

**Fiscal 2017 Financial Meeting**

**The Group's New Challenges  
Lead to Dramatic Growth**

**2nd Stage Report**



January 12, 2018

**Kewpie Corporation**

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# Fiscal 2017 Results

# Fiscal 2017 Results

Net sales increased by 9.4 billion yen and operating income increased by 1.4 billion yen (year on year)

	11/16	11/17 Results	Change YoY	Increase (Decrease)	Plan Comparison
Net Sales	552.3 ¥bn	561.7 ¥bn	1.7%	9.4 ¥bn	1.7 ¥bn
Domestic	514.5	519.0	0.9	4.5	0.7
Overseas	37.8	42.7	12.9	4.9	0.9
Operating Income	29.8 ¥bn	31.3 ¥bn	4.8%	1.4 ¥bn	0.3 ¥bn
Domestic	26.5	29.0	9.3	2.5	0.2
Overseas	3.3	2.3	(31)	(1.0)	0.1
Operating Income to Net Sales	5.4%	5.6%	—	0.2%	0.0%
Ordinary Income	31.4 ¥bn	32.5 ¥bn	3.7%	1.1 ¥bn	0.5 ¥bn
Profit Attributable to Owners of Parent	17.1 ¥bn	18.1 ¥bn	5.9%	1.0 ¥bn	0.7 ¥bn
ROE (Return on equity)	8.0%	8.2%	—	0.2%	0.2%
ROA (Return on assets)	8.3%	8.1%	—	(0.2)%	0.2%
EBITDA (Operating income + Depreciation expenses)	48.1 ¥bn	48.1 ¥bn	0.0%	(0.0) ¥bn	0.3 ¥bn

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

Increase (Decrease) for overseas figures include the impact of the exchange rate (which reduced net sales by 0.8 billion yen and operating income by 0.1 billion yen).

\* Plan comparison indicates a difference for figures announced in July 2017.

# Fiscal 2017 Summary of Net Sales

Sales increased due to the strong performance of delicatessen foods and cut vegetables in China and Southeast Asia

	11/16	11/17 Results	Change YoY	Increase (Decrease)
Operating Income	552.3 ¥bn	561.7 ¥bn	1.7%	9.4 ¥bn
Condiments Products	144.1	150.4	4.4	6.3
Egg Products	102.2	100.5	(1.7)	(1.7)
Delicatessen Products	111.8	115.5	3.3	3.7
Processed Foods	51.3	46.6	(9.1)	(4.6)
Fine Chemical Products	10.9	10.6	(2.5)	(0.3)
Distribution System	126.9	131.2	3.4	4.3
Common Business Operations	5.2	6.8	32.7	1.7

## ■ Sales by segment

Condiments Products	Revenue increased, driven by growth in overseas sales of mayonnaise and dressings.
Egg Products	Despite the revenue decrease due in part to the effects of a decline in the US hen's egg market, sales of value-added products showed a strong performance.
Delicatessen Products	Revenue grew from increased sales of delicatessen foods and cut vegetables, as well as an expansion into new sales routes, such as home delivery and restaurants.
Processed Foods	Revenue decreased due to the suspension of Aohata Tokachi corn sales and the impact of changes to Aohata's fiscal year.
Fine Chemical Products	Revenue decreased due to a decline in EPA shipments for medical use, but products for mail order sales showed a strong performance.
Distribution System	Revenue increased as a result of progresses made in the expansion of service areas with existing customers as well as the acquisition of new customers.

# Fiscal 2017 Summary of Operating Income

Despite negative effects from the US hen's egg market, income increased thanks to sales growth in high value-added products

	11/16	11/17 Results	Change YoY	Increase (Decrease)
Operating Income	29.8 ¥bn	31.3 ¥bn	4.8%	1.4 ¥bn
Condiments Products	13.7	15.3	11.9	1.6
Egg Products	5.5	4.4	(20.3)	(1.1)
Delicatessen Products	3.5	3.8	11.0	0.4
Processed Foods	0.5	0.2	(61.5)	(0.3)
Fine Chemical Products	1.0	0.9	(16.2)	(0.2)
Distribution System	4.9	5.9	20.5	1.0
Common Business Operations	0.8	0.8	3.8	0.0

## ■ Operating Income by Segment

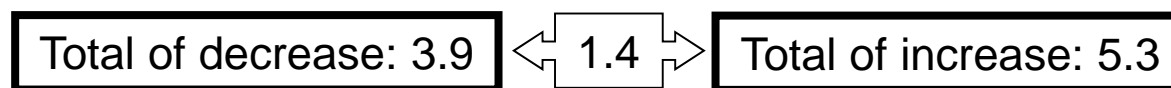
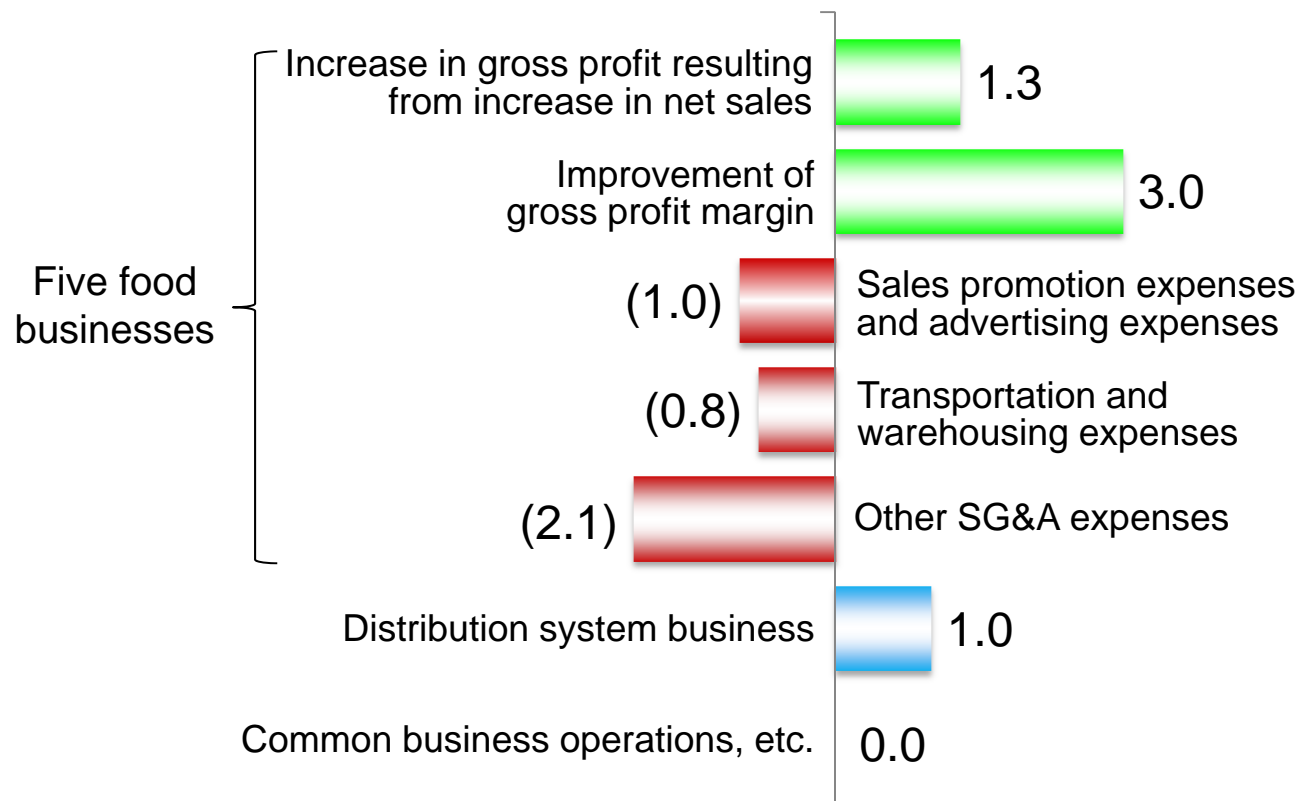
(The impact from changing the depreciation method was an increase of 2.8 billion yen. Refer to the upper half of page 19 for information on the impact by business segment.)

Condiments Products	Income increased, reflecting growth in value-added products and the effect of the cost of key raw materials.
Egg Products	Income decreased due in part to the effects of a decline in the US hen's egg market.
Delicatessen Products	Income increased due to sales growth, as well as a strength in value-added products.
Processed Foods	Income fell due to the suspension of corn product sales, but progress was made in the growth of value-added products and review of unprofitable products.
Fine Chemical Products	Income decreased due to a rise in sales promotion expenses, but sales of hyaluronic acid for medical use grew.
Distribution System	Costs increased due to the operation of new distribution locations, income increased as a result of higher revenue and efforts to streamline storage and transportation.

# Fiscal 2017 Factors Causing Increase (Decrease) in Operating Income

(¥bn)

	11/16	11/17 Results	Difference
<b>Operating Income</b>	<b>29.8</b>	<b>31.3</b>	<b>1.4</b>



\* The impact from changing the depreciation method was an increase of 2.8 billion yen. Refer to the upper half of page 19 for the breakdown by business segment.

## Fiscal 2017 Main Contents of Factors Causing Increase (Decrease) in Operating Income

### 【Increase in gross profit resulting from increase in net sales】 [1.3]

(¥bn)

Impact on net sales	1.3	Increase and decrease in the sales of existing products, and launch of new products	1.8
		Impact of Aohata Tokachi corn sales suspension	(0.4)
		Impact of decline in the US hen's egg market	(0.1)

### 【Improvement of gross profit margin】 [3.0]

Raising added value	0.9	Developing and strengthening products, shifting to value-added products	0.9
Improvement of costs	1.3	Lower costs at production sites	0.7
		Improvements to unprofitable categories	0.6
Others	0.8	Decrease in depreciation and amortization (one-time write-off depreciation in previous fiscal year, new acquisitions)	0.8
		Effect of major raw material costs (salad condiments)	1.2
		Impact of decline in the US hen's egg market	(0.8)

### 【Sales promotion expenses and advertising expenses】 [(1.0)]

Increase in advertising expenses	(0.7)	Advertisements of mail order sales and dressings	(0.7)
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### 【Other SG&A expenses】 [(2.1)]

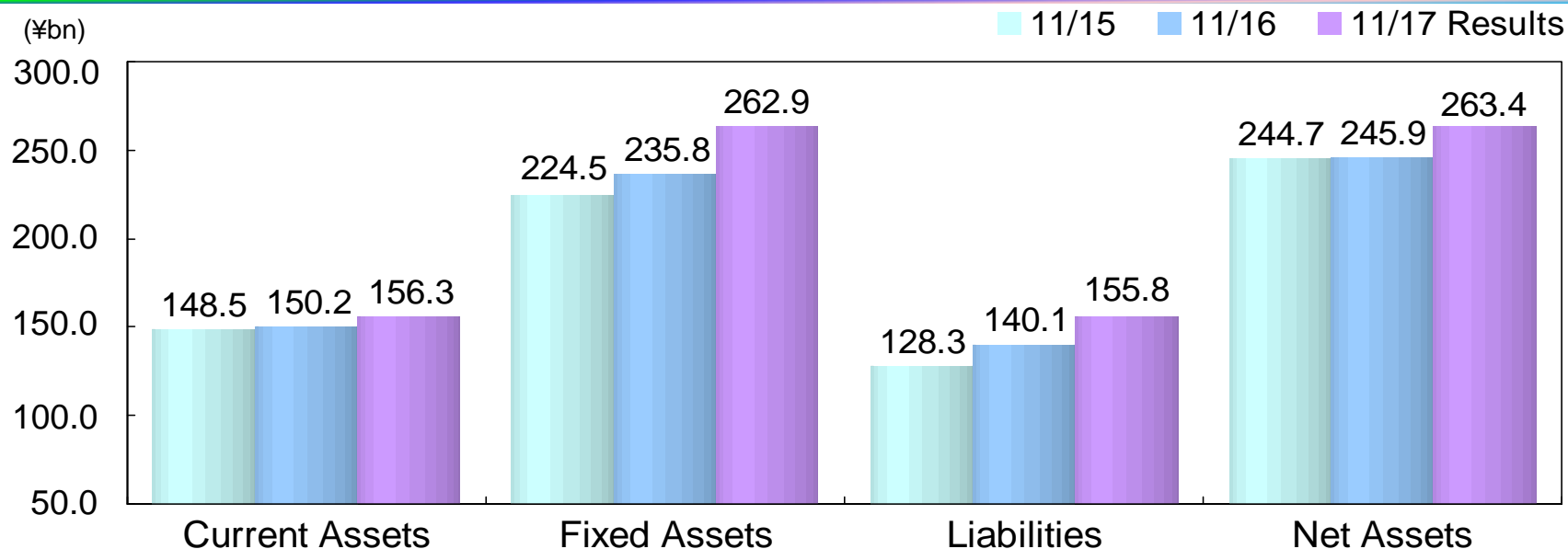
Increase in payroll expenses	(1.0)	Personnel increase due to business expansion with an increase in retirement benefit costs and social insurance premiums, etc.	(1.0)
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## Key Points of Non-operating Income (Expenses) and Extraordinary Gains (Losses)

	(¥bn)			
	11/16	11/17 Results	Increase (Decrease)	
Operating income	29.8	31.3	+1.4	<Key Points of Non-operating Income (Expenses)>  Decrease in equity in earnings of affiliates (0.2)  Increase in business commencement expenses (0.1)
Non-operating income (expenses)	1.5	1.3	(0.3)	
Ordinary income	31.4	32.5	1.1	
Extraordinary gains (losses)	(1.1)	(1.7)	(0.7)	<Key Points of Extraordinary Gains (Losses)>  Increase in gains on sales of investment securities 0.8  Increase in losses on abolishment of retirement benefit plans (1.3)
Income before income taxes	30.3	30.8	0.5	
Income taxes, and profit attributable to non-controlling interests	13.2	12.7	(0.5)	<Key Points for Income Taxes and Profit Attributable to Non-controlling Interests>  Increase in income due to reduction in effective tax rate (0.5)
Profit attributable to owners of parent	17.1	18.1	1.0	

# Key Points of Balance Sheet



## Comparison with Fiscal 2016

### Increase in current assets

6.2 ¥bn

- Decrease in cash and deposits (6.2)
- Increase in notes and accounts receivable – trade 3.1
- Increase in securities 7.0
- Increase in inventories 2.8

### Increase in fixed assets

27.1 ¥bn

- Increase resulting from purchases of tangible and intangible fixed assets 27.5
- Decrease resulting from depreciation (16.8)
- Increase in investment securities 7.1
- Increase in assets for retirement benefits 5.2

### Increase in liabilities

15.7 ¥bn

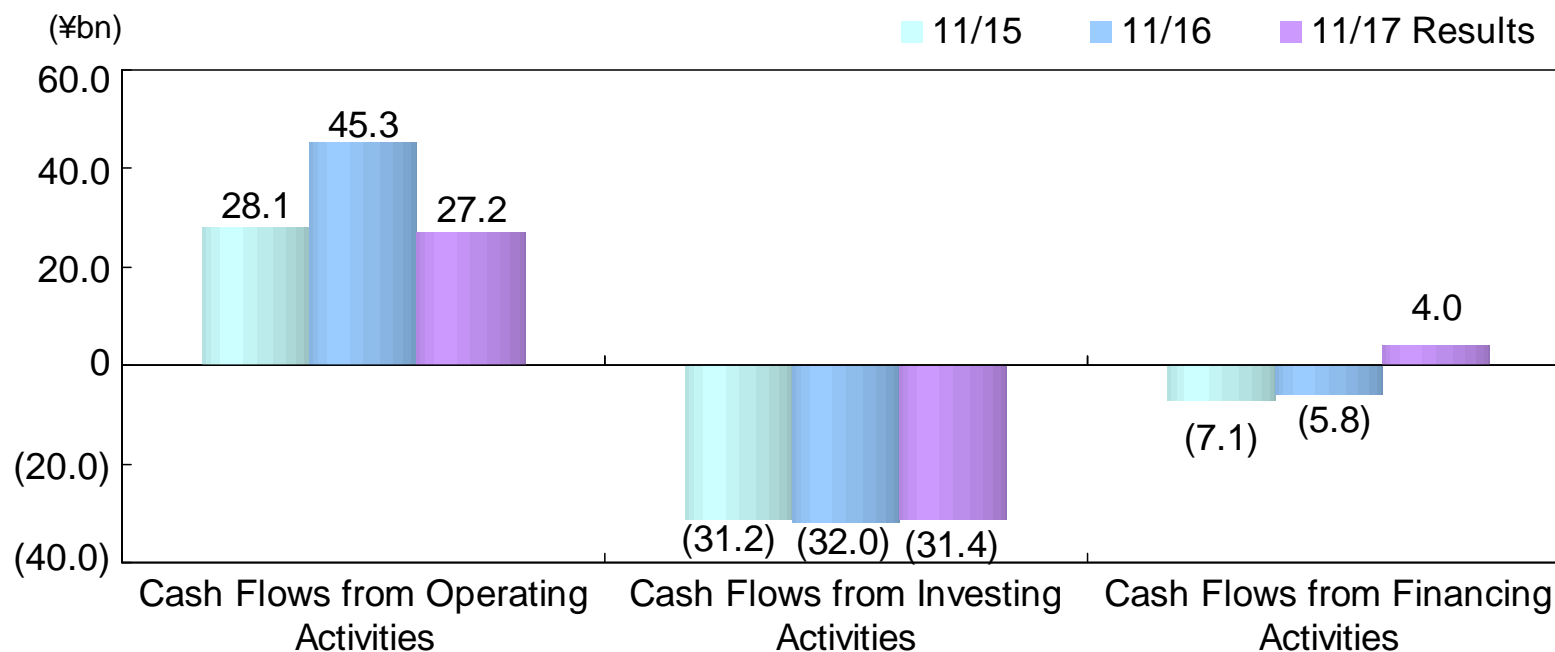
- Decrease in accounts payable – other (4.5)
- Decrease in accrued expenses (6.3)
- Increase in loans payable 23.2

### Increase in net assets

17.6 ¥bn

- Increase in earned surplus 3.8
- Increase in treasury stock (0.5)
- Increase in accumulated other comprehensive income 11.4

# Key Points of Cash Flows



## Comparison with Fiscal 2016

Cash flows from operating activities	
▪ Increase in notes and accounts receivable – trade	(4.2)
▪ Increase in inventories	(3.4)
▪ Decrease in notes and accounts payable – trade	(3.2)
▪ Increase in income taxes paid	(3.6)

Cash flows from investing activities	
▪ Decrease in purchases of tangible fixed assets	5.6
▪ Increase in payments for acquisition of business	(4.6)

Cash flows from financing activities	
▪ Increase in loans payable	16.9
▪ Increase in repurchase of shares	(5.3)

Conditions in capital investments		
11/15	11/16	11/17 Results
32.4 ¥bn	33.0 ¥bn	27.2 ¥bn

# Fiscal 2018 Plans

# Fiscal 2018 Plans

Net sales to increase by 18.3 billion yen and operating income to increase by 1.7 billion yen

	11/17	11/18 Plan	Change YoY	Increase (Decrease)
Net Sales	561.7 ¥bn	580.0 ¥bn	3.3%	18.3 ¥bn
Domestic	519.0	529.1	2.0	10.1
Overseas	42.7	50.9	19.2	8.2
Operating Income	31.3 ¥bn	33.0 ¥bn	5.6%	1.7 ¥bn
Domestic	29.0	29.3	1.0	0.3
Overseas	2.3	3.7	63.0	1.4
Operating Income to Net Sales	5.6%	5.7%	—	0.1%
Ordinary Income	32.5 ¥bn	34.1 ¥bn	4.9%	1.6 ¥bn
Profit Attributable to Owners of Parent	18.1 ¥bn	18.6 ¥bn	2.8%	0.5 ¥bn
ROE (Return on equity)	8.2%	8.2%	—	—
ROA (Return on assets)	8.1%	8.1%	—	—
EBITDA (Operating income + Depreciation expenses)	48.1 ¥bn	51.5 ¥bn	7.2%	3.5 ¥bn

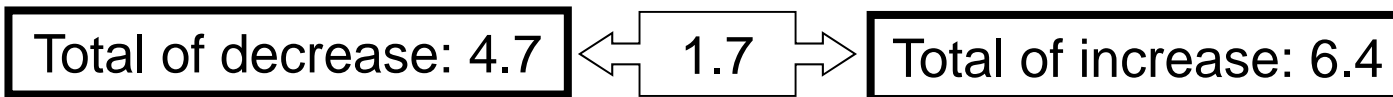
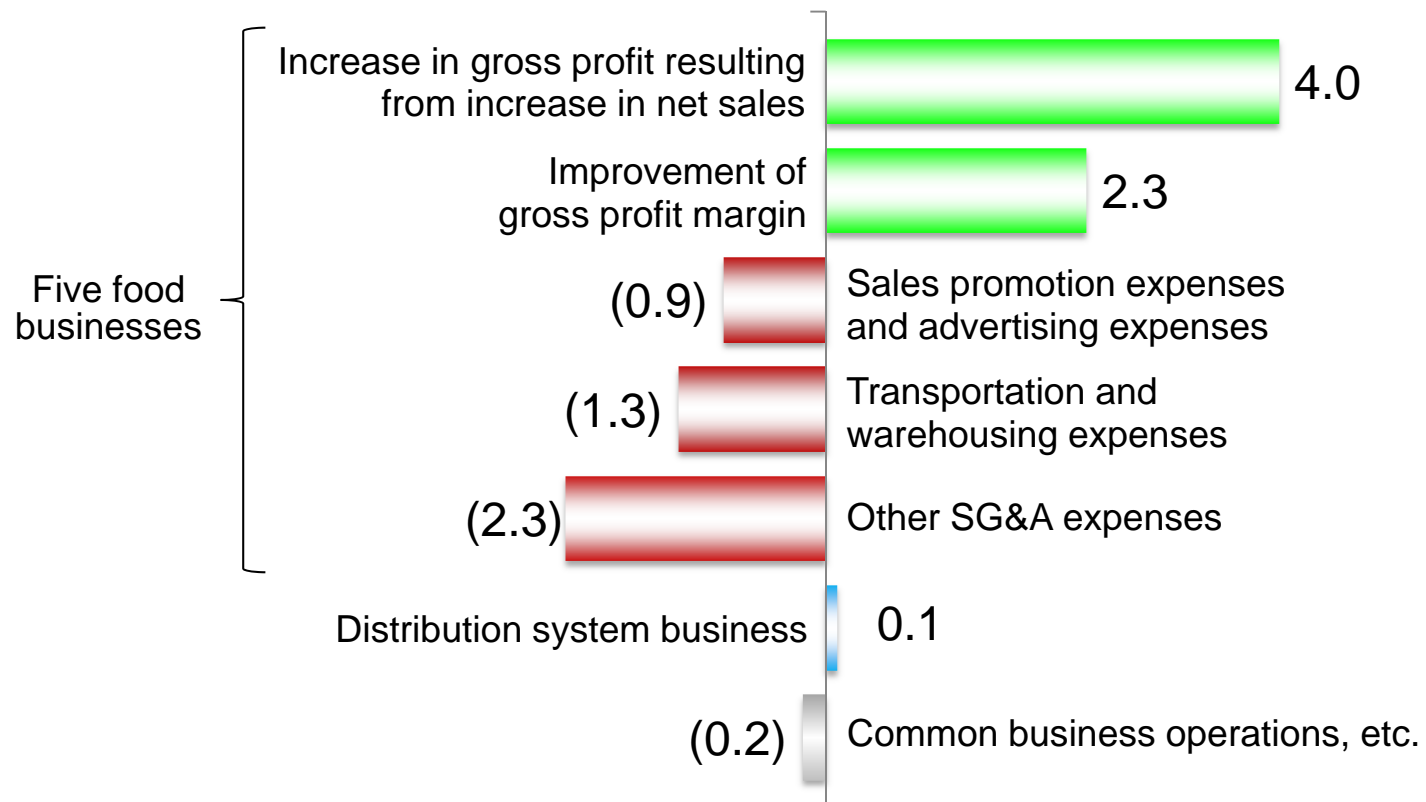
\* Overseas figures are for the period from October through September. Exports from Japan are included (exports from Japan cover the period from December through November).

\* Increase (Decrease) for overseas figures include the impact of the exchange rate (which increased net sales by 0.6 billion yen and decreased operating income by 0 billion yen).

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

(¥bn)

	11/17	11/18 Plan	Difference
<b>Operating Income</b>	<b>31.3</b>	<b>33.0</b>	<b>1.7</b>



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

### 【Increase in gross profit resulting from increase in net sales】 [4.0] (¥bn)

Impact on net sales	4.0	Increase and decrease in the sales of existing products, and launch of new products	4.0
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### 【Improvement of gross profit margin】 [2.3]

Raising added value	1.9	Developing and strengthening products, shifting to value-added products	1.9
Improvement of costs	0.9	Lowering costs at production sites	0.4
		Improvements to unprofitable categories	0.5
Others	(0.5)	Effect of major raw material costs (salad condiments)	(1.5)
		Impact of US hen's egg market	0.5

### 【Sales promotion expenses and advertising expenses】 [(0.9)]

Increase in advertising expenses	(0.8)	Higher sales of salad condiments and others overseas	(0.8)
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### 【Other SG&A expenses】 [(2.3)]

Increase in payroll expenses	(1.0)	Personnel increase due to business expansion	(1.0)
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# Main Initiatives by Business Segment



# Fiscal 2018 Plans by Segment

(¥bn)

	Net Sales by Segment			Operating Income by Segment		
	11/17	11/18 Plan	Increase (Decrease)	11/17	11/18 Plan	Increase (Decrease)
Total	561.7	580.0	18.3	31.3	33.0	1.7
Condiments Products	150.4	161.0	10.6	15.3	15.3	0.0
Egg Products	100.5	102.0	1.5	4.4	5.2	0.8
Delicatessen Products	115.5	120.5	5.0	3.8	4.6	0.8
Processed Foods	46.6	47.5	0.9	0.2	0.4	0.2
Fine Chemical Products	10.6	11.0	0.4	0.9	0.9	0.0
Distribution System	131.2	134.0	2.8	5.9	6.0	0.1
Common Business Operations	6.8	4.0	(2.8)	0.8	0.6	(0.2)

# Condiments Products Business

<b>【2016-2018 Medium-term Themes】</b>  <b>All dishes with vegetable</b>  <b>Drive market and expand revenue with a business model promoting vegetable consumption</b>	(¥bn)	11/18 Plan	11/17 Difference	Factors Causing Increase (Decrease) in Operating Income (¥bn)	11/17 Difference
	Net Sales	161.0	10.6	Increase in gross profit resulting from increase in net sales	2.5
	Operating Income	15.3	0.0	Changes in gross profit margin	(0.4)
	Operating Income Ratio	9.5%	(0.7)%	Sales promotion expenses and advertising expenses	(0.4)
				Transportation and warehousing expenses	(0.3)
			Other SG&A expenses	(1.5)	
			Total	0.0	

\* The numbers in brackets refer to the differences in operating income between the fiscal 2018 plan and the fiscal 2017 result. Figures are expressed in units of billion yen.

## 【 Lead market in Japan 】 [0.7]

Expand market with a focus on dressing celebrating the 60-year anniversary of its launch

### ◇ Make core products the foundation

- Create multi-purpose condiments that can be used for everything from salads and main dishes by developing a series of key dressings
- Promote the use of mayonnaise as an all-purpose condiment by collaborating within the Group
- Expand markets for main-meal salads simultaneously for home-cooked foods, ready-made foods, and restaurants

### ◇ Improve proposal capacity with efforts to break into new fields

- Cultivate a market for commercial use of hearty condiments
- Attract new customers by developing new salad condiments that enable users to enjoy salads based on their smell

\* Impact of the rise in major raw materials costs in the fiscal 2018 plan is a decrease of 1.5 billion yen (which is not reflected in the year-on-year changes above).

## 【 Expand overseas development 】 [0.8]

- Cultivate markets in China and Southeast Asia
- Expand KEWPIE brand products in the US and Europe

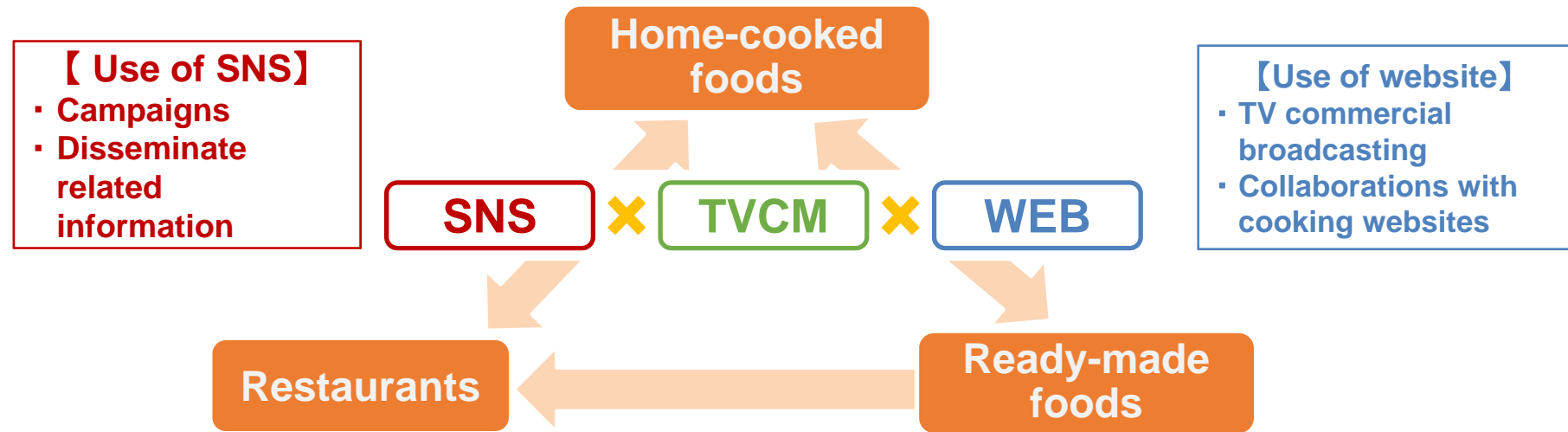
## 【 Operate production and distribution based on demand 】

- Reinforce SMC and reduce days in inventory by linking the mother production site and logistics
- Improve efficiency of production by cultivating core products and realize a satellite system

# Condiments Products Business

(Simultaneous expansion of main-meal salads for home-cooked foods, ready-made foods, and restaurants)

Build up the salad market with simultaneous expansion of salads for home-cooked foods, ready-made food and restaurants to meet demand for salads



Menu reinforced for fiscal 2018: Veggie bowl as a main-meal salad



Pork shabu-shabu and cabbage veggie bowl



Cauliflower rice and tandoori chicken bowl

# Egg Products Business

## 【2016-2018 Medium-term Themes】

**Continue to enhance the value of the Egg Products Business worldwide through innovation**

(¥bn)	11/18 Plan	11/17 Difference	Factors Causing Increase (Decrease) in Operating Income (¥bn)	11/17 Difference
Net Sales	102.0	1.5	Increase in gross profit resulting from increase in net sales	0.3
Operating Income	5.2	0.8	Improvement of gross profit margin	1.3
Operating Income Ratio	5.1%	0.7%	Sales promotion expenses and advertising expenses	(0.0)
			Transportation and warehousing expenses	(0.3)
			Other SG&A expenses	(0.4)
			<b>Total</b>	<b>0.8</b>

\* The numbers in brackets refer to the differences in operating income between the fiscal 2018 plan and the fiscal 2017 result. Figures are expressed in units of billion yen.

## 【Expand existing businesses in Japan】 [0.1]

### ◇Restaurant and ready-made food market

- Create new demand with products using special eggs, such as pure white eggs
- Expand demand by strengthening proposals for simple operations addressing labor shortfalls
- Expand menu ideas for products utilizing soft-boiled egg technology in the ready-made food market

### ◇Home-cooked food market

- Expand product lineup for main breakfast foods
- Expand demand through proposals for eating styles in internal and external collaborations

## 【Improve profitability of the North American subsidiary】 [0.7]

- Review raw material procurement and sales methods
- Create demand by proposing uses of differentiated dehydrated eggs

## 【Strengthening of operation base】

- Stabilize raw material procurement through cooperation with producers and feed companies
- Reduce costs by improving productivity with the introduction of high-speed egg breaking equipment
- Reorganize within businesses to strengthen the profit structure

# Delicatessen Products Business

## 【2016-2018 Medium-term Themes】

**Challenges and reinforcement of system expected 10 years from now**

**Reap the benefits from the results of investments made in line with the 2013-2015 Medium-term Business Plan**

(¥bn)	11/18 Plan	11/17 Difference	Factors Causing Increase (Decrease) in Operating Income (¥bn)	11/17 Difference
Net Sales	120.5	5.0	Increase in gross profit resulting from increase in net sales	0.8
Operating Income	4.6	0.8	Improvement of gross profit margin	0.8
Operating Income Ratio	3.8%	0.5%	Sales promotion expenses and advertising expenses	(0.0)
			Transportation and warehousing expenses	(0.4)
			Other SG&A expenses	(0.4)
			<b>Total</b>	<b>0.8</b>

\* The numbers in brackets refer to the differences in operating income between the fiscal 2018 plan and the fiscal 2017 result. Figures are expressed in units of billion yen.

## 【Accelerate growth in three areas】

### ◇ Cut vegetables [0.3]

- Expand the product lineups that use vegetables rich in nutrients
- Develop salad-related ingredients products and expand sales venues



Beets salad

### ◇ Delicatessen foods [0.3]

- Break into new channels and cultivate growing markets; provide products for a wide range of food scenes
- Improve gross profit margin by streamlining production with expanding key products and product consolidation

### ◇ Cooked rice [0.2]

- Expand sales channels and products for mass retail stores, cultivate new sales channels for home delivery and mail order

## 【Take up the challenge of entering new fields】

- Strengthen response to growing EC market
  - Expand products tailored to customer needs (such as individual meals and quick meal kits)
- New developments of restaurants specializing in salads
  - Utilize customer interaction in product development



## 【Structural reforms in businesses】

- Introduce energy-conserving lines on a full scale and improve new technology and quality
- Deepen collaboration with producers and strengthen raw material procurement capacity (awards for local production, etc.)

Cultivate new sales channels and extend growth markets

**Provide products for various food scenes**

In addition to mass retail stores, cultivate new sales channels and extend growth markets

Sales growth		(comparison between 2016 and 2017)
Cultivate new sales channels	Restaurants and contracts	20%
Extend growth markets	Mail order and internet commerce	24%

**Expand products to meet diversifying needs**

Quick meal kits



Soft-boiled egg and Caesar salad kit



Example of preparation

**Utilize Group functions to make salads the main meal**

Improvements to new technology and quality

**Full operation of energy-conserving lines for cut vegetables**

Strengthen market competitiveness and resolve labor shortages

**Improve grade**

Limit damage done to vegetables resulting from washing and cutting, and improve taste

**Improve quality**

Improve quality by reducing processing time and saving labor

**Raise productivity**

Save labor by automating production processes, and double productivity

Reduce energy costs by 25%

**Stand out from competitors by improving quality while considering the environment, and drive the market**

# Processed Foods Business

<b>【2016-2018 Medium-term Themes】</b>  <b>Refine techniques and enhance business value</b>  <b>Businesses that offer “good taste, kindness, and convenience” with technology</b>	(¥bn)	11/18 Plan	11/17 Difference	Factors Causing Increase (Decrease) in Operating Income (¥bn)	11/17 Difference
	Net Sales	47.5	0.9	Decrease in gross profit resulting from decrease in net sales	0.2
	Operating Income	0.4	0.2	Improvement of gross profit margin	0.3
	Operating Income Ratio	0.8%	0.4%	Sales promotion expenses and advertising expenses	(0.2)
				Transportation and warehousing expenses	(0.1)
				Other SG&A expenses	(0.1)
				Total	0.2

\* The numbers in brackets refer to the differences in operating income between the fiscal 2018 plan and the fiscal 2017 result. Figures are expressed in units of billion yen.

## 【Strengthen competitiveness in existing categories】 [0.1]

### ◇Revitalize market with Aohata jam

- Improve customer loyalty with “Marugotokajitsu” and attract younger customers by promoting the sale of 55 jams and spreads

### ◇Aggressive expansion of cooking sauces

- Expand products with enhanced simplicity and taste
- Create demand with base sauces meeting the need for cooking solutions

### ◇Expand processed goods with salad menu

- Collaborate with the Condiments Products Business to expand demand for raw materials for salads (beans, grains, etc.)
- Expand the sales of Hokkaido corn, which has been restarted, so that it becomes a profitable category

## 【New growth and creation】

### ◇Cultivate food for the elderly across the Group

- Aggressively expand Group foods by realizing strategies

### ◇Expand utilizing fruit processing technology

- Break into the restaurant market’s desert menus with frozen sauces
- Create new demand with “low-glycemic fruit processing”

## 【Rebuild the revenue base】 [0.1]

- Pull out of unprofitable categories
- Reduce cost of reorganizing production and improve ability to respond to markets

# Fine Chemical Products Business

<b>【2016-2018 Medium-term Themes】</b>  <b>Achieve 10% of operating income ratio by rebuilding revenue foundation</b>	(¥bn)	11/18 Plan	11/17 Difference	Factors Causing Increase (Decrease) in Operating Income (¥bn)	11/17 Difference
	Net Sales	11.0	0.4	Increase in gross profit resulting from increase in net sales	0.1
	Operating Income	0.9	0.0	Improvement of gross profit margin	0.2
	Operating Income Ratio	8.2%	0.0%	Sales promotion expenses and advertising expenses	(0.2)
				Transportation and warehousing expenses	(0.1)
			Other SG&A expenses	(0.1)	
			Total	0.0	

\* The numbers in brackets refer to the differences in operating income between the fiscal 2018 plan and the fiscal 2017 result. Figures are expressed in units of billion yen.

## 【Focus on value-added products】 [0.1]

### ◇ In raw material sales, focus on hyaluronic acid for medical use

- Expand share by beginning to supply fermented foods in Japan
- Overseas, establish the presence in the Asian market by further strengthening the sales system

### ◇ Begin sales of drug products in medical field

- Begin manufacturing and selling medical equipment utilizing unique materials such as hyaluronic acid

\* The impact of higher raw material costs in forecasts for fiscal 2018 is estimated to be (0.1) billion yen (not including the above difference with the previous year.)

## 【Initiatives with BtoC route】 [0.0]

### ◇ Develop products using unique materials

- “YO-I-TO-KI,” which combines acetic acid bacteria continues to nourish physical experience of functions
- Strengthen PR aimed at customers with strong mail order needs for the anti-norovirus ingredient Lysozyme



### ◇ Bring mail order sales subsidiary back to profitability

- Run advertising on the internet and through TV mail orders to further increase regular customer numbers



# Distribution System Business

<b>【2016-18 Medium-term Themes】</b> <b>Shift to new growth stage, using strengthened operation base</b> <b>Aim for sustainable improvements to profitability by cultivating existing businesses</b>	(¥bn)	11/18 Plan	11/17 Difference	Factors Causing Increase (Decrease) in Operating Income (¥bn)	11/17 Difference
	Net Sales	134.0	2.8	Improvement of earning capacity (cost improvement and fee revisions)	1.4
	Operating Income	6.0	0.1	Strengthen new transactions, transportation and storage functions	0.9
	Operating Income Ratio	4.5%	(0.0)%	Impact of transportation costs (vehicle procurement, impact of fuel costs, etc.)	0.7
				SG&A costs, labor costs, etc.	(1.6)
				Decrease in existing transactions	(1.3)
				<b>Total</b>	<b>0.1</b>

## 【 Main initiatives of joint distribution 】

### ◇ Strengthen earning capacity

- Strengthen proposals to clients in various areas and improve storage and distribution efficiency
- Collect appropriate fees, reduce and suspend ancillary work

### ◇ Rebuild transportation function

- Reinforce trunk haul capacity and expand junction transportation
- Promote modal shift



Refrigerated container Kewso-Bin

### ◇ Reorganize network

- Strengthen low-temperature joint distribution and reorganize bases in the Tokyo metropolitan area

## 【 Main initiatives of exclusive distribution 】

- Expansion of service areas for convenience stores and mass-merchandise stores.
- Acquire new customers by marketing empty spaces
- Improve efficiency by raising productivity at distribution centers

## 【 Improvements of distribution quality and technical capabilities 】

- Address labor shortages, train employees, and create an appealing workplace
- Engage in local community activities and promote activities that contribute to society
- Shift to unmanned operations and energy-saving initiatives

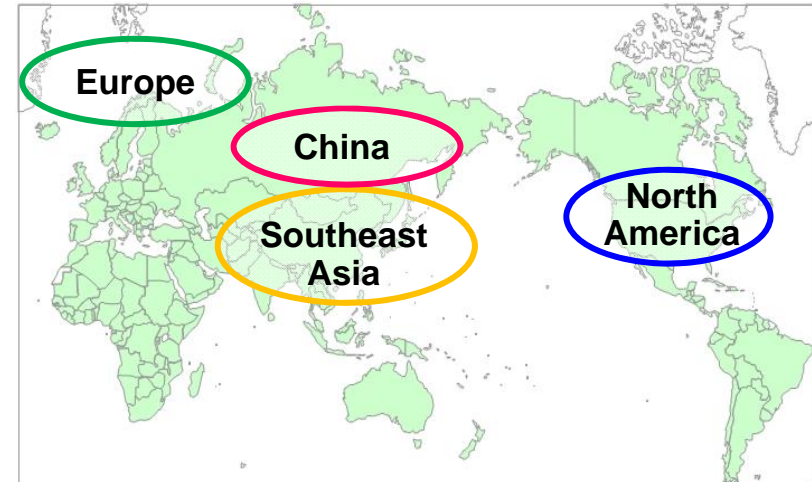
# Overseas Expansion Results and Main Initiatives

# Major Themes for Overseas Expansion

## Cultivate market focus on KEWPIE brand mayonnaise and dressings

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

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



<b>【Net Sales】</b>	11/17 Results	Increase (Decrease)	Change YoY	Local Currency Change YoY	11/18 Plan	Increase (Decrease)	Change YoY	Local Currency Change YoY
Overseas Total	42.7 ¥bn	4.9 ¥bn	13%	15%	50.9 ¥bn	8.2 ¥bn	19%	19%
Condiments Products Total	36.4	5.6	18	21	44.0	7.7	21	19
Egg Products and others	6.3	(0.7)	(10)	(10)	6.8	0.5	8	8
<b>【Operating Income】</b>	11/17 Results	Increase (Decrease)	Change YoY	Local Currency Change YoY	11/18 Plan	Increase (Decrease)	Change YoY	Local Currency Change YoY
Overseas Total	2.3 ¥bn	(1.0) ¥bn	(31)%	(28)%	3.7 ¥bn	1.4 ¥bn	63%	65%
Condiments Products Total	2.7	(0.3)	(8)	(5)	3.5	0.8	29	30
Egg Products and others	(0.4)	(0.8)	—	—	0.2	0.7	—	—

# Overseas Expansion: Fiscal 2017 Results and Fiscal 2018 Plans

<b>【Net Sales】</b>	11/16	11/17 Results	Increase (Decrease)	Change YoY	Local Currency Change YoY	11/18 Plan	Increase (Decrease)	Change YoY	Local Currency Change YoY
Overseas Total	37.8 ¥bn	42.7 ¥bn	4.9 ¥bn	13%	15%	50.9 ¥bn	8.2 ¥bn	19%	19%
China	15.7	18.1	2.4	16	21	21.4	3.3	18	19
Southeast Asia	7.6	8.5	0.9	11	11	10.1	1.6	19	15
North America	11.8	11.1	(0.8)	(7)	(6)	12.4	1.3	12	14
Condiments Products	6.3	6.7	0.4	6	7	7.6	0.8	13	15
Egg Products	5.5	4.3	(1.2)	(21)	(21)	4.8	0.5	11	13
Exports and New	2.7	5.0	2.4	88	88	7.0	1.9	39	103
<b>【Operating Income】</b>	11/16	11/17 Results	Increase (Decrease)	Change YoY	Local Currency Change YoY	11/18 Plan	Increase (Decrease)	Change YoY	Local Currency Change YoY
Overseas Total	3.3 ¥bn	2.3 ¥bn	(1.0) ¥bn	(31)%	(28)%	3.7 ¥bn	1.4 ¥bn	63%	65%
China	2.2	2.2	0.0	1	6	2.7	0.5	24	25
Southeast Asia	0.2	0.3	0.1	67	68	0.5	0.2	74	65
North America	0.6	(0.4)	(0.9)	-	-	0.4	0.7	-	-
Condiments Products	0.5	0.5	0.0	4	4	0.5	0.0	3	2
Egg Products	0.1	(0.9)	(1.0)	-	-	(0.1)	0.7	-	-
Exports and New	0.4	0.2	(0.2)	(58)	(58)	0.1	(0.1)	(33)	0

\* "Exports and New" refers primarily to exports from Japan to each European company. Figures other than exports from Japan cover the period from October to September.

\* Exchange rates pushed down net sales by 0.8 billion yen and the operating income by 0.1 billion yen, compared to the same period in the fiscal 2017.

Exchange rates are estimated to push up net sales by 0.6 billion yen and push down operating income by 0.0 billion yen compared to the same period in fiscal 2017.

# Overseas Expansion in the Fiscal 2018 - Major Initiatives by Area

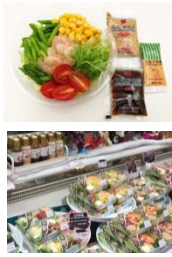
Expand condiments in all areas and strengthen new categories in China and Southeast Asia

## 【China】

Salad offensive tailored to market changes



Send menus via SNS



Propose salads in delicatessen sales area

Increase production capacity and expand sales in new categories



Long-life salads (potato salad)



Processed egg products (scrambled eggs)

## 【North America】

Reinforce sales promotion activities for the KEWPIE brand



Strengthen sales promotion activities, such as tastings for dressings

Strengthen proposals to the food service market



Mayonnaise 1.89 liters



Dressing 1.89 liters

## 【Southeast Asia】

Reinforce sales promotions and advertising for dressings



Mass display in mass retail stores



Publicize its No. 1 sales

Develop new categories in Southeast Asia



Fruit filling



Processed egg products

## 【Exports and New】

Expand export of dressings by strengthening menu proposals



Export to about 40 countries

Begin production of dressings in Poland



Sesame seed dressing 1 liter



Enlighten tastes with small packages

# Planning for Future Growth in China

## Laying a foundation for the future: Establishment of a supervising company in China

### 【Establishment of a supervising company in China】

Management and administration of local companies, financial management, and oversight and support of business strategy formulation, etc.

### 【Supervising company in China】

Guangzhou Kewpie Corporation

Beijing

Hangzhou

Nantong

Guangzhou

### 【Establishment of Guangzhou Kewpie Corporation】

(Factory operations to begin in spring 2020)

- Intended to address demand in the South China area (Three companies in China, one each in Beijing, Shanghai, and Hangzhou)
- Expand production capacity for condiments in China
- Strengthen ability to respond to customers with production-sales collaborations

Steadily expand sales with a focus on mayonnaise and dressings but including salads and eggs as well to keep annual growth at an increase of about 20%

Beijing

Nantong

Hangzhou

Guangzhou

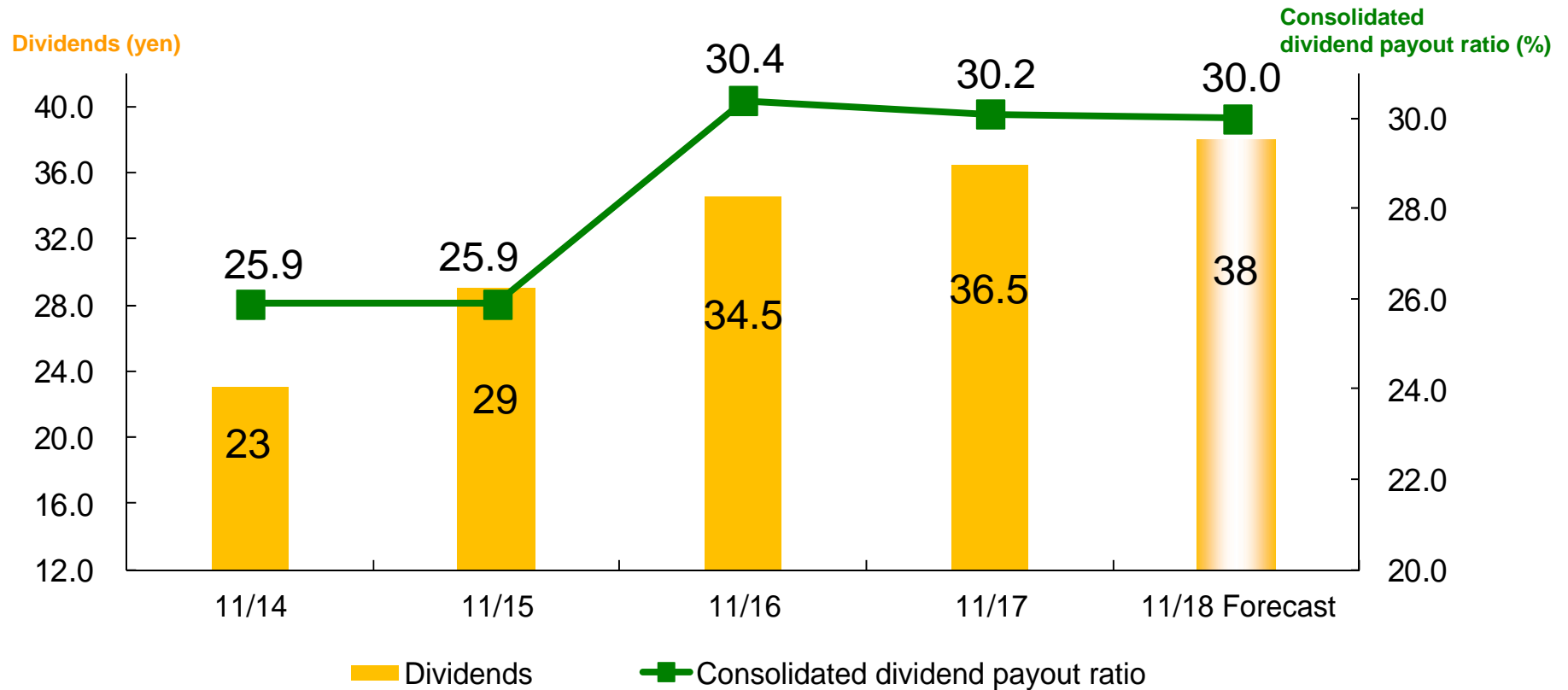
# Dividends

# Dividends

Dividends for fiscal 2018 will be 38 yen, an increase of 1.5 yen

**【Policy on Return to Shareholders】**  
**Dividends are our top priority**  
 We aim for a steady increase in dividends over the long term

**【Standard for Dividend Decisions】**  
**Consolidated dividend payout ratio of over 30%**  
 Target of DOE 2.2%



\*DOE: Consolidated dividends on equity ratio



# Reference Materials

# Reference: Performance Trends

(¥bn)

	11/13	11/14	11/15	11/16	11/17	11/18 Plan
<b>《 New Accounting Method 》</b>						
Condiments Products			142.2	144.1	150.4	161.0
			12.5	13.7	15.3	15.3
Egg Products			104.6	102.2	100.5	102.0
			5.4	5.5	4.4	5.2
Delicatessen Products			100.4	111.8	115.5	120.5
			2.8	3.5	3.8	4.6
Processed Foods			57.5	51.3	46.6	47.5
			(0.3)	0.5	0.2	0.4
Fine Chemical Products			11.3	10.9	10.6	11.0
			0.4	1.0	0.9	0.9
Distribution System			127.7	126.9	131.2	134.0
			4.8	4.9	5.9	6.0
Common Business Operations			5.9	5.2	6.8	4.0
			0.9	0.8	0.8	0.6
<b>Total</b>			549.8	552.3	561.7	580.0
			26.4	29.8	31.3	33.0
<b>《 Former Accounting Method 》</b>						
Condiments Products	145.4	151.5	157.1			
	11.5	11.5	12.5			
Egg Products	91.2	99.5	104.8			
	3.4	3.8	5.4			
Delicatessen Products	98.0	102.2	109.1			
	3.5	3.3	2.7			
Processed Foods	58.4	57.2	62.3			
	(0.9)	0.2	(0.3)			
Fine Chemical Products	9.7	10.7	11.3			
	0.9	1.0	0.4			
Distribution System	120.3	126.8	127.7			
	3.2	3.6	4.8			
Common Business Operations	7.6	5.5	5.9			
	0.8	1.0	0.9			
<b>Total</b>	530.5	553.4	578.2			
	22.4	24.3	26.4			

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

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

Reference: Fiscal 2017 Results Factors Causing Increase (Decrease)  
in Operating Income by Segments

							(¥bn)
	Increase (decrease) in gross profit resulting from increase in net sales	Improvement of gross profit margin	Sales promotion expenses and advertising expenses	Transportation and warehousing expenses	Other SG&A expenses	Increase (Decrease) in operating income	Impact of the one- time write- off residual book value
Condiments Products Business	1.7	1.7	(0.6)	0.3	(1.5)	1.6	0.9
Egg Products Business	0.2	(0.5)	(0.1)	(0.5)	(0.3)	(1.1)	0.4
Delicatessen Products Business	0.5	0.7	(0.1)	(0.3)	(0.4)	0.4	0.1
Processed Foods Business	(1.3)	0.9	(0.1)	0.4	(0.2)	(0.3)	0.4
Fine Chemical Products Business	0.1	0.2	(0.3)	(0.0)	(0.2)	(0.2)	0.1
Consolidation Adjustments	—	—	0.2	(0.7)	0.5	—	—
Total of five food segments	1.3	3.0	(1.0)	(0.8)	(2.1)	0.4	1.9

\* As a result of a change to the depreciation method for fixed assets beginning in fiscal 2016, negative 2.8 billion yen for one-time write-off of residual book value occurred in the first quarter of 2016. The impact on fiscal 2017, that is 2.8 billion yen, also includes, in addition to the above, the distribution system business (0.7 billion yen) and the joint business (0.1 billion yen).

\* The above “impact of the one-time write-off of residual book value” is included in “Improvement of gross profit margin.”

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

(¥bn)

	Increase (decrease) in gross profit resulting from increase in net sales	Improvement of gross profit margin	Sales promotion expenses and advertising expenses	Transportation and warehousing expenses	Other SG&A expenses	Increase (Decrease) in operating income
Condiments Products Business	2.5	(0.4)	(0.4)	(0.3)	(1.5)	0.0
Egg Products Business	0.3	1.3	(0.0)	(0.3)	(0.4)	0.8
Delicatessen Products Business	0.8	0.8	(0.0)	(0.4)	(0.4)	0.8
Processed Foods Business	0.2	0.3	(0.2)	(0.1)	(0.1)	0.2
Fine Chemical Products Business	0.1	0.2	(0.2)	(0.1)	(0.1)	0.0
Consolidation Adjustments	—	—	—	(0.2)	0.2	—
Total of five food segments	4.0	2.3	(0.9)	(1.1)	(2.4)	1.8

# Reference: Capital Investments and Main SG&A Expenses

							(¥bn)
		11/13	11/14	11/15	11/16	11/17	11/18 Plan
Capital Investments		27.1	30.1	32.4	33.0	27.2	39.6
Depreciation Expenses		14.6	16.1	19.1	18.3	16.8	18.5
Sales Promotion Expenses	New accounting method			3.5	3.7	3.9	4.7
	Former accounting method	20.5	21.4	23.5			
Advertising Expenses		7.9	8.0	8.7	8.7	9.5	9.5
Transportation and Warehousing Expenses	New accounting method			25.0	25.0	25.8	27.1
	Former accounting method	30.5	32.0	33.3			
Payroll Expenses		25.4	26.5	28.7	29.8	31.3	32.6
R&D Expenses		3.7	3.9	4.2	4.0	4.1	4.2

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

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

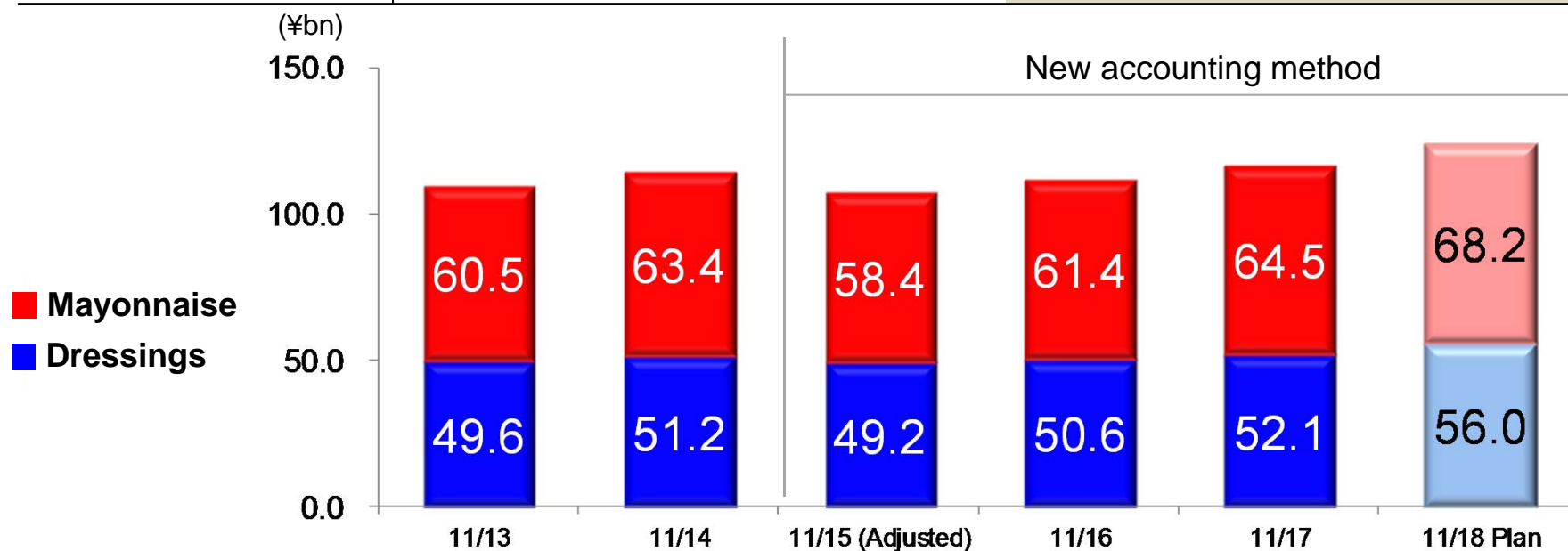
## Reference: Results of Salad Condiments by Category Type in Japan

			11/13	11/14	11/15	11/16	11/17	Change YoY
For household use	Volume (1,000 t)		128	125	126	126	128	1.3%
	Amount (¥bn)	New accounting method			63.8	63.9	65.0	1.7%
		Former accounting method	75.4	76.1	77.3			
For commercial use	Volume (1,000 t)		107	105	106	107	107	0.8%
	Amount (¥bn)	New accounting method			41.6	41.3	40.9	(0.9)%
		Former accounting method	41.5	41.8	42.0			
Total	Volume (1,000 t)		235	230	232	233	236	1.1%
	Amount (¥bn)	New accounting method			105.4	105.2	105.9	0.7%
		Former accounting method	116.9	117.9	119.3			

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

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

	(¥bn)					
	11/13	11/14	11/15	11/16	11/17	11/18 Plan
<b>《New accounting method》</b>						
Mayonnaise			58.4	61.4	64.5	68.2
Dressings			49.2	50.6	52.1	56.0
Total			107.6	112.0	116.7	124.3
<b>《Former accounting method》</b>						
Mayonnaise	60.5	63.4	67.5			
Dressings	49.6	51.2	54.0			
Total	110.1	114.6	121.5			



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

\* Some products in the dressing category were moved to the mayonnaise category in fiscal 2016, which resulted in a discrepancy when results were announced in July 2017.

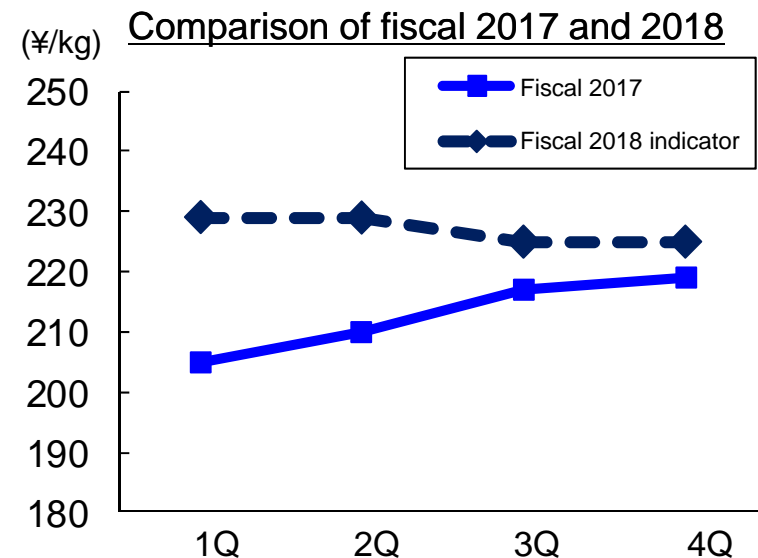
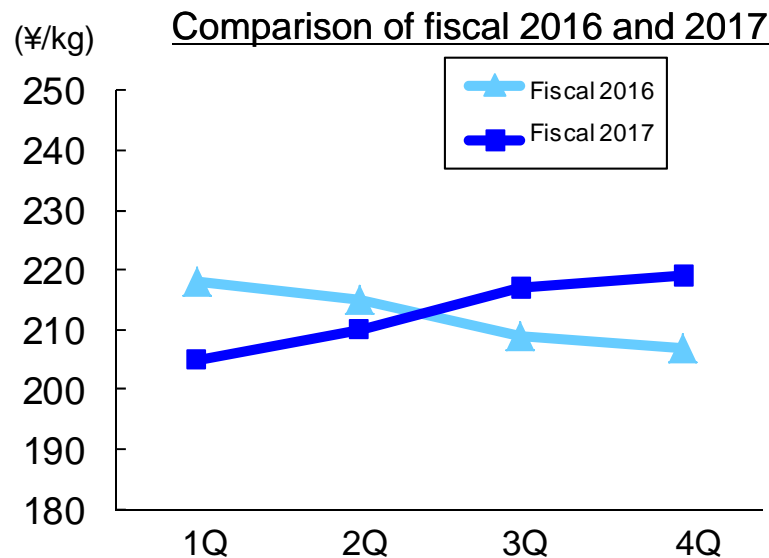
## Reference: Results and Indicators for Main Markets

	(¥)		
	11/16	11/17	11/18 indicator
Average Price of Institutional Use (Tank Truck Base) for Processed Oil and Fats (per kg)	212	213	227
Medium-Sized Egg, Tokyo Market Average Price (per kg)	206	207	205
US\$ exchange rates (average over fiscal year) (per 1 \$)	112	111	112
CNY exchange rates (average over fiscal year) (per 1 CNY)	17	16	16

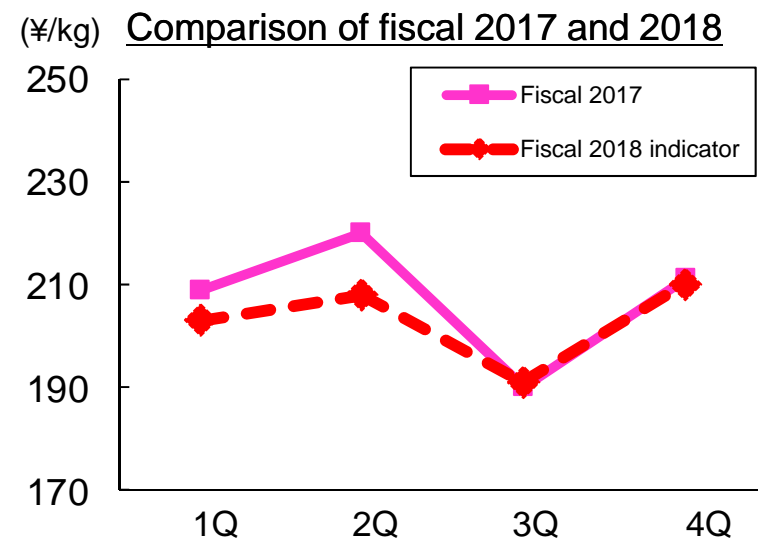
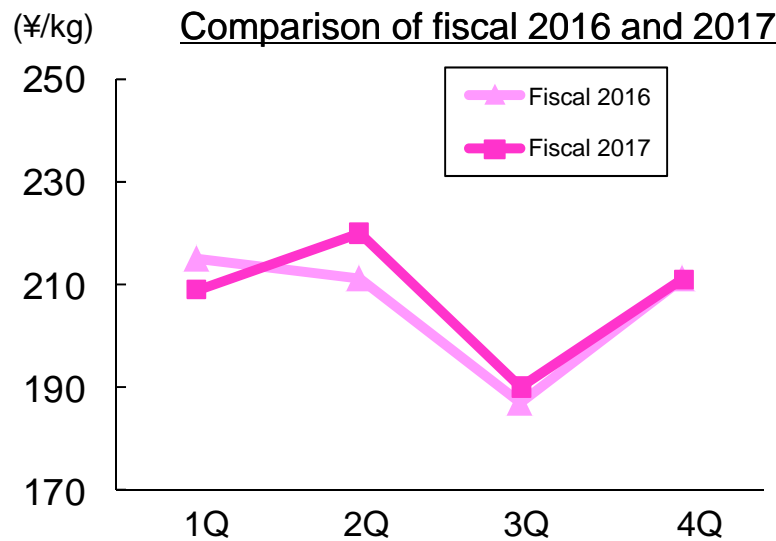


# Reference: Conditions in Markets for Major Raw Materials

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



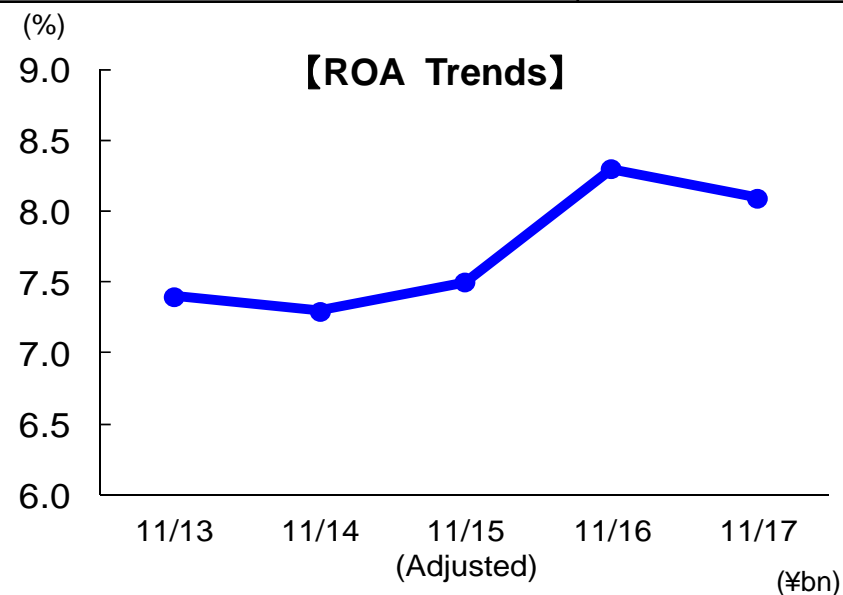
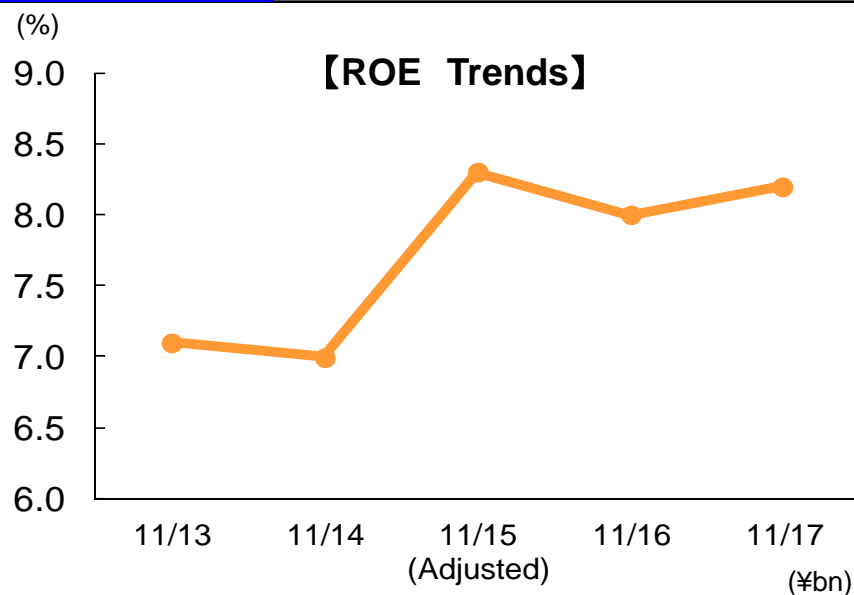
【Benchmark price for medium-sized eggs, Tokyo market】



# Reference: ROE·ROA Trends

(%)

	11/13	11/14	11/15 (Adjusted)	11/16	11/17	11/18 Plan
<b>ROE</b> (Return on equity)	7.1	7.0	8.3	8.0	8.2	8.2
<b>ROA</b> (Return on assets)	7.4	7.3	7.5	8.3	8.1	8.1



	11/13	11/14	11/15 (Adjusted)	11/16	11/17
Net income	12.6	13.4	17.0	17.1	18.1
Shareholders' equity	184.2	195.1	212.9	212.6	226.4

	11/13	11/14	11/15 (Adjusted)	11/16	11/17
Operating income	23.7	25.4	27.2	31.4	32.5
Total assets	334.7	357.0	373.0	385.9	419.2

\* Beginning in fiscal 2016, the accounting standards for recording net sales was changed. In fiscal 2015, figures correcting for this impact were used.

\* "Net income" of fiscal 2016 is profit attributable to owners of parent.

# Reference: Initiatives for Society and the Environment

**We promote activities that are in line with the Group's Policies.**

## ◇ Social contribution based on food education

### Activities of the Kewpie Mirai Tamago Foundation

The Kewpie Mirai Tamago Foundation, established in April 2017, is an aid organization that addresses issues such as food education and child poverty.



Aid award ceremony

### Food education overseas

Group companies operating overseas carry out activities that give back to society with strong local roots. Kewpie Malaysia holds 50 sandwich classes a year with the aim of reducing the number of overweight children by encouraging the consumption of vegetables.



Sandwich class (Malaysia)

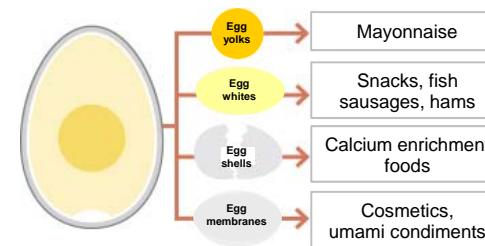
## ◇ Contributions to local environment

### Efficient use of resources

We aim for a 100% recycling rate.

#### ● Egg shells

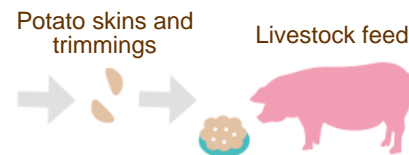
About 28,000 tons of egg shells were completely recycled



Constructive and effective use of egg shells and egg membranes

#### ● Unused parts of vegetables

Potato skins and trimmings are used for animal feed



Feed production amounts to about 190 tons/month. This results in a 34% reduction in the consigned amount of discharge.

#### ● Use of advanced recycled water

By introducing an advanced processing system that filters drainage from the production line until it is pure again, this water is used to clean floors within the factory, toilets, and watering green areas.



Note:

With the exception of historical events, information in Kewpie Corporation's present plan, forecast, strategy, and beliefs reported in this handout refers to forecasts of future performance. It is reported based on judgments made by the management of Kewpie Corporation, referring to available information as of the date hereof. Readers are asked not to rely completely on performance forecasts contained herein.

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