

**KENKO Mayonnaise Co., Ltd.**

[Securities code: 2915]

# **Material for Briefing Session For FY 3/2023**

May. 23, 2023



- 1. Results for FY 3/2023**
- 2. Forecast for FY 3/2024**
- 3. Progress**  
**of Medium-Term Management Plan**

# **1.Results for FY 3/2023**

**Director Kunikazu Shimamoto**

# Highlights of the Results for FY 3/2023 (Consolidated)



(millions of yen)	FY 3/2022 Result	FY 3/203 (Est.)	FY 3/2023 Result	Compared with the estimate	Results YoY
<b>Net sales</b>	75,647	80,700	<b>82,363</b>	+ 2.1%	+ 8.9%
<b>Operating profit</b>	1,616	326 <sup>*1)</sup>	<b>105</b>	-67.8%	-93.5%
<b>Ordinary profit</b>	1,622	370 <sup>*1)</sup>	<b>169</b>	-54.2%	-89.6%
<b>Profit attributable to owners of parent</b>	1,211	315 <sup>*2)</sup>	<b>485</b>	+ 54.2%	-59.9%

\* 1) Date of earnings forecast announcement: November 14, 2022

\* 2) Date of earnings forecast announcement: February 13, 2023

## Sales

- Net sales recovered, mainly in the food service sector, against the backdrop of the lifting of restrictions on activities, etc.
- Effects of price revisions, mainly for mayonnaise

## Profit

- The prices of raw ingredients, especially edible oil and eggs, soared
- Rising energy costs

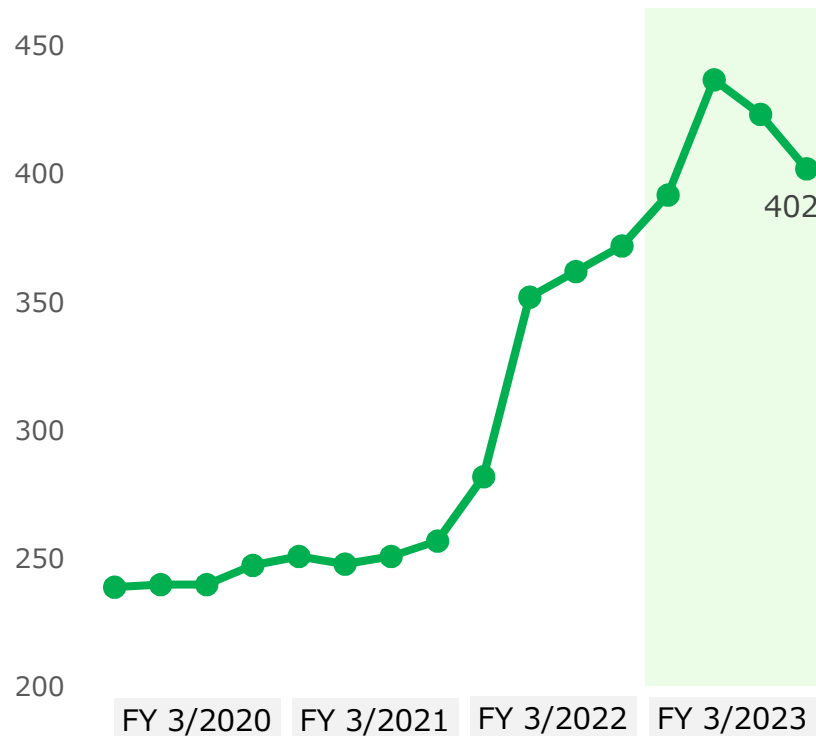
▶ **An unprecedented increase in costs**

# (Reference) Market Prices of Main Ingredients



## 【Edible oil market price】

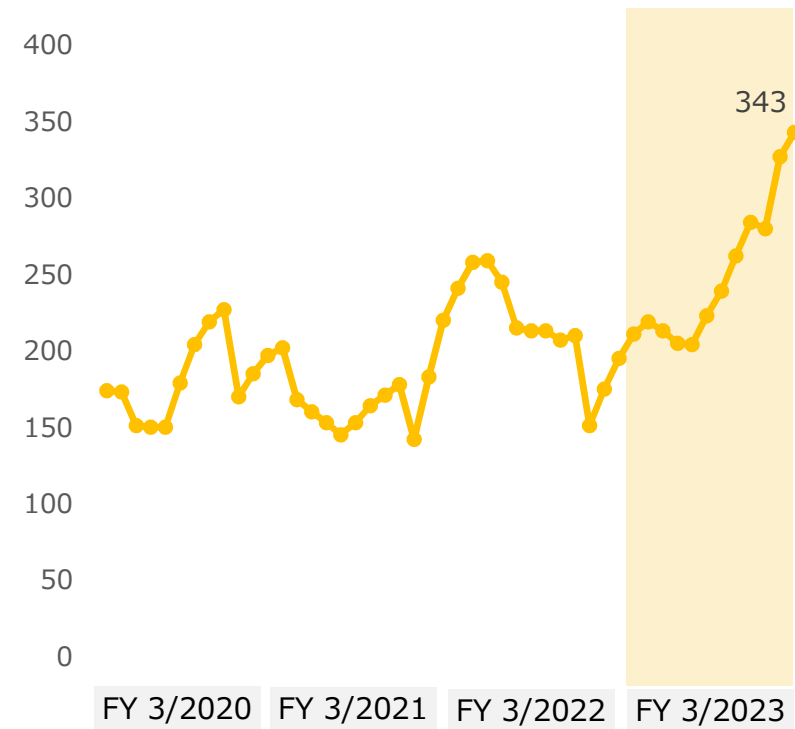
Nikkei avg. prices of soybeans and rapeseed  
(incl. land transport)  
(Yen/kg)



The price is still at a high level,  
although it seems somewhat calm.

## 【Egg market price】

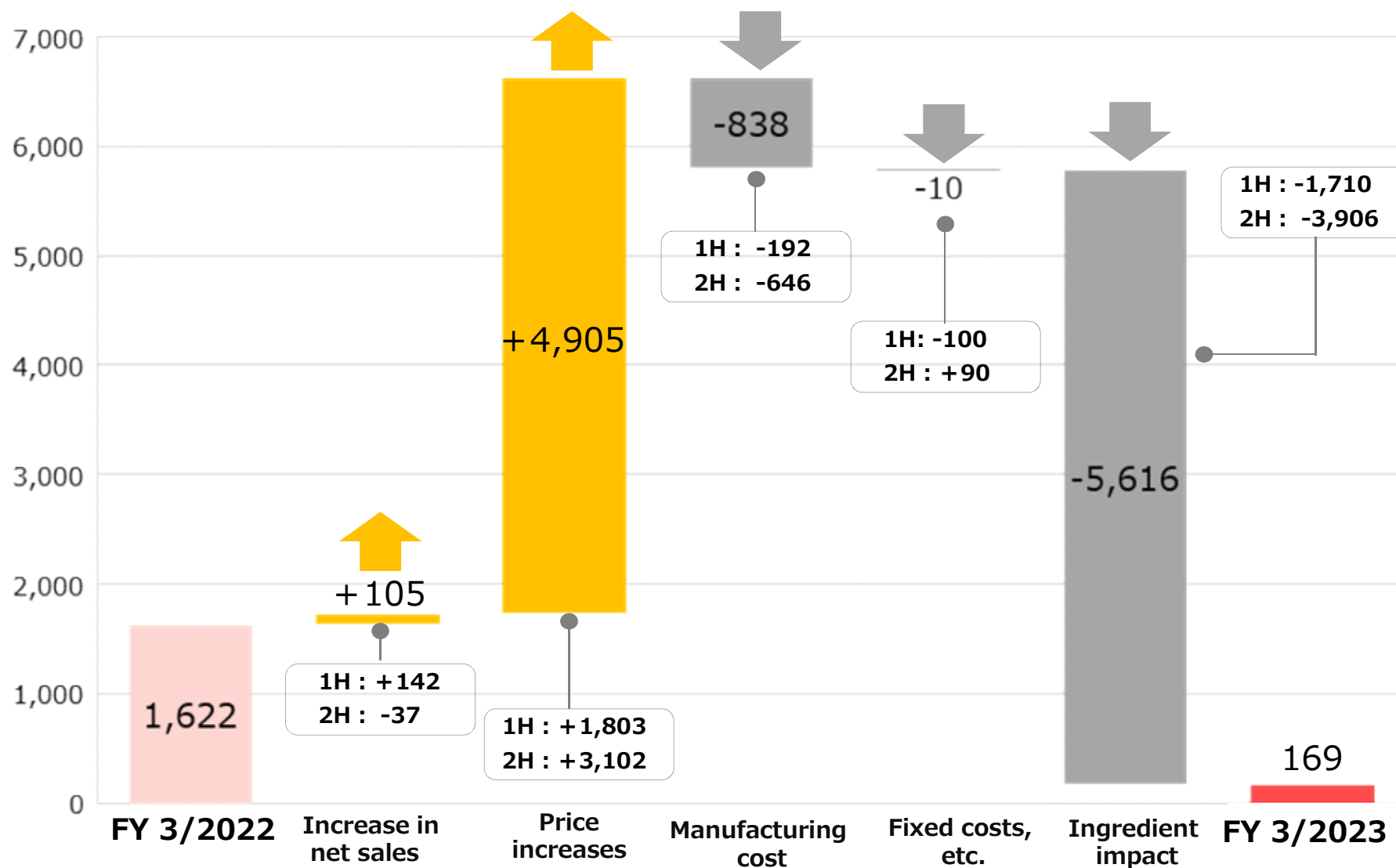
JA Zenno, size M (Tokyo)  
(Yen/kg)



The market soared from  
the second half of FY2022.

# Factors in Changes in Ordinary Profit (Consolidated)

(millions of yen)



# Schedule and Impact of Price Revisions



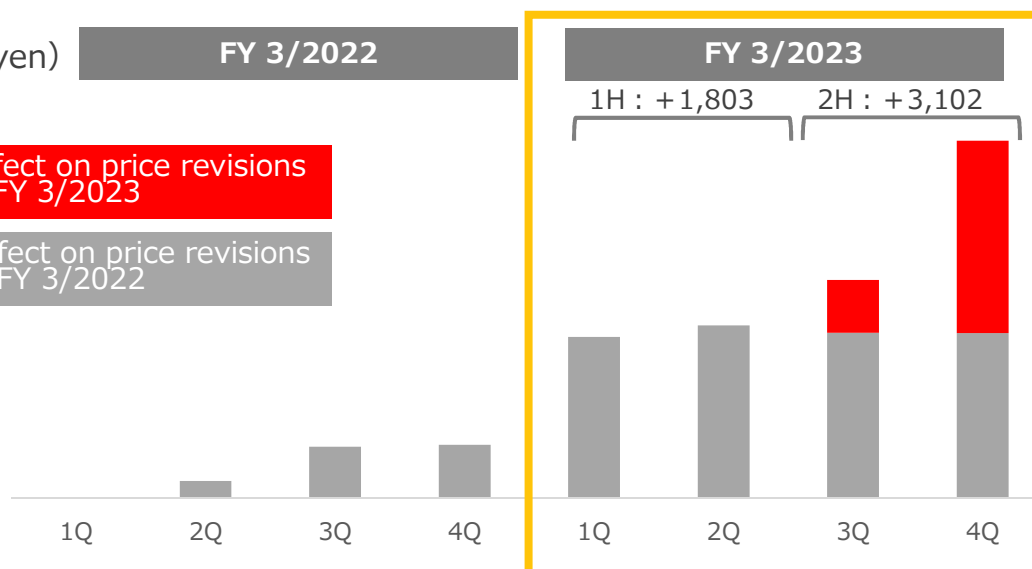
	FY 3/2022				FY 3/2023				FY 3/2024 Scheduled	
● = when to start	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
Mayonnaise		●		●			●			
Dressing				●			●			
Sauce				●			●			
Egg							●	●		
Salad			●				●			●
Japanese side dishes							●			●

(millions of yen)

FY 3/2022

The amount of effect on price revisions implemented for FY 3/2023

The amount of effect on price revisions implemented for FY 3/2022



FY 3/2023  
The amount of effect  
on consolidated ordinary profit

**4.9billion**

**Effect of FY 3/2023**  
**Approx. 1.5 billion**  
**(JPY)**

**Effect of FY 3/2022**  
**Approx. 3.5 billion**  
**(JPY)**

# Results by Segment



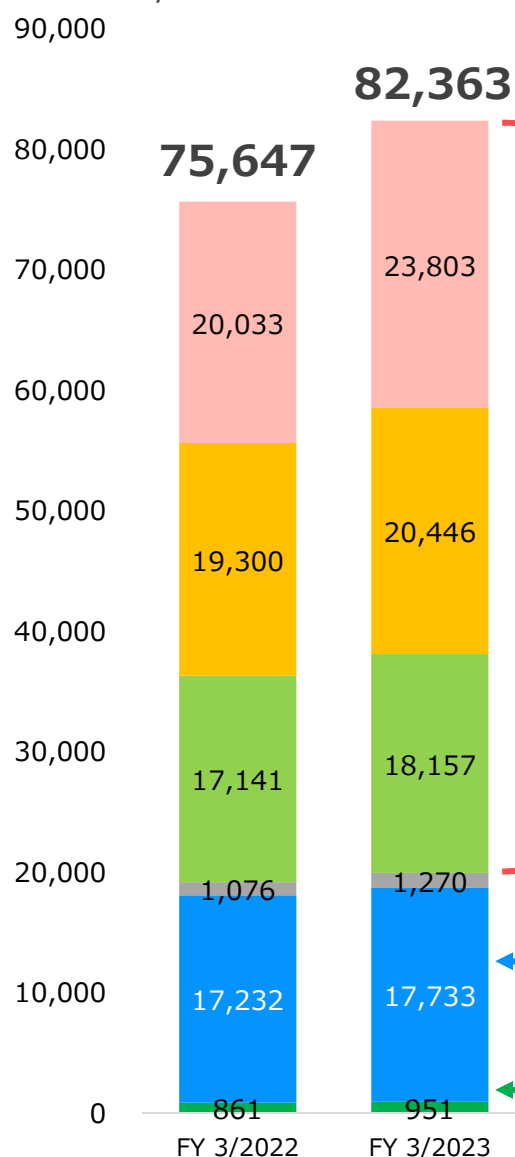
(millions of yen)	FY 3/2022	FY 3/2023	YoY
			%
<b>Net sales</b>	<b>75,647</b>	<b>82,363</b>	<b>+8.9%</b>
Seasoning and Processed Foods Business	57,552	63,678	+10.6%
Delicatessen-related Business	17,232	17,733	+2.9%
Other	861	951	+10.5%
<b>Profit by Segment</b>	<b>1,622</b>	<b>169</b>	<b>-89.6%</b>
Seasoning and Processed Foods Business	1,887	-235	-112.5%
Delicatessen-related Business	984	720	-26.8%
Other	-57	14	-
Adjustments	-1,191	-329	-



# Nets sales by Segment

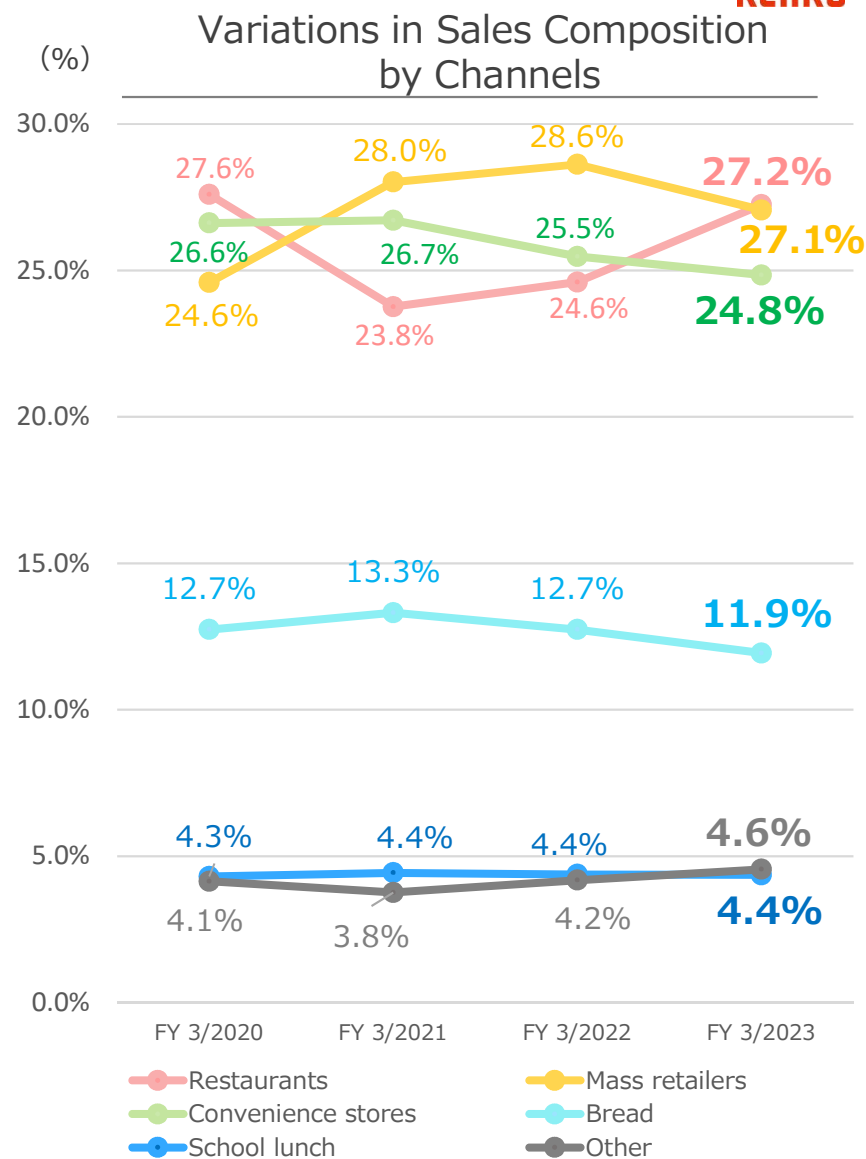
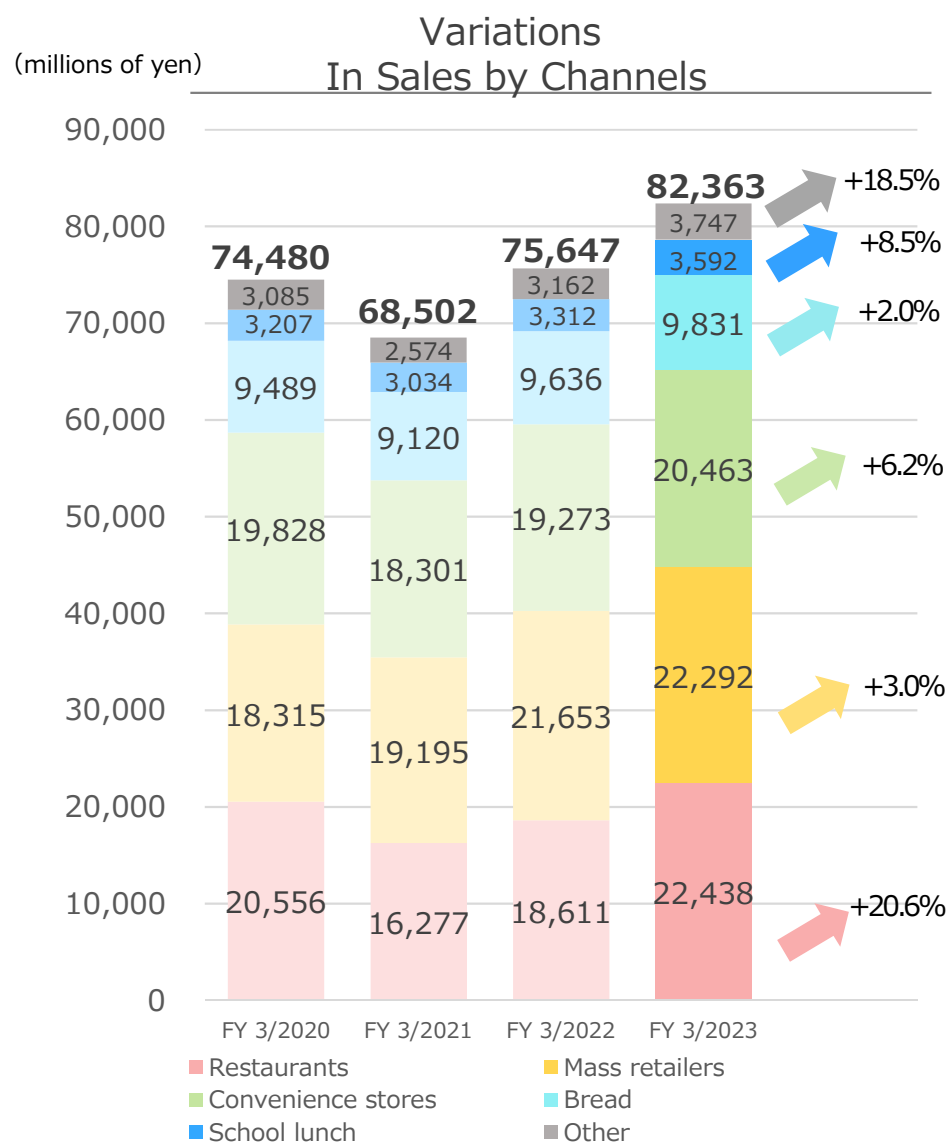


(millions of yen)



Segment	YoY	Comments
<div>■ Seasoning and Processed Foods Business</div>	+ 10.6%	<ul style="list-style-type: none"> <li>● Resilient demand for dining out as a result of the lifting of restrictions on activities</li> <li>● Price increases implemented</li> </ul>
<div>■ Mayonnaise and dressings</div>	+ 18.8%	<ul style="list-style-type: none"> <li>● Effects of price revisions from October 2022</li> <li>● Increased awareness of "Garlic Butter Sauce"</li> </ul>
<div>■ Processed egg products</div>	+ 5.9%	<ul style="list-style-type: none"> <li>● Adoption of egg products for fast food</li> <li>● Decline in sales of Kinshi Egg for noodles due to the unseasonable summer weather</li> <li>● Suspended sales, etc., of some products</li> </ul>
<div>■ Salads and delicatessen</div>	+ 5.9%	<ul style="list-style-type: none"> <li>● Sales of Long-Life Salad recovered</li> <li>● Expand the lineup of the Japanese side dishes "WASAI BANSAL" series and the "Noseru Dake(simply add) Series"</li> </ul>
<div>■ Other</div>	+ 18.0%	<ul style="list-style-type: none"> <li>● Expand sales of frozen delicatessen products</li> </ul>
<div>■ Delicatessen-related Business</div>	+ 2.9%	<ul style="list-style-type: none"> <li>● Demand for ready-to-eat meals has stabilized as demand for dining out recovers</li> <li>● Price revisions implemented</li> </ul>
<div>■ Other (Salad Cafe)</div>	+ 10.5%	<ul style="list-style-type: none"> <li>● Recovery of visitor numbers as a result of the lifting of restrictions on activities</li> <li>● Two new stores opened</li> </ul>

# Sales by Channels (Consolidated)



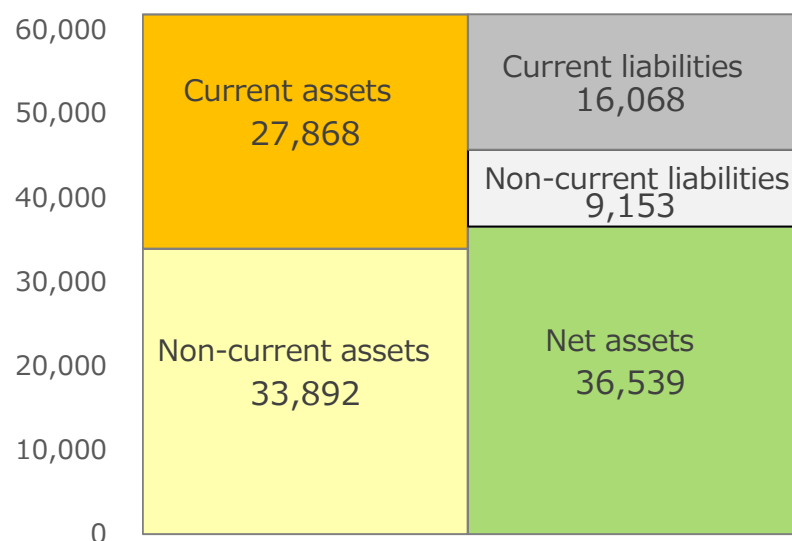
# Overview of the Balance sheet (Consolidated)

- The equity ratio was 59.1%, almost the same level as in the previous fiscal year.
- The balance of interest-bearing debt decreased steadily  
(down 22.3% year on year).
- The D/E ratio improved to 0.22 times from the end of the previous fiscal year due to the decrease in the balance of interest-bearing debt.

**Maintained  
a sound  
financial position**

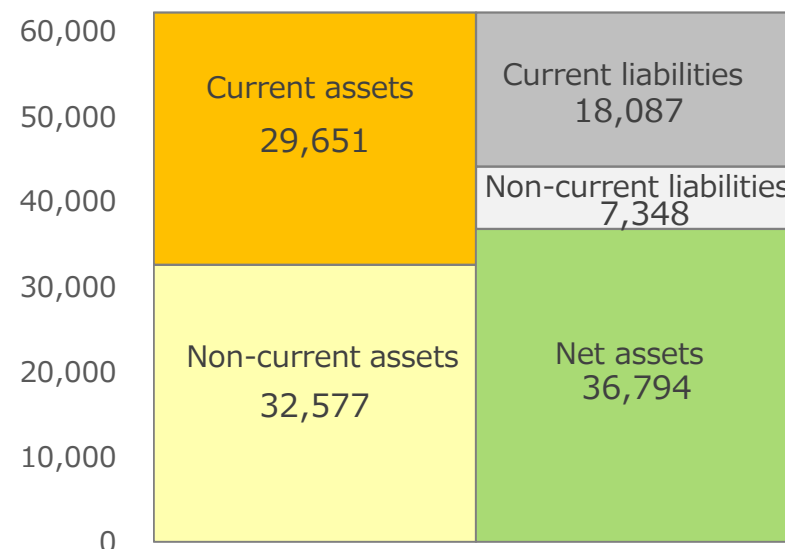
(millions of yen)  
70,000

**FY 3/2022**



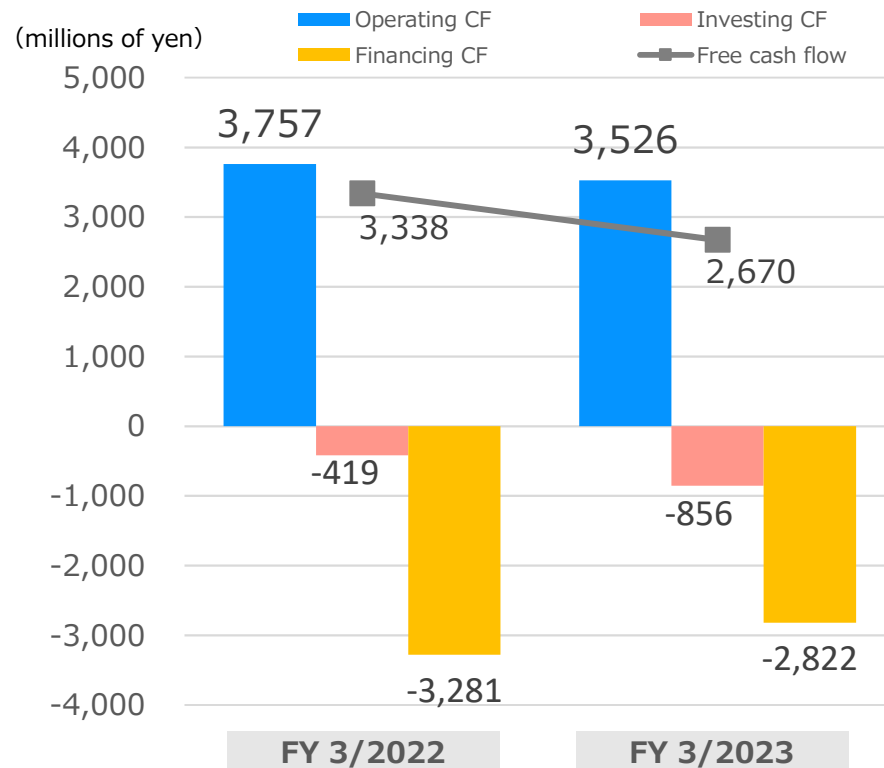
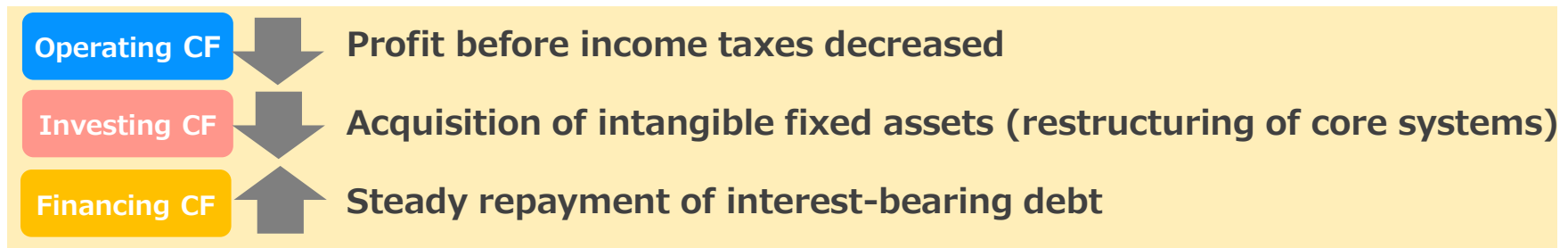
(millions of yen)  
70,000

**FY 3/2023**



その他データ	FY 3/2022	FY 3/2023
Equity ratio (%)	59.2	59.1
Balance of interest-bearing debt (millions of yen)	10,427	8,102
Net debt-to-equity ratio (times)	0.29	0.22

# Overview of Cash Flows (Consolidated)



	FY 3/2022	FY 3/2023	Difference
Cash flows from operating activities	3,757	<b>3,526</b>	-231
Cash flows from investing activities	-419	<b>-856</b>	-437
Free cash flow	3,338	<b>2,670</b>	-668
Cash flows from financing activities	-3,281	<b>-2,822</b>	+459
Cash and cash equivalents at end of period	12,441	<b>12,289</b>	-152

## 2.Forecast for FY3/2024

# Earning Estimate for FY 3/2024 (Consolidated)



(Millions of yen)	FY 3/2023	FY 3/2024 (Est.) *	
	Amount	Amount	YoY
<b>Net sales</b>	82,363	87,400	+6.1%
<b>Operating profit</b>	105	1,220	-
%	0.1%	1.4%	
<b>Ordinary profit</b>	169	1,300	+667.8%
%	0.2%	1.5%	
<b>Profit attributable to owners of parent</b>	485	570	+17.4%
%	0.6%	0.7%	
<b>Earnings per share</b>	29.86yen	35.05yen	

\* Date of earnings forecast announcement: May 15, 2023

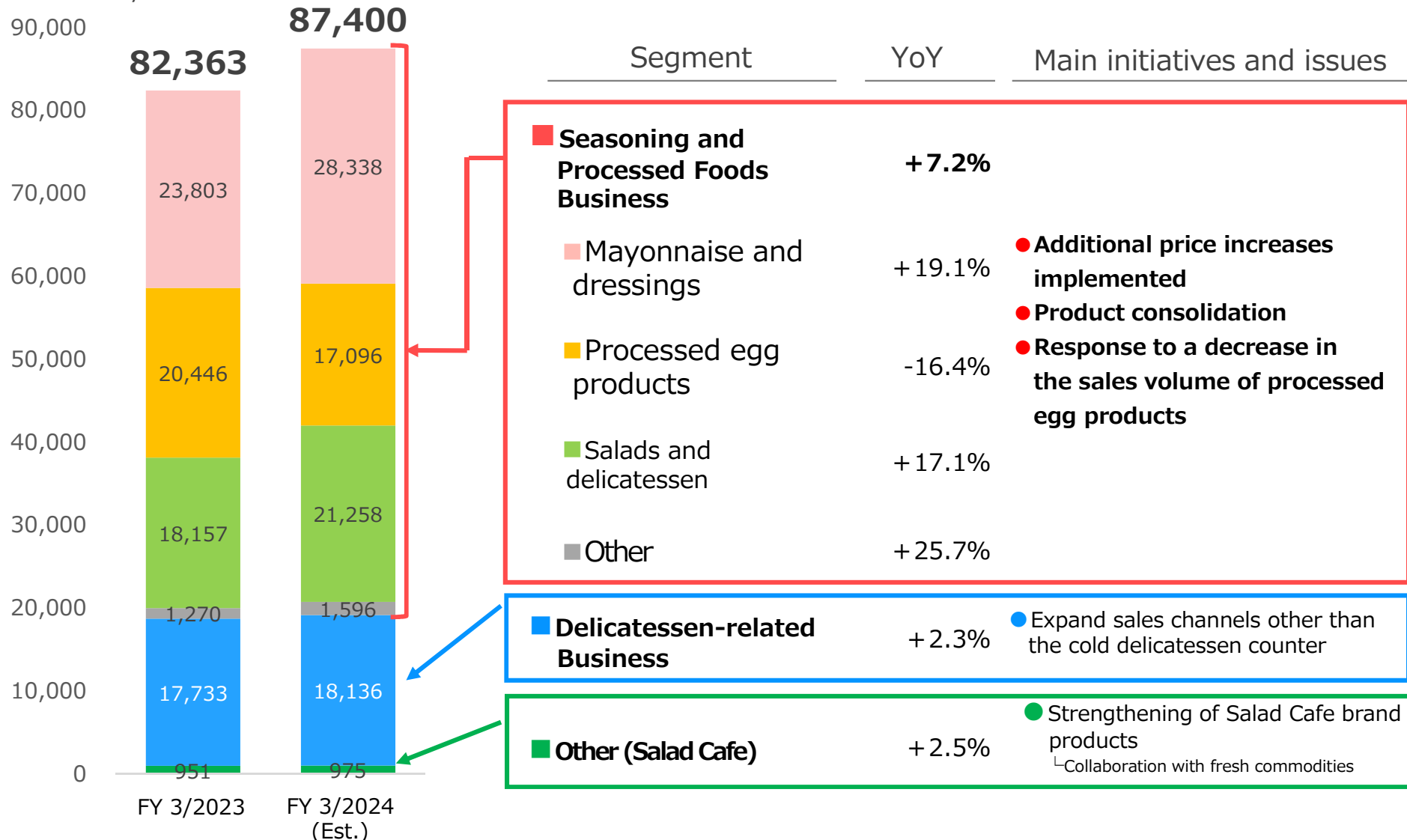
## Key Issues

- Scheduled to implement additional price increases
- Implementing product consolidation and promoting sales of products that can secure profits
- Greater efficiency  
(improved production efficiency, centralized production, reduced management costs)

**Increases in  
both sales and profit  
Recovery of profit levels**

# Forecast of Net sales by Segment for FY 3/2024

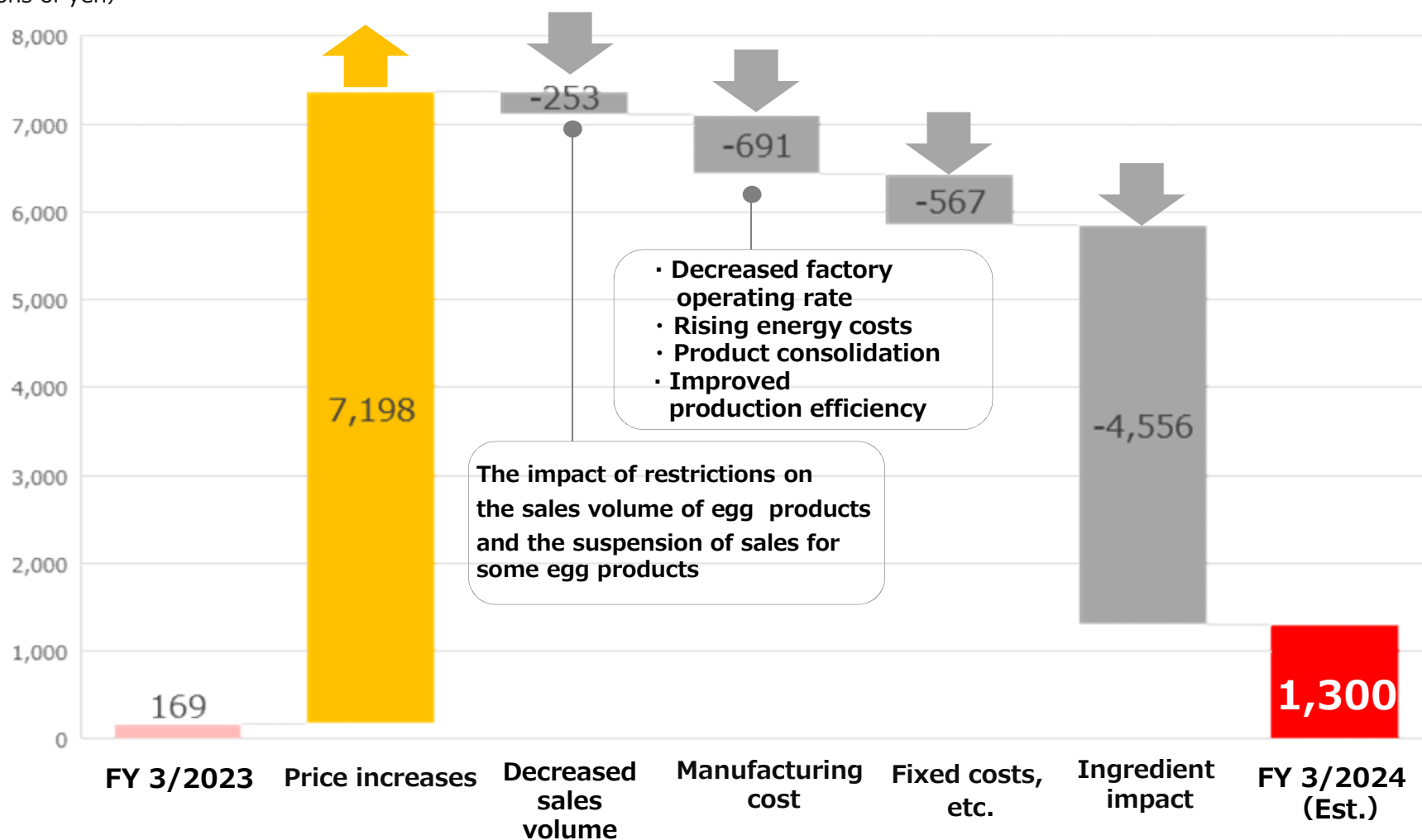
(Millions of yen)



# Forecast for Changes in Ordinary Profit (Consolidated)



(millions of yen)





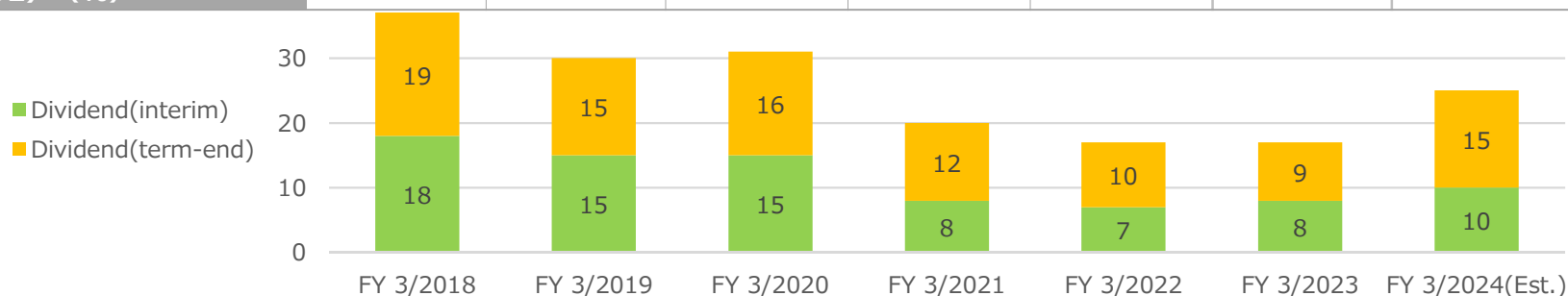
# Dividend Forecast



The Company's basic policy is to maintain continuous and stable dividends and to raise the level of dividends according to business performance, while aiming to increase corporate value.

**FY 3/2024**  
Scheduled to increase  
the dividend by **8 yen**

	FY 3/2018	FY 3/2019	FY 3/2020	FY 3/2021	FY 3/2022	FY 3/2023	FY 3/2024 (Est.)
Dividends (yen/share)	37	30	31	20	17	17	25
Payout ratio (%)	21.2	21.5	24.8	22.6	22.9	56.9	71.3
Dividend yield (%)	1.06	1.37	1.52	1.06	1.23	1.41	-
Dividend on equity (DOE) (%)	2.1	1.5	1.5	0.9	0.8	0.8	-



Dividend yield = Dividend per share (total)/Share price (closing price) as of March 31 of each year x 100

Dividend on equity (DOE) = Dividend per share (total)/((Beginning of fiscal year + Year-end consolidated net assets per share) ÷ 2) x 100

# **3. Progress of Medium-Term Management Plan**

# KENKO Transformation Plan

## Company Philosophy

CSV "Creation of Shared Value"

### Four Themes

B to B to C

Structural  
reform

Innovation

Global  
business

### Sustainability Policy

Environment



- Greenhouse gases
- Ingredients

Society



- Container/  
Packaging materials

Health



- Health
- Human resources

Transformation for improving corporate value  
and achieving sustainable growth

# Four themes in the Medium-Term Management Plan



	Four Themes	Main initiatives
	<b>B to B to C</b> Contribute by communicating our know-how to consumers	<b>Dissemination of products and know-how</b> <b>Strengthening of the EC sites</b>
	<b>Innovation</b> Create a New KENKO based on awareness of environmental conservation looking ahead to the global environment of the future	<b>Consideration of New KENKO</b> <b>Expansion of Japanese local cuisine</b>
	<b>Structural reform</b> Implement reform to grow the core business	<b>Personnel system reform</b> <b>Restructuring of core systems</b>
	<b>Global business</b> Strengthen the foundation for our global business	<b>Overseas bases</b> <b>Export sales</b>

## Dissemination of products and know-how

### ● Salad Cafe

Seize opportunities to gain recognition by opening new stores

#### ◆ New store openings

November: Shinjuku, Tokyo  
February: Aobadai, Kanagawa

#### ◆ Special event stall (Delicatessen, Sandwich and Sweets)

JR Kyoto Isetan and Matsuzakaya Takatsuki store

Shinjuku Takashimaya and Abeno Harukas  
Kintetsu Main Store

### ● Cooking lesson

Resuming face-to-face lessons  
via video and online

Kitchen Space 831

A total of 90 people attended per year  
from December 2022 face-to-face lessons resumed (full)

Ranked 1st  
in the  
national  
sponsoring  
organization  
ranking

Ranked 4th  
in the national  
popular course  
ranking for  
cooking and  
gourmet

In STOAKA web-site  
ranking  
Result of June 2022



### ● Food education activities

- Farm Love with Farmers & Kids Festa 2022
- Suginami Food Education Course (2 times)



### ● Use of SNS

Communication tool to expand fans

- Build contacts with users  
→ About **114,000** followers  
(Total Twitter/Instagram)
- Salad Cafe Insta Live (from May)  
More than 2,000 views  
The number of followers increased by approx. 370.

- A size that can be easily tasted -  
16 new products were added



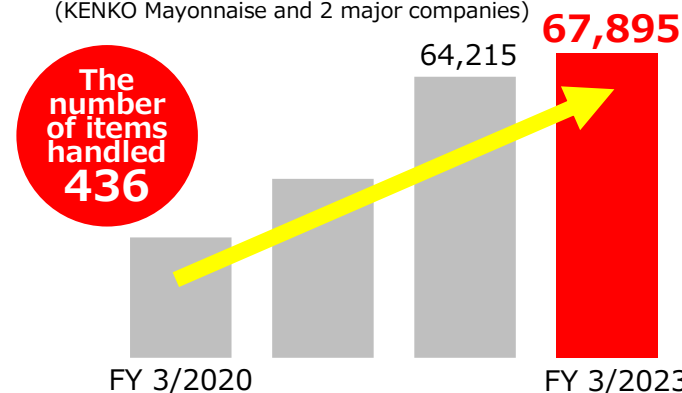
Strengthen sales to  
drugstores and mass retailers

## Strengthening of the EC sites

Create an environment where our products can be purchased at any time

[EC sales (thousand yen)]

\*Total EC sites  
(KENKO Mayonnaise and 2 major companies)



Plant-based food products made mainly from plant ingredients  
Cherish Japanese traditions: Discover and develop products that make use of the idea.



Plant-based food mainly from plant ingredients

**HAPPY!! with VEGE**



To a world where you can eat Japanese food anytime, anywhere

**Expansion of local cuisine**

New products in February 2023 ["WASAI BANSAI®" series, sales weight (tons)]



Total  
25 items



+11%



FY2022

## Initiatives for New KENKO

### ● Group General Fair

Introducing our know-how, technologies, and new products

"Stepping into tomorrow, leading to the future"

1,553 visitors



### ● Improve product value

Development of salad creamy dressing with processability and functionality

Kanto Diet Cook  
release of the 30% off calorie  
delicatessen series



### ● Regional Revitalization

Local production for local consumption and upcycling food

▶ "Fukuyama Factory Manager Series"  
Certified as the "8th Fukuyama Brand"  
EC site opened and expanded nationwide



▶ Joint development with Senrei (Onagawa-cho, Miyagi)  
"Garibata Soy Sauce of Scallop String"

Drugstores and mass retailers  
in the Tohoku region  
Now on sale (at Yakuodo, Yamazawa)



## ● Improvement activities

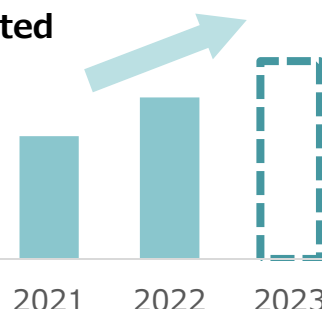
Through cross-departmental activities, progress status and success stories are visualized and activities are revitalized.

• Identify issues for improvement and loss reduction

→ **172 issues** were extracted

**49%** of the overall issues were resolved

\* In the previous fiscal year, 37.3% of the issues were resolved.



## ● Programs and Systems

Building a foundation for operations in FY2024

### • Personnel system reform

<Objective> Aim at the growth of individuals and the happiness of workers, leading to the sustainable development of the company.

### • Reform of core systems

<Objective> Strengthening of coordination of individualized systems

- Strengthening of IT in response to changing legislation
- Response to the shortage of IT human resources, etc.

## ● Worker-friendly workplace environment

• The ratio of women in managerial positions increased by 2.1% from the previous year.

• Introduction and continuation of a system that responds to life events

Promotion of taking childcare leave for moms and dads

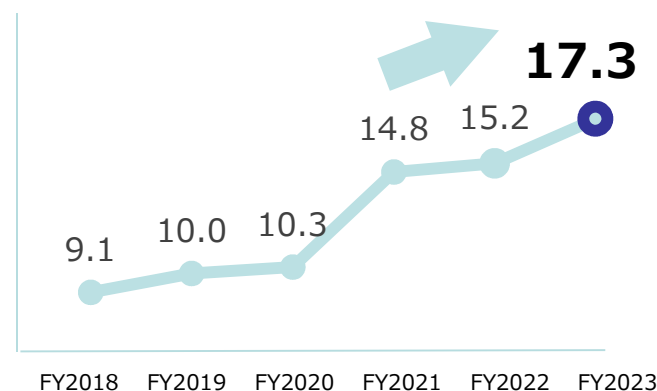
“Maternity and Childcare Leave Consultation Desk” was established in June.

We are strengthening awareness within the company and promoting understanding of the system.

• Improve organizational capabilities and skills through training tailored to each level

Third-year Young Career Training, Female Career Training, etc.

## 〈Proportion of female managers〉 (%)





## ● For export

### ● Export sales increased 7% year on year



- Renewal of the English version of the website  
(number of accesses **increased by 84%** compared to before renewal)

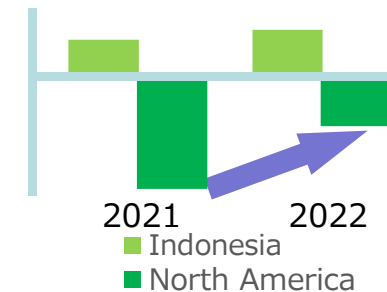
- New product Sesame Mayo Sauce released shelf life 300 days

- Five items with extended shelf lives realized 300 days or more



## ● Overseas bases

- Profit increased year-on-year in both Indonesia and North America



## ● Increased corporate value

- Disclosure of the English version of the Integrated Report



- All seven factories have acquired the certification of international standard FSSC22000 (Food Safety System Certification)
- Secure and develop global human resources



# Company Philosophy



## Environment

To become  
an environmentally  
friendly company

Carbon neutrality

Recycling-based economy



## Society

To bring happiness  
to stakeholders

Happiness of workers

Harmony with local communities  
and society



## Health

For healthy lives

To provide safe,  
reliable products

To promote health-oriented  
management

**Creation of a sustainable society**

## Key Issues

Greenhouse  
gases

Ingredients

Container/  
Packaging materials

Health

Human  
resources

### Reaching medium-to long-term goals and strengthening initiatives

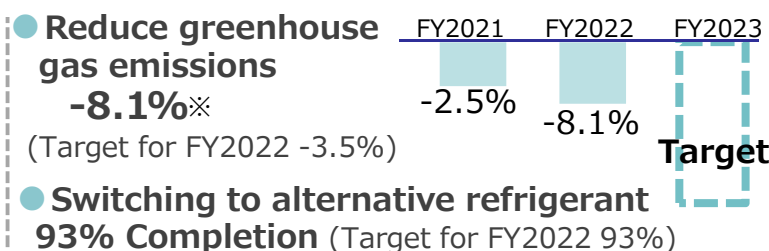
► Sustainability Promotion Office established in April 2022

#### Goals

#### Initiatives for FY2022

#### Goals for FY2023

#### Reduction of greenhouse gases



Reduction of CO<sub>2</sub>

Revised target **-9.1%\***  
(Initial target -3%)

Alternative CFCs

Promote switching to alternative refrigerant

#### Use of sustainable packaging materials



● Lightweight packaging material

● Expand merchandise, outer bags of which are switched to biomass ink

#### Reduction of waste

● Waste reduction **-12.4%\***  
(Target for FY2022 -9.6%)

Breakdown

Sludge reduction

Utilization of animal and plant residues

Reduction of waste and processing losses



Revised target **-13.4%\***  
(Initial target -5%)

March 2023

The Company declared its endorsement of the “Task Force on Climate-related Financial Disclosures (TCFD)” recommendation.

Based on the TCFD recommendation, we will analyze the risks and opportunities that climate change brings to our business and disclose information on our corporate website.



&lt;Risks and opportunities based on climate change scenarios (partial)&gt;

See here for details: (Only Japanese language)

<https://www.kenkomayo.co.jp/cms/img/pages/csr/eco/tcf2023.pdf>

Item	Disclosed content
<b>Governance</b>	Governance of the organization related to climate-related risks and opportunities
<b>Strategy</b>	The actual and potential impact of climate-related risks and opportunities on the organization's business, strategies and financial plans
<b>Risk Management</b>	How the organization selects, manages and assesses climate-related risks
<b>Metrics and Targets</b>	Indicators and targets used to assess and manage climate-related risks and opportunities

Risks	Risk Business impact	Measures and opportunities
<b>Transition Risks</b>	<ul style="list-style-type: none"> <li>Fluctuations in energy costs</li> <li>Energy conservation policy</li> <li>Development of low-carbon technologies</li> <li>Changes in customer behavior and reputation</li> </ul>	<ul style="list-style-type: none"> <li>High efficiency of resources, such as energy conservation</li> <li>Selection of packaging materials and materials with consideration for the environment</li> <li>Development of plant-based food</li> <li>Dissemination of information on implementation of climate change initiatives</li> </ul>
<b>Physical Risks</b>	<ul style="list-style-type: none"> <li>Fluctuations in raw material costs</li> <li>Intensifying abnormal weather conditions</li> </ul>	<ul style="list-style-type: none"> <li>Decentralization of raw material production areas</li> <li>Strengthening of cooperation with suppliers</li> <li>Formulation of a BCP based on the assumption of meteorological disasters</li> </ul>

# Important Issues for FY 3/2024

Consolidated net sales :  
**87.4 billion yen**

Consolidated ordinary profit :  
**1.3 billion yen**

**Recovering profit is  
our top priority.**

## ( I ) Price increases

- Review price increases based on an appropriate assessment of raw material market conditions

FDF prices will be revised from July 2023.

## ( II ) Product consolidation

- Selection and sales promotion of products that can secure profits

## ( III ) Greater efficiency

- Increased production efficiency
- Centralized production
- Reduced management costs

## KENKO Transformation Plan

**B to B to C**

**Innovation**

**Structural reform**

**Global business**

**Sustainability**

### The external environment

Soaring raw material costs

Rising energy costs

Logistics 2024 Problem

Increased inbound demand

Recovery of the flow of people

Talent Shortage

Global warming

Increased health awareness

# For Inquiries

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- **Notes on the future outlook**

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