolidate the processes to just one location around August 2020, which would create a production system that encompasses the entire process from egg breaking to processing. In addition to streamlining the production of processed egg products and consolidating the sales and development divisions of group



companies in the area, we aim to accelerate product development and improve our proposal capabilities in western Japan in order to better respond to the diversifying needs of our customers.

After examining the successful efforts of our office, we are working to shorten office meeting times and facilitate quicker communication by reducing the amount of space dedicated to document management and establishing stand-up meeting tables and booths for meetings with only a few participants. We are also creating dedicated areas for individual work. We will continue to enact a variety of measures with the goal of promoting the generation of synergies.



# Putting the Kewpie Group Philosophy into Practice ~“Mudadori” Activities Using the Originality and Ingenuity of Employees~

The Kewpie Group's long-standing corporate motto (Raku-Gyou-Kai-Etsu in Japanese) centers on the idea that people who have the same ambitions enjoy working together, endure struggles together, and rejoice together. “Mudadori” activities (work improvement activities by employees to heighten efficiency and productivity) are one example of putting this philosophy into practice at the worksite. We asked Hidemi Kato, who has acted as a project leader since the launch of these activities and who now serves as the manager of the Kewpie Kobe Plant, for his thoughts on the background and importance of these activities.

## “Mudadori” Activities That Draw Out the Intelligence and Creativity of Each and Every Participant

“Mudadori” activities are work improvement activities involving the participation of all employees and place a high value on the intelligence and wisdom of each on-site individual. These activities are based on the idea of eliminating waste in the various operations conducted in the workplace, though they are not focused on cost reductions alone. The characters in the Japanese phrase can also be read as “the adoption of many dreams” and the activities themselves are aimed at having employees realize their dreams, that is the ideal situation, by working together and drawing forth the wisdom of each individual so that they can better think and act on their own.

There was an incident in May 2003 in which a contaminant was accidentally mixed into the mayonnaise manufactured at our mainstay Sengawa Plant. At the time, the facility was shifting from the mass production of only a few items to limited production of a larger number of items, which contributed to not only an increased volume of work but also increased complexity in operations. At the time, it was felt that most employees were being overwhelmed by their day-to-day responsibilities and a culture had evolved in which when even the smallest of problems appeared at the worksite, it was considered only natural to continue operations following the thinking, directions, and orders of the person in charge.

Even before the incident, Tadaaki Katsuyama, who is now a director, but was in charge of the Sengawa Plant at the time, felt the need to shift to a corporate culture in which each employee on the site thought

for him/herself and proposed ideas for improvement. With this in mind and with the goal of preventing any more product quality incidents, we launched the first “Mudadori” activities in September 2003. At first, there was some opposition according to a lack of understanding and whether it was a good idea to speak out in regard to not only your own workplace but also other workplaces as well as in regard to accepting what you are told and revising the rules that have been followed to date. However, the first signs of changes within the Sengawa Plant began to appear just one year after the launch of the activities.

## Drawing Out the Ability of Employees to Think for Themselves at the Worksite

The first improvement made involved moving the location of the clock. Process management meant keeping a record of each and every time a particular job or operation was started. However, this resulted in employees always having to turn around and check the clocks, so we changed the position of the clock to a more visible location so that these employees would not need to keep turning around. While this might seem trivial, we never focused on the physical activity of turning around to look at the clock prior to the introduction of this “Mudadori” activity, so it never occurred to us to change its position.

These activities were conducted with the idea of first trying change, but if the previous version proved better, not being afraid to revert back to the original. This resulted in ideas continuously flowing from those worksites, with these ideas eventually leading to concrete and measurable improvements, including lighter workloads, shorter processing times, and reduced complaints and incidents.



The Sengawa Plant around 2010 (close-up and full-site views)



## Group-Wide Implementation of “Mudadori” Activities Initially Launched at the Sengawa Plant

We are now implementing “Mudadori” activities at each plant in the production division, including those operated by group companies. While the standardization of production facilities might indeed be important for manufacturers, we believe the strength of the Group stems from the ability of each plant to make the most of the intelligence of its employees as it seeks to implement innovative improvements.

We are also using the “Mudadori” concept to improve operational efficiency in indirect divisions and to develop new technologies. One example of this is the state-of-the-art production line at the Kobe Plant, a key mayonnaise and dressings production plant where operations were launched in 2016. As shown in the figures below and to the right, stabilization of the mayonnaise production line was achieved by placing the mayonnaise bottle in a small plastic cup on a conveyor belt, which carried it through the filling process. We launched our technology

development efforts in this process with the aim of eliminating the wasted effort spent washing thousands of these cups on a repeated basis every few days, and as a result we were able to eliminate the need for these plastic cups at the Kobe Plant, where bottles arriving in bulk are now grabbed individually by a crane and secured to a machine, where they are then carried through the filling process (see the figures below and to the left).

We believe that the true value of each facility can be found not in the state-of-the-art equipment itself but rather in the people who create, construct, and maintain that equipment. With this in mind, the purpose of “Mudadori” activities is not only to reduce costs but also to use the time saved by eliminating waste to create new and better jobs and to improve the quality of all our people, jobs, and products. I believe it is vitally important to continue devising initiatives that allow our employees to work enthusiastically in jobs they find genuinely rewarding.



Previous production line in which mayonnaise bottles were transported in plastic cups



Cutting-edge production line at the Kobe Plant

## Activities Based on the Kewpie Group Philosophy Spread Completely throughout the Company

We are now at the point where we are able to give a presentation of “Mudadori” activities that have been undertaken by our employees, including those at Group companies. Having been told from the beginning that it would not last if it failed to generate enjoyment, we have kept in mind the importance of recognizing each other's achievements in a fun and relaxed atmosphere when holding the announcement.

During the announcements, some of the employees have been moved to tears by the fact that their ideas and efforts have been recognized by those around them. Of course, praise for subordinates also bring happiness to their managers. There have been times when speakers mentioning their appreciation for the opportunity to give each and every employee their turn in the

spotlight brought tears to the entire forum. When witnessing this, I felt like I had truly come to understand the feeling behind the Raku-Gyou-Kai-Etsu concept, and

that through these activities we have reaffirmed Kewpie's corporate philosophy. I believe this is one of the reasons “Mudadori” activities have been so easily accepted and spread so completely throughout the Company.



**Hidemi Kato**  
Kobe Plant Manager  
Kewpie Corporation



ESG Initiatives

Strengthen the Business Foundation for Better Adaptability to Environmental Changes

Our society has been evolving toward more rewarding lifestyles and greater convenience. In the meantime, due to the diversification of lifestyles and changes in the environment, a variety of issues have surfaced and are beginning to have a significant impact on the global environment.

Appreciating the blessings of nature, the Kewpie Group has been engaged in environmental activities for many years with the idea of making the most of the world's limited resources. In recent years, however, global-scale issues, including the risks from climate change, food loss, and marine plastic pollution, have manifested themselves one after another. Not only devising initiatives on an individual company basis but also in cooperation with our supply chain, we will contribute to the achievement of universal goals, such as the Paris Agreement and SDGs.

Based on our desire to deliver the joy and pleasure of food as well as a vibrant and healthy dietary lifestyle, we have also been proposing foods suited to a variety of dietary scenarios. As lifestyles and values will further diversify in the years to come, we will contribute to the realization of a society in which people can live healthily, while standing closer to the dietary lifestyles of individuals throughout their lives.

In this way, amid the social environments and markets that will be undergoing dynamic change, we are aiming to become a group in which both employees and the Company as a whole grow by engaging in the promotion of diversity and the active participation of a diverse range of talented people who empathize with our corporate philosophy.

Having inherited founder Toichiro Nakashima's spirit of "contributing to society through healthier dietary lifestyles," we will cooperate with our stakeholders to solve social issues and improve sustainability as a part of efforts to contribute to the achievement of both a sustainable society and sustainable growth for the Group.

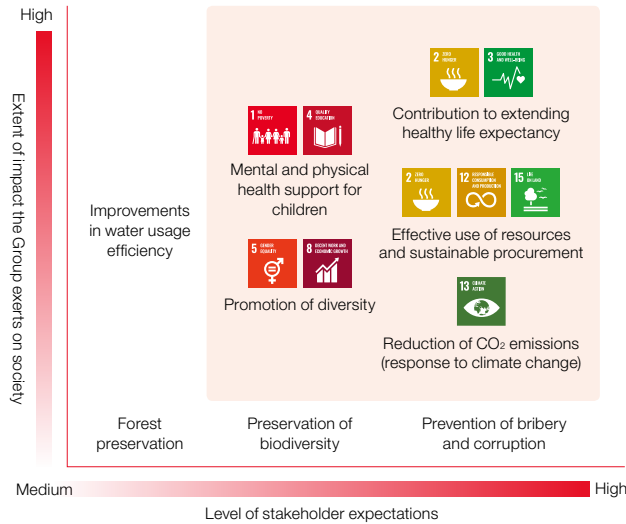


Risks and Opportunities Associated with Changes in Society

Field	Changes in Society	Risks and Opportunities
Markets	Super-aged society	Growing gap between average life expectancy and healthy life expectancy Increased awareness of healthy dietary lifestyles
Society	Increasing numbers of nuclear households, dual-income and single-parent families Increasing poverty/widening inequality	Increase in eating alone, cycle of poverty to the next generation Growing interest in learning about and gaining first-hand experience of food
Environment	Climate change, Paris Agreement, TCFD recommendations Increasing incidences of natural disasters, epidemic outbreaks Degradation in crop quality and yields	Adapting to climate change, shift to a non-carbon society Lack of food resources, growing interest in reducing food loss Promotion of sustainable food production
Labor	Declining population Innovations in IT	Labor shortages Work-style reforms, promotion of human resource invigoration, active participation of a diverse range of talented people

Material Issues for Sustainability

With the aim of achieving sustainability, while referring to the SDGs, we analyzed and extracted risks and opportunities in the value chain with regard to the social issues that the Group must tackle through its business. In 2018, we identified Material Issues for Sustainability that the Group should prioritize by evaluating the levels of expectations from stakeholders and the impact of the Group on society for each of these social issues. In assessing materiality, we refer to GRI, the international standard for sustainability, ISO 26000, SASB, and each type of ESG evaluation and largely reflect their ideas in the Kewpie Group 2030 Vision, our long-term vision.



Material Issues	Our Approach	Policies
Contribution to extending healthy life expectancy	• Tapping the nutritional power of salad (vegetables) and eggs to help prevent lifestyle diseases among the middle-aged and prevent malnutrition among the elderly.	• Providing well-balanced dietary lifestyles with delicious salads and eggs <span>P24</span>
Mental and physical health support for children	• Creating opportunities for food education and communal dining incorporating salad and egg products. • Providing food assistance to children and their families, in the process strengthening communication among children, families, and the community.	• Food education activities that bring us closer to each generation <span>P25</span> • Kewpie Mirai Tamago Foundation
Effective use of resources and sustainable procurement	• Using food resources efficiently and effectively and reducing food waste. • Working with producers to promote sustainable agriculture.	• Use of unused portions of vegetables and effective use of eggshells <span>P26</span> • Reduction of product waste • Sustainable procurement policy
Reduction of CO <sub>2</sub> emissions (response to climate change)	• Cutting CO <sub>2</sub> emissions across the supply chain, from procurement of ingredients to product use and disposal.	• Utilization of energy conservation/renewable energy <span>P27</span> • Climate change risk analysis
Promotion of diversity	• Creating new work styles and environments where diverse human resources can work comfortably and grow, giving birth to new social values.	• Diversity training <span>P22</span> • Corporate Philosophy education • Human resources training

Sustainability Targets

~Aiming to Achieve Our 2030 Vision~

The sustainability targets serve to clarify the initiatives the Kewpie Group will undertake to attain sustained growth in both social and corporate value. They are divided into five themes designated as "material issues for sustainability."

Management is working to achieve these sustainability targets while also being guided by performance targets as its financial indicators. By achieving both at the same time, we will be able to realize the Kewpie Group 2030 Vision, our long-term vision.

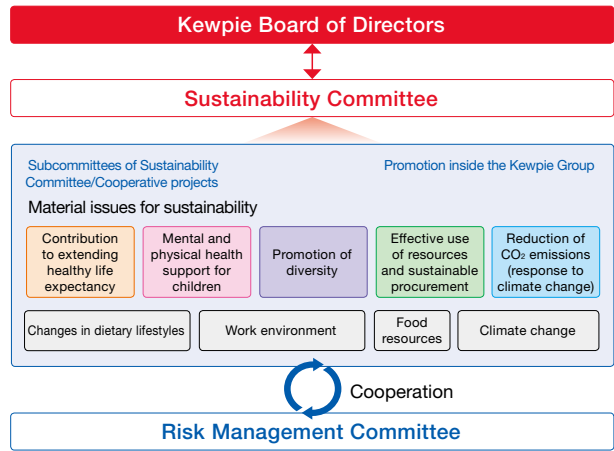


Sustainability Promotion System

Chaired by the director in charge of sustainability, the Sustainability Committee promotes the formulation of policies and plans as well as initiatives toward the achievement of the sustainability goals. Committee meetings are held twice a year.

While studying them in subcommittees and cooperative projects, we are working to instill and establish the targets of and initiatives in each of the five material issues within the Group.

By cooperating with the Risk Management Committee to reflect identified major risks in material issues, we are promoting the actual strengthening of the business foundation for better adaptability to environmental changes.





# Kewpie Group's Initiatives for Diversity



The Kewpie Group believes that the promotion of diversity is vital as a foundation for sustainable growth. Our aim is to be a group where both people and companies can achieve growth by employing diverse human resources who are able to play an active role, and empathize with our corporate philosophy.

Here, we discuss the Group's stance on diversity together with Director and Executive Corporate Officer Nobuo Inoue and outside Audit & Supervisory Board Member Emiko Takeishi, who offers wide-ranging insights on personnel systems and labor policy.

## Drawing Attention to Diversity from Two Perspectives

**Takeishi** There is an increasing number of companies that are taking diversity from their management strategy and applying it to their human resources strategy. This initiative stems from the two opposing perspectives of "defense" and "offense." Defense reflects the need to deal with a diverse range of risks including lost competitiveness resulting from an inability to keep up with environmental change or the loss of consumers' trust due to a governance structure that lacks strong checking functions. Offense, on the other hand, reflects the need to link different types of human resources or new ideas to innovation when attempting to expand business based on non-traditional standards.

**Inoue** About "defense," I really feel that the risks surrounding companies are becoming more diverse and complex. This includes the COVID-19 infection that confronts us today. In considering how we deal with this unprecedented crisis, it will certainly be difficult without having diversity on our side. Just how we approach climate change is another issue. Here, we must think about and acquire certain skills that differ from those that currently exist in our company. In terms of "offense," motivations for customer consumption and purchasing, food scenarios and other aspects are becoming increasingly diverse. Against this backdrop, just how does the Kewpie Group broaden its future? In order to think about it, various viewpoints are indispensable.

## The Essence of Diversity

**Takeishi** Diversity in organizations is essential, but looking at it from another perspective we see cases where this is what causes a weakened sense of unity and a greater tendency to spin out of control. It is tremendously important to have available a range of opinions, but to bind them all together to make a single decision means, more importantly, a return to the basics of what it is that

a company values, and to hammer out a conclusion from there. It is incredibly important to place value on the core values of an organization and to ensure that they are shared with employees. Conversely, as an organization becomes more diverse, human resources who are unable to share in core values will not become an effective force, no matter how exceptional their talent may be. A key point is whether a company is able to have employees buy in to the corporate philosophy upon which it places value.

**Inoue** The common values of the Kewpie Group are as set forth in our corporate philosophy (referenced inside front cover), and under the premise of valuing them as our main focus, our aim to "contribute to the food culture and health of the world through great taste, empathy, and uniqueness." centering on salads and eggs. To bring this to fruition, we utilize our diverse strengths and multifaceted perspectives, which is, I believe, the goal of our diversity.

**Takeishi** The Kewpie Group has a culture of listening intently, and seriously accepting and responding to the opinions of others, perhaps because we all have an awareness that is highly homogeneous. You may hear the phrase "diversity and inclusion," but to expand upon diversity means to have the stance where you seriously accept various opinions. It is also important to have an atmosphere where people can offer differing opinions and feel at ease in that they know there will be no repudiation. My feeling is the Kewpie Group has an extremely good culture and climate based on a solid grounding of diversity.

**Inoue** Going too far with homogeneity will weaken an organization and hinder medium- to long-term growth. While continuing to place importance on core values, you have to make sure that you don't settle there and stop thinking.

## Initiatives for Diversity at the Kewpie Group

**Takeishi** Since FY2016, when initiatives toward diversity started to really take off, my sense is that considerable change has arrived. When I

first became involved in Kewpie management in 2015, we could discuss diversity, but my impression was that while understood, it was not considered an issue of direct or personal application to the Company.

**Inoue** While it is certainly true that in the early days there was an understanding of diversity, there was still distance from where we should have been. The Kewpie Group places great importance on its Corporate Motto and Principles as these will continue to be immutable. However, how should we balance these together with diversity? There was a period when even I was going through trial and error. At the time I heard the opinion that "Kewpie should be able to further advance diversity for the very reason that its Corporate Motto and Principles are on such solid ground as the basis for its thinking." That gave me a strong sense of encouragement. When there is such a different range of values, it could be interpreted that there is an anything-goes attitude toward diversity. For the very reason that the foundation of thinking is solid, the Kewpie Group can achieve its own unique form of diversity. That is how I have come to think.

The past several years since we started our initiatives on diversity, things have changed within the Company in that there has come to be a keen awareness about the importance of diversity. Among the sustainability targets announced in FY2019, we defined the promotion of diversity as a foundation for the Group's growth strategy, which made it possible to reaffirm this common awareness.

**Takeishi** Perhaps it is because there is a recognition of the issue that women are still not playing a sufficient role that I have come to see a mechanism that works to deliberately comprehend women's points of view in management. There has been a marked increase in opportunities for women to speak up in all kinds of meetings, regardless of their age or position.



## Moving Toward the Further Promotion of Diversity

**Takeishi** In further promoting diversity, my feeling is that an individual's skill is absolutely vital. Taking to heart a person's opinion is also important, but it is essential to be able to properly state your own opinion and to demonstrate as a company that it has the stance of valuing such human resources.

**Inoue** To state an opinion, it will certainly be difficult unless that person has done quite a bit of studying and refining of skills.



The consideration of diversity, I believe, also leads to a culture of studying. In doing that, employees raise their capabilities. At the same time, achieving personal growth can be tied to the overall growth of a company.

**Takeishi** It is also effective to get into the habit of thinking. More than just considering a certain topic's consenting opinions, you can also think of opposing arguments. For example, if you make a rule that in meetings dissenting opinions must be presented, with no exceptions, this will facilitate a lively discussion and differing opinions can be assessed. For organizations, evaluations are an important point, so it is also important to have the diversity that comes with different perspectives of evaluation.

**Inoue** That is true. I would like to see diversity evolve based on the invigoration that comes with so many different ways of approaching things.

**Takeishi** Everyone is different, and given this, while one individual can exercise their strengths, that same person's weak points can be helped out by someone else, thus making for a stronger unit overall. An easier way to understand this is with the image of building a company's foundation not as a formed-block wall but rather as the making of a base composed of stones where each has their own individual shape.

## Raising the Capacity to Empathize with Society

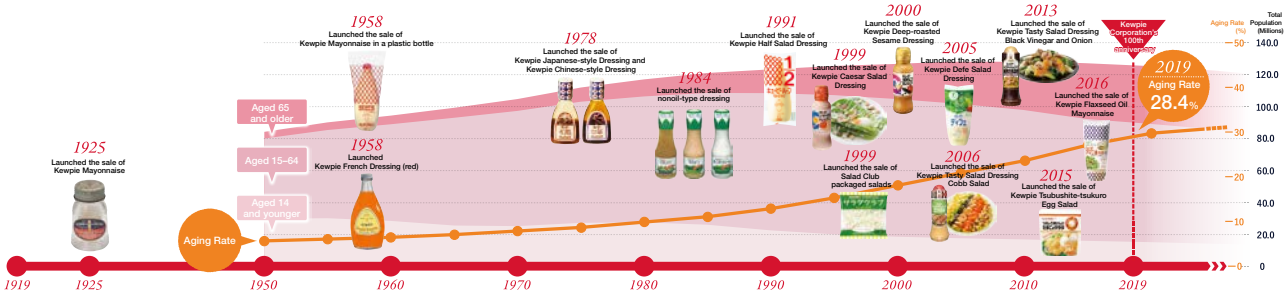
**Takeishi** Companies that gain the future acceptance of society will clearly tackle the issues that society faces, and in that way be capable of giving a firm response to such issues. Equally important to responding to customers' needs by mayonnaise and dressing product lineups, demands will arise to seriously address such issues as the elimination of plastics and animal welfare. Those human resources that can properly pick up and understand what societal issues can be solved through business will, I believe, become the future treasures of the Kewpie Group.

**Inoue** Human resources that possess multiple skills jointly contribute their knowledge and generate the ability to empathize among companies and society. This will also lead to the Group's raison d'être. High reliability with regard to products and corporate activities is a given, but there is so much potential for those who work, along with a variety of ways to become involved. This will mean exciting growth for both our people and companies. I would like to see us as a company that has both of these qualities.

ESG Initiatives
Social and Environmental Initiatives

Contribution to Extending Healthy Life Expectancy

Our founder, Toichiro Nakashima, launched Kewpie Mayonnaise in 1925 with the ambition to help improve the physiques and health of the Japanese people by spreading the use of highly nutritious mayonnaise condiments throughout Japan.



Sustainability Targets

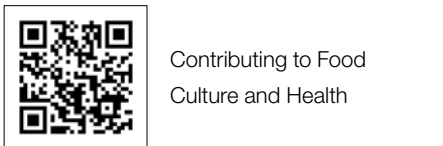
- As a leading company in salads and eggs, we will
- Contribute to achieving a vegetable intake target of 350 grams per day
- Promote a boost in egg consumption in order to contribute to increasing protein intake

Main Initiatives

- Three Pillars for Lifelong Health
For the purpose of extending healthy life expectancy, we are promoting collaboration with universities, local governments, and other companies to bring about a link between and at the same time promote the three pillars of nutrition, physical activity and social participation.
Supporting Well-balanced Dietary Lifestyles with Delicious Menus of Salads and Eggs
A well-balanced dietary lifestyle is important for nutrition. Among the Company's strengths, eggs are effective in preventing frailty, and the dietary fiber and vitamins in salads are effective in preventing lifestyle-related diseases.

Value Creation Story 1 Contribution to Extension of a Healthy Life Expectancy with the Value of Salads and Eggs

Topics
Supporting Health from Physical Activity and Food Culture Aspects
Food Culture and Health Promotion Project
We are advancing our collaboration with Central Sports Co., Ltd., which shares the idea that combining three elements—nutrition, physical activity and social participation—are important for lifelong health.



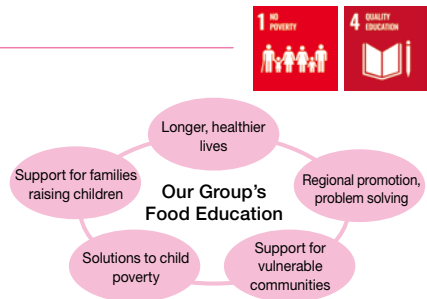
The Kewpie Group Supports Your Health through the Value of Salads and Eggs



Voices
Food Culture and Health
Yuka Nitta
Food Culture and Health Promotion Project
Management Promotion Division
Kewpie Corporation
We are recommending dietary lifestyles inspired in combination with salads and eggs.

Mental and Physical Health Support for Children

With the aim of realizing healthy dietary lifestyles, we are engaging in food education activities that convey the importance and enjoyment of food. In contrast, the social issues that arise include children's lack of knowledge and experience, the isolation of parents while raising children, and child poverty.



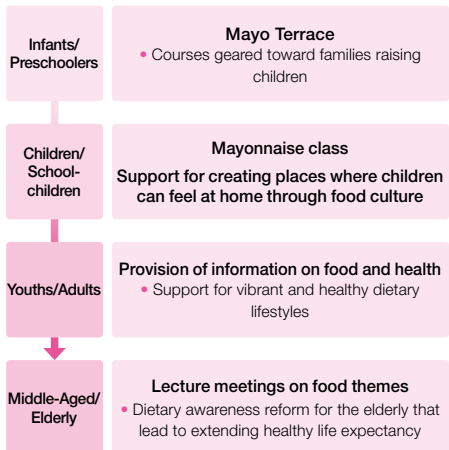
Sustainability Targets

Table with 4 columns: Indicators, FY2019 Actual, FY2021 Target, FY2030 Target. Row 1: Number of smiling children through our Group's food education activities (cumulative total from FY2019) with targets of 101,000, 200,000 or higher, and 1.0 million or higher.

Main Initiatives

- Food Education Activities That Bring Us Closer to Each Generation
Open Kitchen (Factory Tours)
Mayo Terrace (Tour Facility)
Mayonnaise Class (Given On-site at Schools by Visiting Employees)
Lecture Meetings on Food Themes
Kewpie Mirai Tamago Foundation

Realization of Healthy Lifestyles by Generation-Specific Food Education



View of an event at a Children's Cafeteria that receives assistance from the foundation

Topics
Assisting Families Raising Children
Mayo Terrace (Sengawa Kewport)
We hold a course geared toward families raising children at Mayo Terrace. By acquiring and using knowledge about weaning foods and baby foods, we want parents to increase the time they spend in fun interactions with their children.

Voices
Food Education
Takayuki Watanabe
R&D Division
Kewpie Corporation
Families with weaning children have a variety of concerns with regard to food. Our aim is for them to participate in the program while bringing smiles to the faces of parents and children alike.



Effective Use of Resources and Sustainable Procurement



In addition to the deliciousness and safety of our products, as a food manufacturer we think it is necessary to take responsible measures across the entire supply chain—from the procurement of raw ingredients and resources to production/sales and the recycling of waste—so that our customers can enjoy peace of mind.

Sustainability Targets

Indicators	FY2019 Actual	FY2021 Target	FY2030 Target
Unused portions of main vegetables (such as cabbage) used by the Group	21.2% effectively used	30% or higher effectively used	90% or higher effectively used
Product disposal volume (compared with FY2015)	△29.9%	△25.0% or higher	△50.0% or higher

Main Initiatives

Effective Use of Resources

Use of Unused Portions of Vegetables

In response to the expansion of our salad and delicatessen business, we are working to effectively utilize the unused portions of vegetables (such as the outer leaves, cores, and skins) that cannot be used in our products, while aiming for more advanced uses. [▶ Topics](#)

Effective Use of Eggshells

Beginning in 1956, when eggshells were first used in soil conditioner, it has been reported that fertilizing rice paddies with eggshells stabilizes yields in bad weather and improves rice quality.

\* Received 3Rs (Reduce, Reuse, and Recycle) Promotion Merit Award (Minister of Agriculture, Forestry and Fisheries Award) for FY2019 (upper photo)



A scene from the 3Rs Promotion Merit Award ceremony

Reduction of Product Waste

We are working to reduce food loss through cooperation in production, sales, and logistics, such as by extending expiration dates and displaying just the month and year. The need to reduce food loss is shared with our supply chain, and efforts to reduce product waste are gathering pace.

Sustainable Procurement

Having established the Kewpie Group Fundamental Policy for Sustainable Procurement in 2018, we promote procurement that takes into account the environment and human rights. In the case of palm oil, having joined the Roundtable on Sustainable Palm Oil (RSPO) in 2018, we are engaging in the procurement of sustainable palm oil.



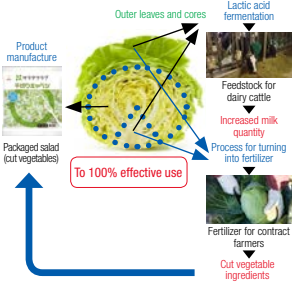
Spreading eggshells as fertilizer in a paddy field (cooperating farmer in Saitama Prefecture)

Topics

Achievement of 100% Effective Utilization of Unused Portions of Vegetables

Enshu Plant, Salad Club, Inc.

To effectively utilize the unused portions, such as the outer leaves and cores of cabbage and lettuce, which are the main ingredients of packaged salads, we have introduced technology that turns them into feed for dairy cattle by means of lactic acid fermentation developed by the Kewpie Group. In 2019, we introduced the technology for turning them into fertilizer inside our factories by means of fermentation decomposition equipment and realized the effective utilization of all the unused portions of vegetables.



Voices

Resource Recycling

Kenjiro Yamamoto

Enshu Plant Manager  
Salad Club, Inc.



We make good quality fertilizer from the unused portions of vegetables and supply them to contract farmers in the vicinity of the plant. Promoting recycling-based agriculture, by which vegetables are purchased as raw materials from the contract farmers, we value the connections with the local community.

Reduction of CO<sub>2</sub> Emissions (Response to Climate Change)



The Paris Agreement on Climate Change was adopted in 2015 and required that companies take more responsible actions toward the realization of a non-carbon society. The Kewpie Group is working toward the achievement of its sustainability target of a 20% reduction in CO<sub>2</sub> emissions (compared with FY2013) in FY2030.

Sustainability Targets

Indicators	FY2019 Actual	FY2021 Target	FY2030 Target
CO <sub>2</sub> Emissions (compared with FY2013)	△7.2%	△7.5% or higher	△20.0% or higher

Main Initiatives

Reduction of CO<sub>2</sub> Emissions

In addition to improving efficiency in manufacturing processes and installing energy-saving equipment throughout the Group, to reduce CO<sub>2</sub> emissions we are promoting the use of renewable energy through newly constructed solar power generation facilities. [▶ Topics](#)

In logistics, we are actively promoting the modal shift from long-haul trucks to railroad and ship transportation as well as joint collaboration on transportation with manufacturers from different industries. [▶ P.16](#)

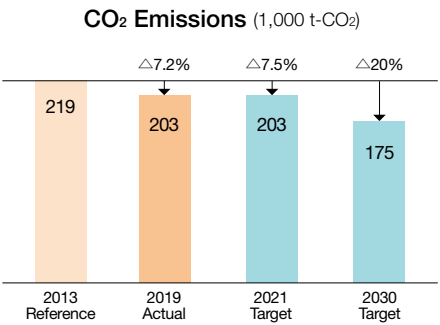
In our offices, we are working to optimize energy use. By utilizing AI at Sengawa Kewport, where the Group's head office complex is located, we have reduced the annual energy consumption for air conditioners by approximately 15%.

We also encourage the calculation of CO<sub>2</sub> emissions across the entire supply chain and promote their reduction.

Responses to Climate Change Risk

Having included climate change risk among the environmental risks to which the Risk Management Committee should be responding from FY2020, the Company has commenced the analysis of scenarios based on recommendations by the Task Force on Climate-Related Financial Disclosures (TCFD). We identify the climate change risks of the Group and work that reduce risks and create business opportunities.

To realize a non-carbon society, the Committee is also considering policies to address the issue of plastics in FY2019 and, as one of those policies, working to reduce the use of petroleum-derived plastics. As a specific measure, we adopted recycled plastic for use in salad dressing packaging.



Note: Includes domestic group production factories and offices, the transportation and delivery of products for which the Company is responsible



Approximately 15% recycled plastic is used in packaging Stick-type Kewpie Dressing (See Kewpie-Aohata News 2020, No. 32)

Topics

Introduction of Renewable Energy

Akishima operating site, Shunsai Deli Co., Ltd./  
KEWPIE (THAILAND) CO., LTD.

Following the Kewpie Corporation's Goka Plant, the second solar panel facility for in-house electricity needs in Japan commenced operations at the Akishima operating site of Shunsai Deli Co., Ltd., in April 2020. Overseas, we also installed a solar power generation facility at a production site in Thailand to generate approximately 2 MW of renewable energy. The Kewpie Group will continue its switch to renewable energy in the years to come.



The floating solar power generation facility installed at a production site in Thailand.

Voices

Reduction of CO<sub>2</sub> Emissions

Shunsuke Nozaki

KEWPIE (THAILAND) CO., LTD.



The local production and consumption of energy from solar power generation is more efficient than the production and supply of electricity generated from fossil fuels. Believing that by promoting the reduction of CO<sub>2</sub> emissions they can contribute to the prevention of global warming, all the employees here are actively engaged.

Working to Improve Corporate Governance

In the course of improving corporate governance, the Group respects the Kewpie Group Philosophy and Policies and continually considers the maximum benefit for various stakeholders. The Group is also striving to construct an appropriate corporate governance system that leverages its uniqueness based on these results.

The Kewpie Group will continue aiming to contribute to the food culture and health of the world. To achieve this goal, the Group will personally question what is true, value the opinions of each individual employee engaged in continuing dialogue, and carry out initiatives to increase corporate value and achieve medium- to long-term growth with the final goal of corporate governance.

In addition, the Group’s basic concept and framework for corporate governance has been compiled in the “Corporate Governance Guidelines.”



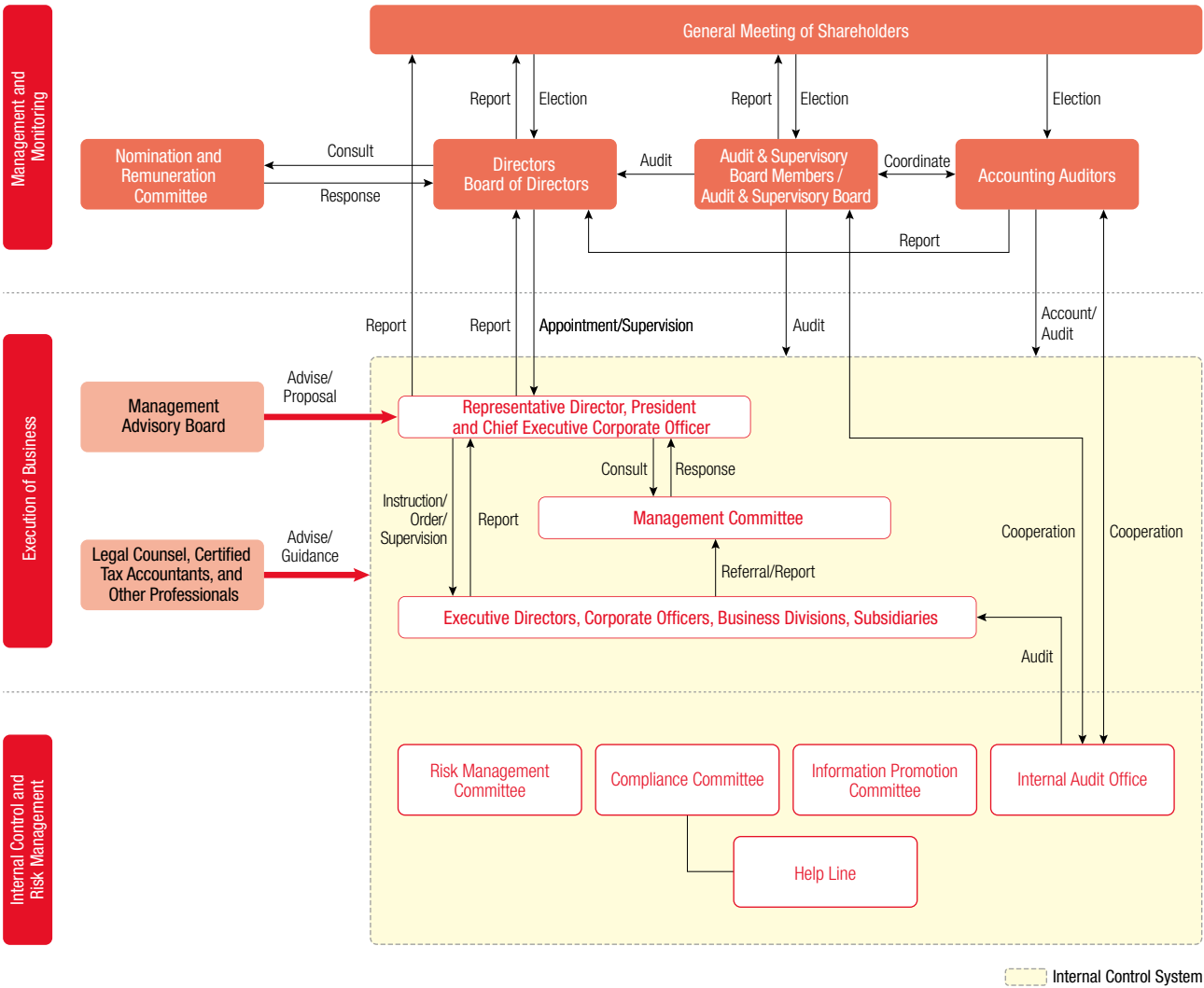
Corporate Governance Guidelines



Corporate Governance Report

Corporate Governance System

The Group is selecting a company with an Audit & Supervisory Board. The Nomination and Remuneration Committee has been established as a consultation committee for the Board of Directors, and the Management Advisory Board has been established as an advisory body for the Representative Director, President and CEO. Through these initiatives, the Group is strengthening its management, monitoring, and execution functions.



For the Development of Kewpie Group Management

The Kewpie Group continues to propose ideas for food that are suited to a variety of culinary scenes around the world to achieve a healthy and abundant dietary lifestyle. Then, in order to realize the "Kewpie Group 2030 Vision" and ultimately "Our Ideal," we believe it is important that each business and company making up the Group as a whole exhibits its diverse individuality, and that it is important to proactively engage in group management while cooperating with each other.

Accordingly, the Fundamental Policy for Group Management was announced in January 2020 that clearly stated the basic principles for implementing group management and the roles and responsibilities of each organization within the Group.

By following the Fundamental Policy, the Kewpie Group as a whole will achieve its goal of building even stronger cooperative relationships through common recognition of group management.

Inside Front Cover Corporate Philosophy of the Kewpie Group

P.12 Kewpie Group 2030 Vision

Fundamental Policy for Group Management

- 1. Corporate Philosophy and Group Policies shall be shared by each of the group companies.
- 2. Each business and each company shall grow and expand towards the realization of "Our Ideal" while demonstrating their individuality.
- 3. Each business and each company shall strive in pursuit of synergy by utilizing group assets.
- 4. Each officer in charge of business and each president shall share business plans, and bear responsibility for results.
- 5. The Kewpie Corporation shall drive group management.

Initiatives with Outside Board Members

As social issues become increasingly diversified and complex, we must raise the meaning of the existence of the Kewpie Group from the perspective of various stakeholders. To achieve this goal, the Group will make efforts to enrich opportunities for dialogue and cooperation with outside Board members.

Status of Outside Board Members

Ms. Kumahira was appointed as a new outside auditor starting in February 2020 due to her business management experience in Japan and overseas and advanced knowledge of organizational innovation and leadership development.

	Key Activities	Important Concurrent Posts Held	FY2019 Attendance at Board Meetings
Outside Director Kazunari Uchida	Provides advice and opinions on management issues in general, based on sophisticated, specialist knowledge of business management and wide-ranging insight.	Professor of Graduate School of Commerce at Waseda University External Director of Lion Corporation	Board of Directors' Meetings: 11/12
Outside Director Shihoko Urushi	Provides advice and opinions on management issues in general, based on wide-ranging insights on personnel training and management.	President of Shinagawa Joshi Gakuin, Member of the Education Rebuilding Implementation Council (Cabinet Office) Outside Director of Culture Convenience Club Co., Ltd. Outside Director of Nisshin Fire & Marine Insurance Co., Ltd.	Board of Directors' Meetings: 11/12
Outside Audit & Supervisory Board Member Emiko Takeishi	Conducts site inspection of important business locations. Secures the objectivity and neutrality of management oversight functions. Provides advice and opinions on management issues in general, based on experience in public administration and wide-ranging insights on personnel systems and labor policy.	Professor of Faculty of Lifelong Learning and Career Studies at Hosei University Outside Audit & Supervisory Board Member of Tokio Marine & Nichido Fire Insurance Co., Ltd.	Board of Directors' Meetings: 11/12 Audit & Supervisory Board Meetings: 11/12
Outside Audit & Supervisory Board Member Kazumine Terawaki	Conducts site inspection of important business locations. Secures the objectivity and neutrality of management oversight functions. Provides advice and opinions on management issues in general, based on specialized knowledge and wide-ranging insights as a lawyer.	Lawyer Outside Audit & Supervisory Board Member of The Shoko Chukin Bank, Ltd. Outside Director of SHIBAURA MACHINE CO., LTD. Outside Audit & Supervisory Board Member of Kajima Corporation	Board of Directors' Meetings: 12/12 Audit & Supervisory Board Meetings: 12/12
Outside Audit & Supervisory Board Member Mika Kumahira	—	Representative Director of Atech Kumahira Co., Ltd. Representative Director of KUMAHIRA SECURITY FOUNDATION Principal of Institute of Diversity Promotion, Career College of Showa Women's University Representative Director of Learning-21 Organization Outside Director of NITTAN VALVE CO., LTD.	—

Note: For information about the independence criteria for outside Board members, see the Corporate Governance Guidelines.



Working to Improve Corporate Governance

● Opportunities for Dialogue and Cooperation with Outside Board Members

In addition to deliberations by the Board of Directors, we established a variety of other opportunities for dialogue between outside Board members and employees through business site visits and participation in meetings other than the Board of Directors. To produce mutual recognition, the timing, themes, participants, locations, and processes of opportunities for dialogue are adjusted with consideration for the inclinations of outside Board members.

Main Themes for Opinion Exchange at the Board of Directors

2018	Medium-Term Business Plan, 2030 Vision, diversity, and group R&D strategy
2019	Group management, distribution of management resources, diversity, and risk management
2020 <small>(Some themes are scheduled for later in the year)</small>	Group management, overseas expansion, diversity, and sustainability

Nomination and Remuneration Committee

This advisory body was established to increase objectivity, validity, and transparency related to the form of the Board of Directors, the method of nominations and remuneration of Board members, and other related matters. The committee is made up of a minimum of five members (consisting of the Company's directors and corporate auditors), at least half of whom must be outside Board members satisfying the independence criteria. Committee members are elected by a resolution of the Board of Directors, and the committee chairperson is selected by a resolution of the Nomination and Remuneration Committee itself from among its members who are outside director members. The chairperson also serves as the chairman for meetings.

Number of meetings in FY2019: 7

Main deliberation content:

- Composition and personal requirements of outside Board members
- Important personnel matters including outside Board members
- Review of mandatory retirement age of officers
- Training of future management personnel
- Director bonuses for FY2019

Management Advisory Board

The Management Advisory Board has been set up as an advisory body to the Company's Representative Director, President and Chief Executive corporate Officer. Participants in the Board meetings (two regular meetings per year, plus special meetings as necessary) consist of outside members (currently consisting of four experts), and the Representative Director, President and Chief Executive Corporate Officer. Other directors may also participate as necessary, depending on the agenda. The Company receives advice and proposals from this Board for the maintenance and improvement of the sound, fair, and transparent management of the Group, which it takes into account in decision-making.

Main Agenda of the FY2019 Regular Meetings

- June — Discussion
  - Ideal form of the integrated report
- October — Discussion
  - Promoting diversity
  - Initiatives for reducing food loss and plastic usage

Examples of Initiatives with Outside Board Members in FY2019

	Activity Content
Related to individual themes	<ul style="list-style-type: none"><li>• Exchanged opinions with directors and other members responsible for each business, production, quality assurance, and R&amp;D</li><li>• Exchanged opinions with specialized departments related to diversity</li></ul>
Visiting business sites	<ul style="list-style-type: none"><li>• Visited domestic packaged salad product manufacturing plants and Southeast Asia group companies</li><li>• Studied internal exhibits for the 100th anniversary of the Company's founding</li><li>• Served as lecturers for internal training sessions</li></ul>
Reporting the content of important internal meetings	<ul style="list-style-type: none"><li>• Reported the content of important internal meetings based on minutes (Management Committee, Risk Management Committee, Compliance Committee, etc.)</li></ul>

Election and Dismissal of Directors, Corporate Auditors, and Corporate Officers

● Election of Director and Corporate Auditor Candidates

The Board of Directors of the Company, to respond to the trust placed by the shareholders, shall have the responsibility to respect the corporate philosophy, promote sustainable corporate growth and the improvement of the medium- to long-term corporate value, and enhance profitability and capital efficiency.

Concerning the election of directors, the Board of Directors has set forth the criteria through which the persons deemed capable of fulfilling these responsibilities are nominated as candidates. The corporate auditors, to respond to the trust placed by the shareholders, have responsibilities to prevent violations of laws and regulations and the Articles of Incorporation and maintain and improve the soundness of the Group's management and its trust from society. Concerning the election of corporate auditors, the Board of Directors has set forth the criteria through which the persons deemed capable of fulfilling these responsibilities are nominated as candidates.

● Election of Corporate Officers

The Company has implemented a corporate-officer system. The purposes of this system are many, including the clear separation

of the roles of directors and corporate officers; promoting the delegation of responsibility; raising management efficiency; ensuring quicker decision-making and execution of duties; bolstering competitiveness and business results; and training the next generation of managers. A person who can fulfill these responsibilities as a corporate officer will then be selected as a candidate for the position.

● Dismissal of Corporate Officers

The Board of Directors of the Company can seek resignation or otherwise dismiss a corporate officer (including corporate officers with titles up to and including President) in the event of dishonesty, unfairness, breach of trust, breach of duty, etc. Matters involving dismissal of a corporate officer are to be deliberated on and decided by the Board of Directors, subsequent to discussion in a meeting of the Nomination and Remuneration Committee.



Corporate Governance Guidelines  
Details of the selection criteria for directors and corporate officers as well as nominating procedures

Remuneration of Board Members

The remuneration paid to directors is in the form of monthly remuneration and bonuses. The monthly remuneration is decided separately according to each director's status and is limited within the scope of the remuneration limit resolved at the General Meeting of Shareholders. Bonuses are not paid to the outside directors.

The remuneration paid to corporate auditors is in the form of monthly remuneration only. The individual remuneration amounts are decided through negotiation with corporate auditors within the scope of the remuneration limit resolved at the General Meeting of Shareholders.

● Overview of FY2019

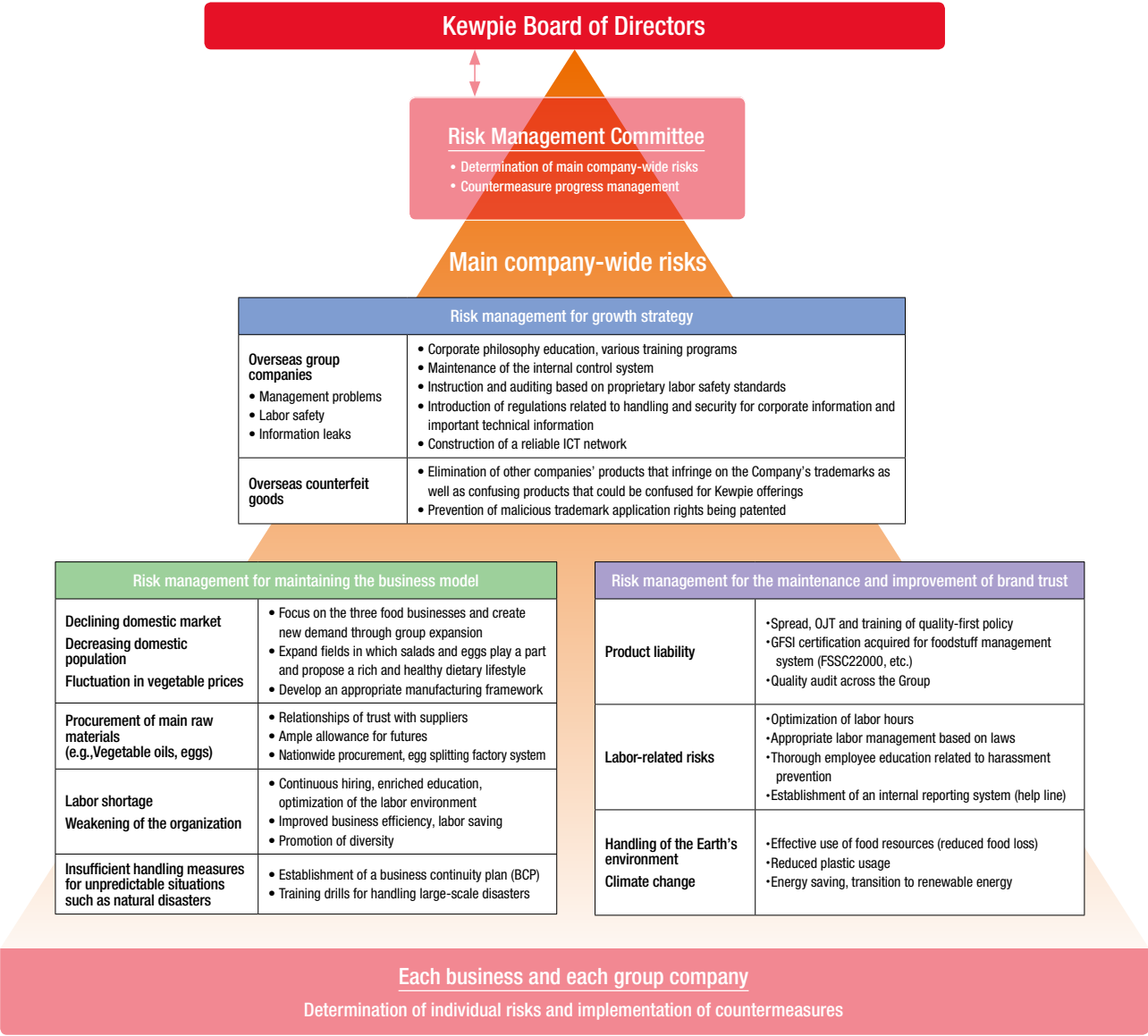
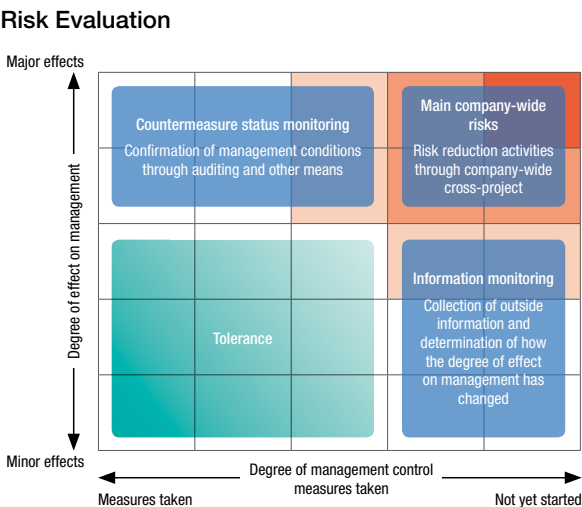
Type of officers	Total Remuneration (¥ million)	Total remuneration by classification (¥ million)		Number of people receiving remuneration
		Monthly	Bonus Amount	
Directors (excluding outside directors)	335	250	84	11
Audit & Supervisory Board Member (excluding outside audit & supervisory board member)	43	43	—	3
Outside officers	46	46	—	5

Notes: 1. The limit amount for fixed remuneration of directors was resolved to be within ¥35 million per month, excluding employee salaries, at the 82nd Ordinary General Meeting of Shareholders held on February 24, 1995.  
2. The limit amount for fixed remuneration of corporate auditors was resolved to be within ¥8 million per month at the 81st Ordinary General Meeting of Shareholders held on February 25, 1994.  
3. The above fixed remuneration includes the payments made to two directors and two corporate auditors (including one outside corporate auditor) who retired at the conclusion of the 106th Ordinary General Meeting of Shareholders.  
4. The remuneration amounts listed above exclude employee salaries (including bonuses) of those serving concurrently as employee and director.

Risk Management and Its Framework

The Group considers the effects on its brand and business model, that are the source and foundation of revenue, and extracts factors that could inhibit the overseas expansion needed for accelerating growth. These factors are then evaluated in terms of the extent of their impact and their degree of controllability, and the risk items for which countermeasures should be implemented are selected. In addition, individual risk is continuously monitored by each department in charge, and company-wide risks are provided to the Risk Management Committee\*, and this committee in turn comprehensively manages these risks by evaluating, prioritizing, and determining handling measures. The director supervising risk management also reports information such as the company-wide risk evaluations and the handling policies and conditions to the Board of Directors regularly.

\* The Risk Management Committee is made up of members of the Company's Management Committee, main division, and main group companies and is the highest decision-making body for the Group's risk management matters. The committee holds meetings three times each year.



NRC Members of Nominating and Remuneration Committee

Directors



**Amane Nakashima** NRC  
Chairman  
Chairman of the Board of Directors in charge of Compliance and Brand



**Osamu Chonan** NRC  
Representative Director  
President and Chief Executive  
Corporate Officer in charge of Customer Marketing Office



**Kengo Saito**  
Director  
Senior Executive Corporate Officer in charge of Egg Business



**Tadaaki Katsuyama**  
Director  
Executive Corporate Officer in charge of Group Production in general and Quality Assurance Division



**Nobuo Inoue** NRC  
Director  
Executive Corporate Officer in charge of Management Promotion Division, Personnel Affairs Division, Public Relations and Group Communications Office, Risk Management and Sustainability



**Seiya Sato**  
Director  
Executive Corporate Officer in charge of Condiments and Processed Foods Business and Group Sales in general



**Yoshinori Hamachiyo**  
Director  
Senior Corporate Officer in charge of Fine Chemicals Business, R&D Division, Intellectual Property Division, Food Culture and Health Promotion Project



**Minoru Himeno**  
Director  
Senior Corporate Officer in charge of Salads and Delicatessen Business

Audit & Supervisory Board Members



**Masato Shinohara**  
Director  
Senior Corporate Officer in charge of Overseas Business in general and Overseas Division



**Kazunari Uchida** NRC  
Outside Director  
Chairman of Nominating and Remuneration Committee



**Shihoko Urushi** NRC  
Outside Director



**Kiyotaka Yokokoji**  
Audit & Supervisory Board Member (Standing)



**Norimitsu Yamagata**  
Audit & Supervisory Board Member (Standing)



**Emiko Takeishi**  
Outside Audit & Supervisory Board Member



**Kazumine Terawaki** NRC  
Outside Audit & Supervisory Board Member



**Mika Kumahira**  
Outside Audit & Supervisory Board Member

Note: The Company has notified Tokyo Stock Exchange, Inc., that the Company's outside directors and outside audit & supervisory board members are independent corporate officers with no risk of conflicts of interest with the general shareholders.





	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
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## Financial Information

(¥ million)

<b>Performance</b>											
Net sales	452,239	471,010	486,435	504,997	530,549	553,404	549,774	552,306	561,688	573,525	545,723
Gross profit	109,261	116,388	117,088	125,065	128,266	134,362	117,285	123,457	128,915	133,146	132,981
Operating income	17,731	22,119	20,816	23,368	22,402	24,343	26,354	29,818	31,261	33,067	32,048
Ordinary income	18,414	22,762	21,912	24,467	23,749	25,368	27,224	31,364	32,511	34,349	33,275
Profit attributable to owners of parent	9,036	10,613	9,449	12,291	12,567	13,366	16,973	17,093	18,099	18,320	18,698
Capital investments	11,935	12,596	13,418	20,916	27,122	30,111	32,369	32,968	27,182	32,105	28,569
Depreciation and amortization	12,980	13,129	13,641	14,089	14,572	16,132	19,094	18,254	16,794	18,215	18,649
Research and development expenses	3,167	3,172	3,232	3,421	3,660	3,882	4,201	4,028	4,058	4,142	4,156
Cash flows from operating activities (A)	31,301	25,731	23,405	33,246	27,369	34,392	28,094	45,260	27,234	41,778	43,916
Cash flows from investing activities (B)	△ 11,548	△ 15,120	△ 12,166	△ 24,434	△ 21,897	△ 30,847	△ 31,181	△ 32,046	△ 31,421	△ 20,199	△ 29,720
Cash flows from financing activities	△ 18,462	△ 5,381	△ 19,583	7,022	△ 2,307	△ 3,149	△ 7,101	△ 5,805	4,010	△ 15,293	△ 4,602
Free cash flow (A + B)	19,752	10,611	11,239	8,811	5,471	3,545	△ 3,086	13,213	△ 4,186	21,579	14,195
Cash and cash equivalents at the end of the fiscal year	27,831	33,121	24,509	40,387	43,963	44,788	34,841	40,790	41,411	47,970	56,777

## Financial position (year-end)

Total assets	275,650	287,957	275,790	306,515	334,655	356,994	371,495	384,263	417,710	419,736	444,309
Total net assets	170,804	180,901	185,293	195,928	210,285	220,397	244,717	245,861	263,432	266,100	276,753
Interest-bearing debt	25,595	23,923	10,909	23,185	25,882	29,110	30,559	36,066	60,120	61,414	65,962

## Per share data (yen)

Earning per share (EPS)	59.56	69.97	62.63	82.09	83.94	88.69	111.82	113.47	121.05	124.85	130.72
Net assets per share	978.33	1,029.26	1,068.67	1,141.68	1,230.32	1,284.36	1,403.05	1,420.63	1,539.94	1,582.27	1,646.73
Annual dividend	17.0	18.0	18.0	20.0	22.0	23.0	29.0	34.5	36.5	38.0	45.0

## Financial indicators (%)

Gross profit margin	24.2	24.7	24.1	24.8	24.2	24.3	21.3	22.4	23.0	23.2	24.4
Operating income ratio	3.9	4.7	4.3	4.6	4.2	4.4	4.8	5.4	5.6	5.8	5.9
Return on equity (ROE)	6.2	7.0	6.0	7.4	7.1	7.0	8.3	8.0	8.2	8.1	8.1
Return on assets (ROA)	6.5	8.1	7.8	8.4	7.4	7.3	7.5	8.3	8.1	8.2	7.7
Equity ratio	53.8	54.2	58.0	55.8	55.0	54.6	57.1	55.1	54.0	53.7	53.0
Dividend payout ratio	28.5	25.7	28.7	24.4	26.2	25.9	25.9	30.4	30.2	30.4	34.4
Dividend on equity ratio (DOE)	1.8	1.8	1.7	1.8	1.9	1.8	2.2	2.4	2.5	2.4	2.8

## Non-Financial Information

Number of employees (consolidated)	10,507	11,732	12,028	12,425	12,598	12,933	13,478	14,095	14,924	14,808	15,452
Proportion of Women in Management Positions (%) <sup>1</sup>	—	—	—	—	3.2	4.6	6.4	7.0	7.4	8.2	9.2
Proportion of Persons with Disabilities Employed (%) <sup>2</sup>	—	—	—	—	2.1	2.5	2.7	3.0	3.3	3.6	3.7
CO <sub>2</sub> Emissions (1000t-CO <sub>2</sub> ) <sup>3</sup>	—	—	—	—	189	194	197	197	203	200	178

1. Employees of Kewpie Corporation as of December 2019

2. Domestic group companies (excluding the distribution business) as of December 2019

3. Domestic group production factories

\* The Group's accounting policy for sales was revised in FY2016, and a retroactive correction was applied to the values listed for FY2015.

\* The "partial revision of 'Accounting Standards for Tax Effect Accounting'" was applied starting in FY2019. A retroactive correction was applied to the listed values starting from FY2015.

Stock Information (As of November 30, 2019)

Share Overview

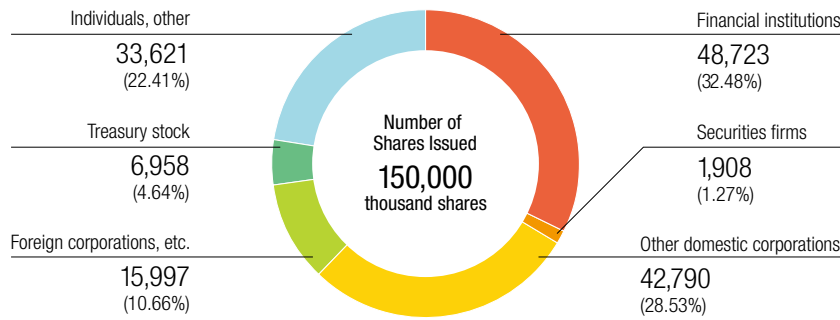
Number of Authorized Shares:  
500,000,000 shares

Number of Shares Issued:  
150,000,000 shares

Shares per Trading Unit:  
100 shares

Number of Shareholders:  
116,203

Breakdown of Shareholders



Principal Shareholders

Trade Name	Number of the Company's Shares held (thousand shares)	Ratio of Number of the Company's Shares held (%) <sup>4</sup>
NAKASHIMATO CO., LTD. <sup>1</sup>	15,071	10.54
TOHKA CO., LTD.	8,122	5.68
Japan Trustee Services Bank, Ltd. (Trust account) <sup>2</sup>	7,477	5.23
The Master Trust Bank of Japan, Ltd. (Trust account)	7,301	5.10
Kieikai Research Foundation	4,251	2.97
Sumitomo Mitsui Banking Corporation	3,208	2.24
Trust & Custody Services Bank, Ltd.: trustee of sub-trust of Mizuho Trust & Banking Co., Ltd. (Employee Retirement Benefit Trust Account for Mizuho Bank, Ltd.) <sup>3</sup>	3,157	2.21
Nippon Life Insurance Company	3,039	2.12
The Dai-ichi Life Insurance Company, Limited	3,012	2.11
Nakato Scholarship Foundation	2,494	1.74

Notes:

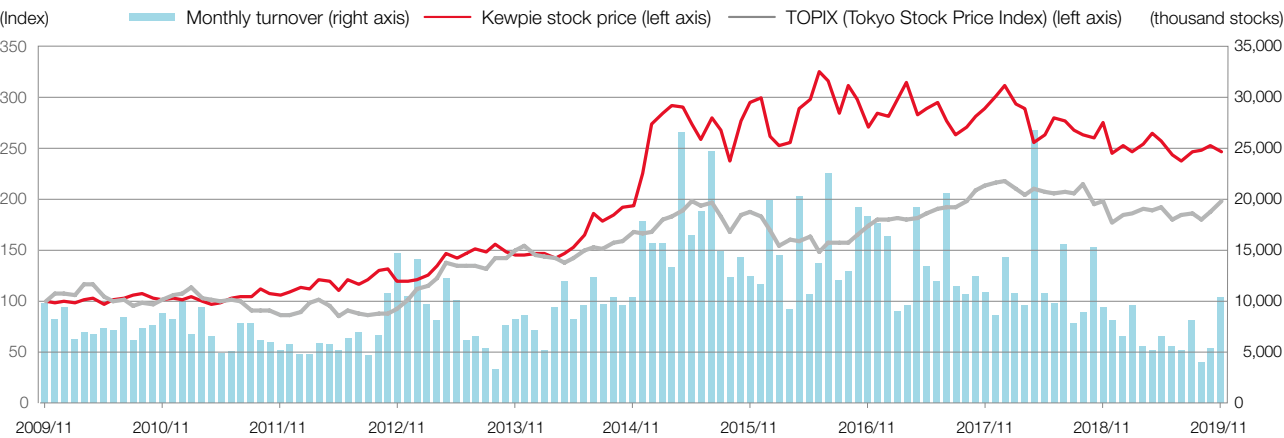
1. NAKASHIMATO CO., LTD., is our largest shareholder, possessing 16.2% of the Company's voting rights (5.7% of which comprises voting rights attendant on shares held indirectly), but the Company independently decides important management-related matters. The Company conducts various transactions with NAKASHIMATO, including purchase and sale of products, expense transactions, and transactions involving the leasing or renting of real estate. These transactions are made after considering market prices and with permission of the Board of Directors in the same way as general transactions, and no relationship involving cash loans or debt guarantees exists between the Company and the NAKASHIMATO Group. Therefore, the Company perceives itself as sufficiently independent from the influence of the NAKASHIMATO group.

2. The Company has named Sumitomo Mitsui Trust Bank, Limited, as its trustee, Japan Trustee Services Bank, Ltd., as its standby trustee and the Kewpie Mirai Tamago Foundation as its beneficiary in its third-party-benefit trust. The number of shares owned by Japan Trustee Services Bank, Ltd. (trust account), includes 1,500 thousand shares of the Company's own shares. The dividends from these shares are used as a source of funding for the Kewpie Mirai Tamago Foundation's activities. In terms of voting rights, Sumitomo Mitsui Trust Bank, Limited, exercises voting rights of the shares in accordance with Japan Trustee Services Bank, Ltd.'s standards regarding the exercising of voting rights.

3. The 3,157 thousand shares held by Mizuho Trust & Banking Co., Ltd., (Retirement Benefit Trust for Mizuho Bank, Ltd.), are the trust assets entrusted by Mizuho Bank for its retirement benefit trust.

4. The Company holds 6,958,050 shares of treasury stock. The ratio of number of the Company's shares held is calculated excluding the treasury stock.

Share Price Movement



Note: Stock price index of Kewpie and TOPIX (November 30, 2009 = 100)

Corporate Information

Corporate Data

Corporate Name: Kewpie Corporation

Location of Head Office: 1-4-13, Shibuya, Shibuya-ku, Tokyo, Japan

Founded: November 1919

Stock Exchange Listing: Tokyo Stock Exchange First Section (Ticker Code: 2809)

Paid-in Capital: ¥24,104 million

American Depositary Receipts (ADRs): OTC (Symbol: KWCPY)

Number of Employees (consolidated): 15,452

Transfer Agent: Sumitomo Mitsui Trust Bank, Limited

(non-consolidated): 2,447

Fiscal year: December 1 to November 30

(As of November 30, 2019)

Kewpie Group

Condiments and Processed Foods Business

Salad and Delicatessen Business

Egg Business

Fruit Solution Business

Fine Chemicals Business

Distribution Business

Common Business Operations

Domestic Subsidiaries

Kewpie Jyozo Co., Ltd.	Production and sale of vinegar	KLQ Corporation	Transportation
Dispen Pak Japan Co., Inc.	Production and sale of foods, subdividing and packing work	San-ei Logistics Corporation	Transportation
Salad Mate Co., Ltd.	Sale of condiments and processed foods	Osaka Sanei Logistics Corporation	Transportation
Deft Co., Ltd.	Sale of condiments, frozen and processed foods	San Family Corporation	Transportation
Kpack Co., Ltd.	Production and sale of condiments	KAT Corporation	Transportation
Co-op Foods Co., Ltd.	Production and sale of bottled, canned, and retort pouch foods	Fresh Delica Network Corporation	Transportation
Hashikami Kewpie Co., Ltd.	Production and processing of foods; outsourced work	Hisamatsu Transport Corporation	Transportation
Tosu Kewpie Co., Ltd.	Production and processing of foods; outsourced work	Shiba Seisakusyo Co., Ltd.	Production of machinery and equipment
Fujiyoshida Kewpie Co., Ltd.	Production and processing of foods; outsourced work	San-ei Provisions Co., Ltd.	Sale of products for food service use
Deria Foods Co., Ltd.	Sale of salads and delicatessen foods	K.System Co., Ltd.	Consigned clerical work
Shunsai Deli Co., Ltd.	Production and sale of delicatessen foods	Kewpie Ai Co., Ltd.	Consigned clerical work
Seto Delica Co., Ltd.	Production and sale of delicatessen foods	K.SS Co., Ltd.	Planning, production, and services for sales promotion
Ishikari Delica Co., Ltd.	Production and sale of delicatessen foods	TO AD KEWPIE CO., LTD.	Agency service for advertising, publicity, and exhibitions
Hanshin Delica Co., Ltd.	Production and sale of delicatessen foods		
Tosu Delica Co., Ltd.	Production and sale of delicatessen foods		
Kitakami Delica Co., Ltd.	Production and sale of delicatessen foods		
Potato Delica Co., Ltd.	Production of frozen and chilled foods		
Soka Delica Co., Ltd.	Production and sale of delicatessen foods		
Salad Club, Inc.	Processing and sale of fresh vegetables		
Green Message Co., Ltd.	Processing and sale of fresh vegetables		
Zen-noh Kewpie Egg-station Co., Ltd.	Production and sale of dried egg and liquid egg		
Kewpie Egg Corporation	Production and sale of liquid, frozen and processed egg		
Kewpie-Egg World Trading Co., Ltd.	Sale of egg and processed egg		
Tsukuba Egg Processing Corporation	Production and sale of processed egg		
Aohata Corporation	Production and sale of jams and fruit processed foods		
Tou Kewpie Co., Ltd.	Mail-order business		
K.R.S. Corporation	Warehousing and transportation		
S. Y. PROMOTION Co., Ltd.	Transportation		
K. Tis Corporation	Warehousing and transportation		
Kewso Services Corporation	Sale of equipment for cars		
Q&B FOODS, INC.	Production and sale of condiments		
BEIJING KEWPIE CO., LTD.	Production and sale of condiments		
KEWPIE (THAILAND) CO., LTD.	Production and sale of condiments, vinegar, salads, and processed foods		
Hangzhou Kewpie Corporation	Production and sale of condiments		
KEWPIE MALAYSIA SDN. BHD.	Production and sale of condiments		
KEWPIE VIETNAM CO., LTD.	Production and sale of condiments		
PT. KEWPIE INDONESIA	Production and sale of condiments		
Nantong Kewpie Corporation	Production and sale of vinegar, processed egg and salads		
Mosso Kewpie Poland Sp. z o.o.	Production and sale of condiments		
Kewpie China Corporation	Financial management and business management of the Company's local subsidiaries in China		
Guangzhou Kewpie Corporation	Production and sale of condiments		
Kewpie Philippines, Inc.	Sale of condiments		
HENNINGSEN FOODS, INC.	Production and sale of egg products and dried meats		
KIFUKU U.S.A. CO., INC.	Investment in and management of U.S. associates		