

KENKO Mayonnaise Co., Ltd.
[Securities code: 2915]

Material for the Briefing Session for FY 3/2021

May 19, 2021



Overview of the Results for FY 3/2021

Highlights of the Results for FY 3/2021 (Consolidated)



Net sales

68,502 million yen

(Down 8.0% YoY)

(Up 0.7% from the estimate)

Ordinary profit

2,050 million yen

(Down 31.7% YoY)

(Up 0.5% from the estimate)

Profit attributable to
owners of parent

1,458 million yen

(Down 29.2% YoY)

(Up 10.5% from the estimate)

⇒ Sales and profit dropped, but maintained **almost at the same level** as the forecast (announced in August 2020).

Sales

● Seasoning and Processed Foods Business ⇒ Decline in sales and profit

- The segment performance was considerably affected by COVID-19, mainly in the restaurant sector.
- The sales of salads and delicatessen, processed egg products, mayonnaise and dressings decreased.

● Delicatessen-related Business, etc. ⇒ Increase in sales and profit

- The demand for delicatessen at mass retailers was healthy.

Profit

We revised our business plan and reduced fixed costs and other expenses.

Results for FY 3/2021 (Consolidated)

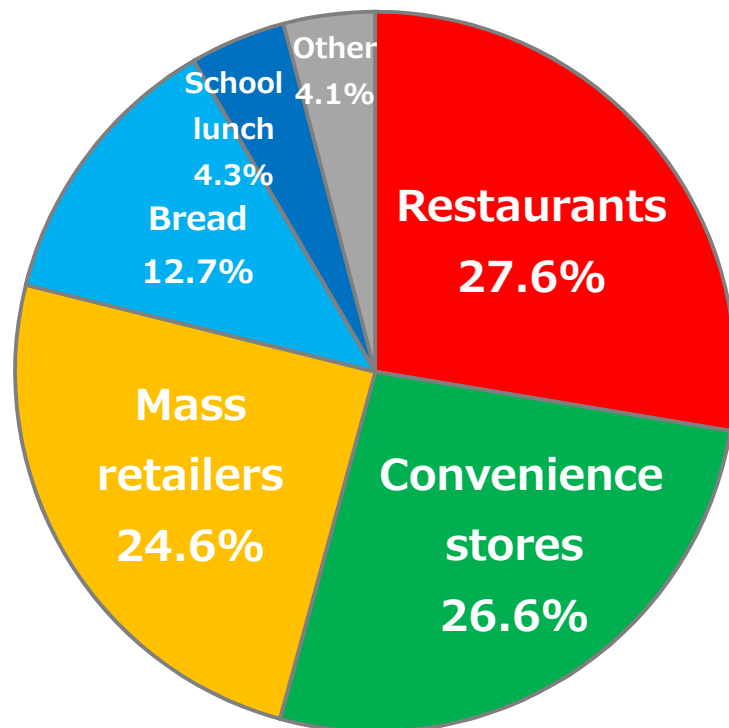


Summary of the consolidated statements of income Unit: million yen	FY 3/2020	FY 3/2021			Forecast for FY 3/2021 (announced on August 11, 2020)
	Amount	Amount	YoY	Compared with the estimate	Amount
Net sales	74,480	68,502	-8.0%	+0.7%	68,000
Gross profit	17,844	15,859	-11.1%		-
(Gross profit margin) %	24.0%	23.2%			-
Selling, general and administrative expenses	14,944	13,882	-7.1%		-
Operating profit	2,900	1,976	-31.9%	-5.9%	2,100
(Operating profit margin) %	3.9%	2.9%			3.1%
Ordinary profit	3,003	2,050	-31.7%	+0.5%	2,040
(Ordinary profit margin) %	4.0%	3.0%			3.0%
Profit before income taxes	3,104	2,140	-31.1%		-
Profit attributable to owners of parent	2,058	1,458	-29.2%	+10.5%	1,320
(Net profit margin) %	2.8%	2.1%			1.9%
Earnings per share	124.94 yen	88.51 yen			80.12 yen

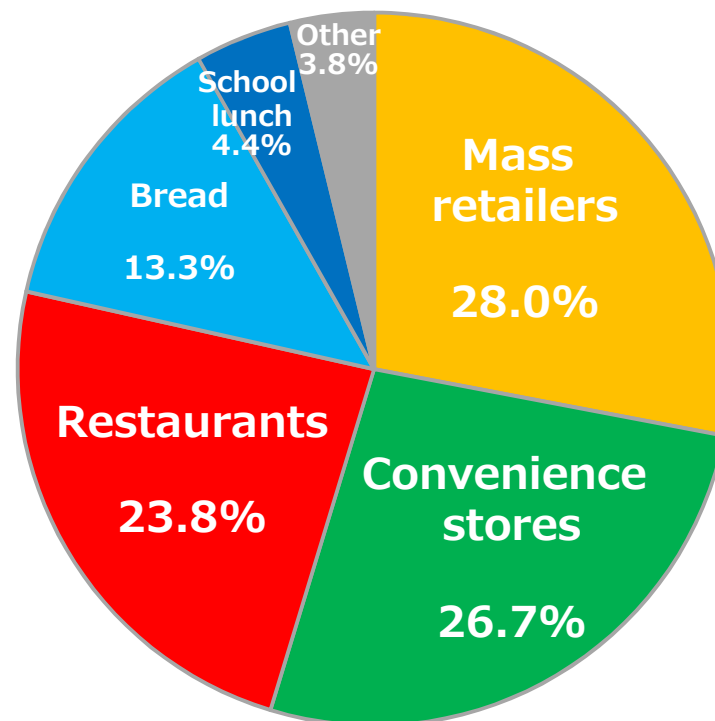
Sales by Sector (Consolidated)



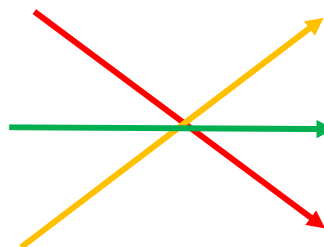
FY 3/2020



FY 3/2021

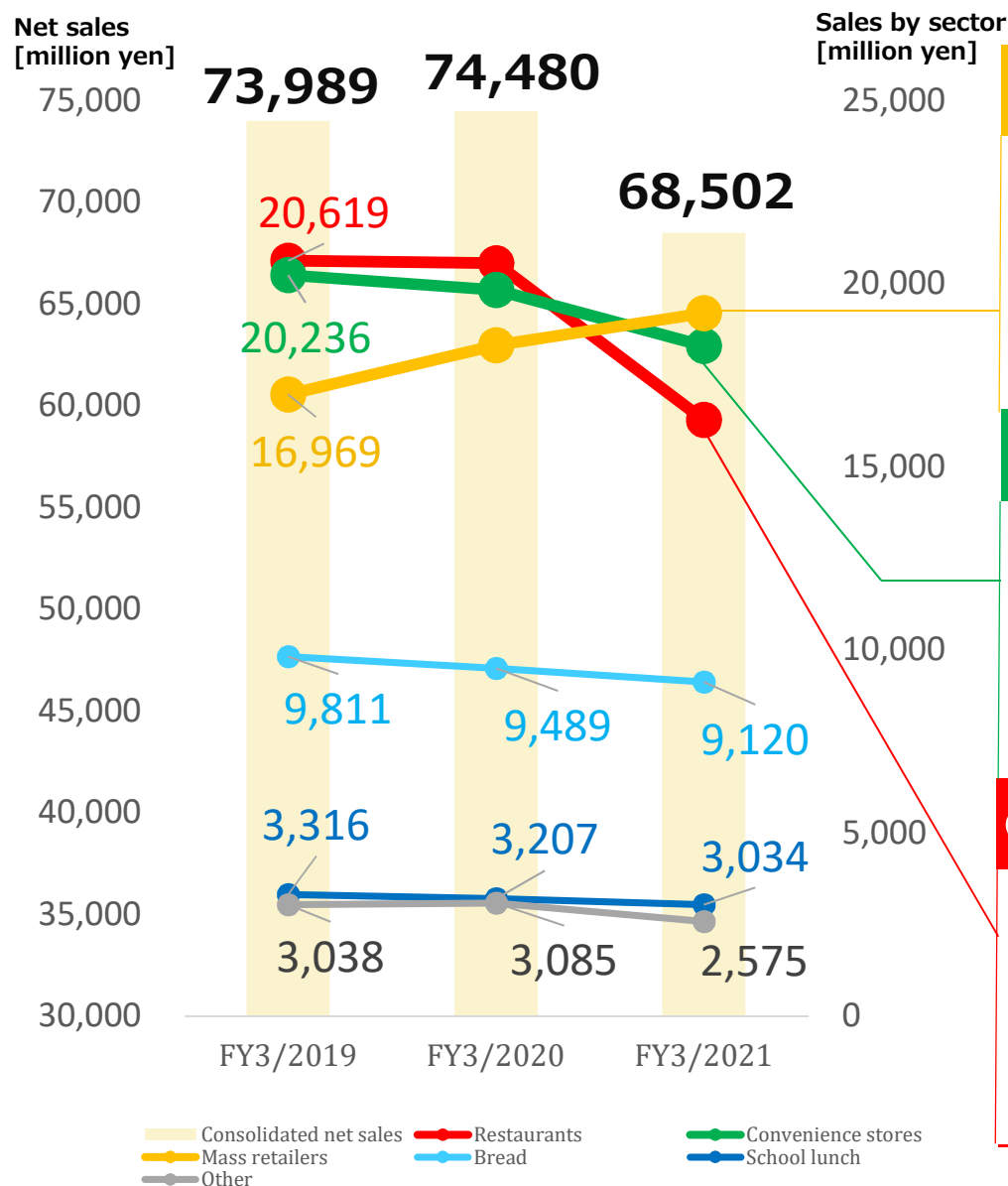


1	Restaurants
2	Convenience stores
3	Mass retailers



1	Mass retailers
2	Convenience stores
3	Restaurants

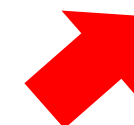
Variations in Sales by Sector (Consolidated)



● Mass retailers

FY 3/2020 FY 3/2021
18,315 million yen ⇒ **19,195** million yen

+4.8%



● Convenience stores

FY 3/2020 FY 3/2021
19,828 million yen ⇒ **18,301** million yen

-7.7%



● Restaurants

FY 3/2020 FY 3/2021
20,556 million yen ⇒ **16,277** million yen

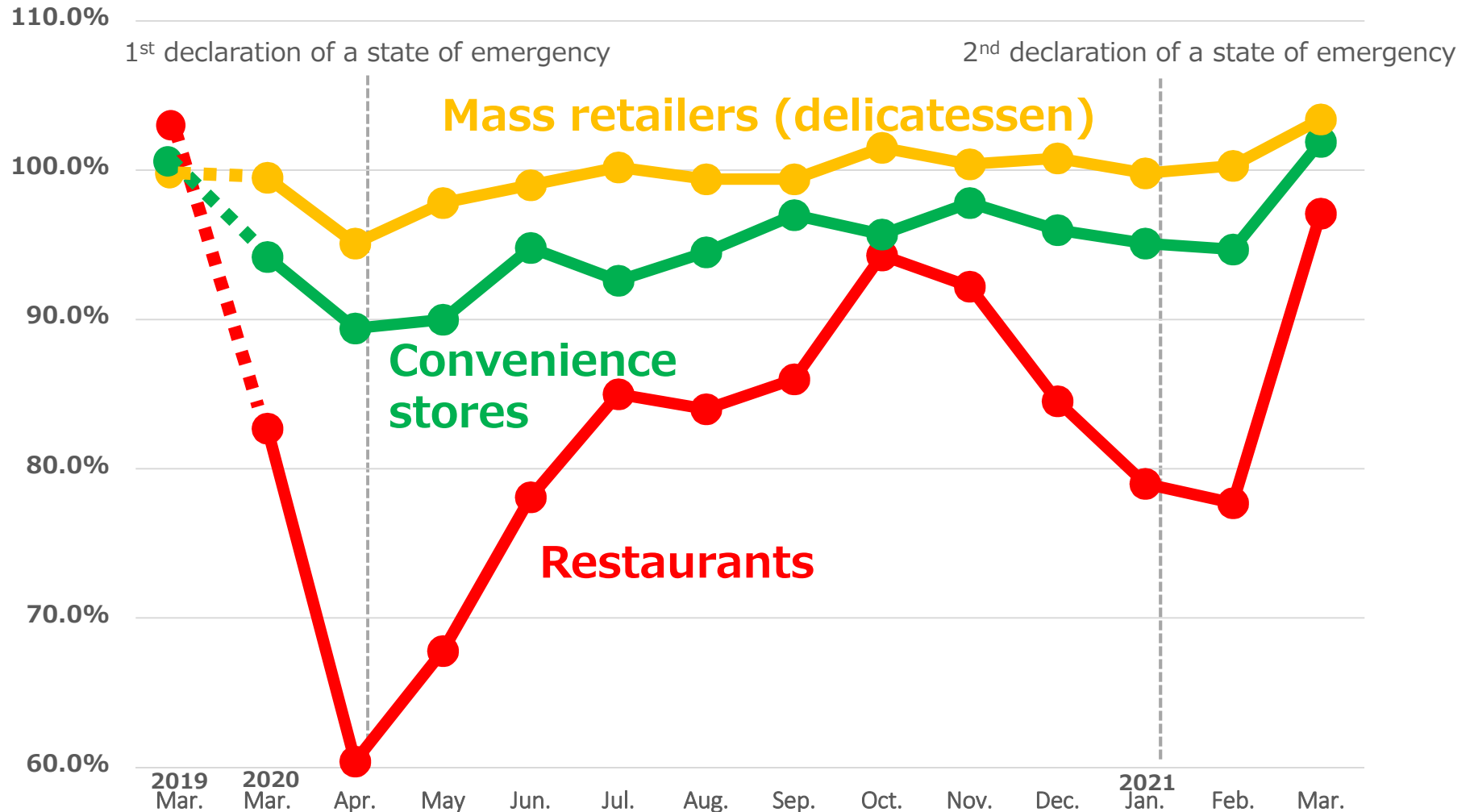
-20.8%



(Reference) Trends by Industry



Trends by Industry (YoY sales growth rate)



Sources

Restaurants: Japan Foodservice Association's survey on the restaurant market trend

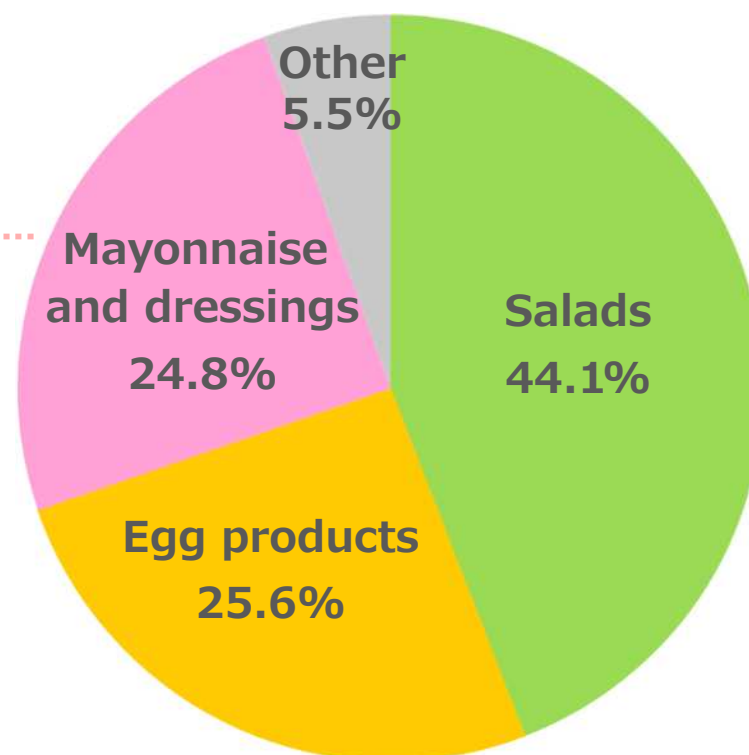
Mass retailers (delicatessen): Survey on sales at supermarkets (National Supermarket Association of Japan, Japan Supermarkets Association, and All Japan Supermarket Association)

Convenience stores: Statistical data on convenience stores provided by Japan Franchise Association

Sales by Product (Consolidated)



FY 3/2021



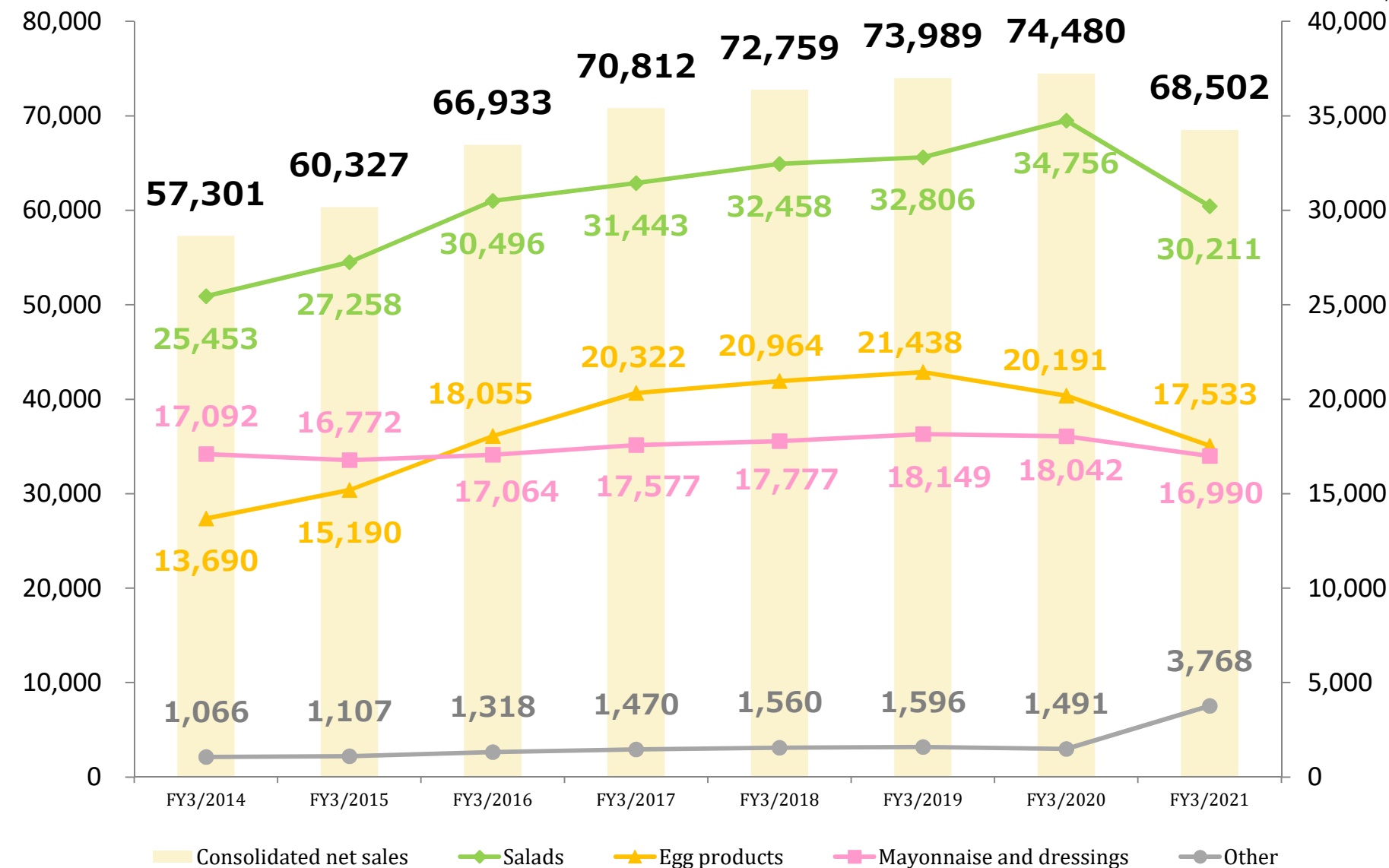
Note:
The photos are for
example purposes
only.

Variation in Sales by Product (Consolidated)



Net sales
Unit: million yen

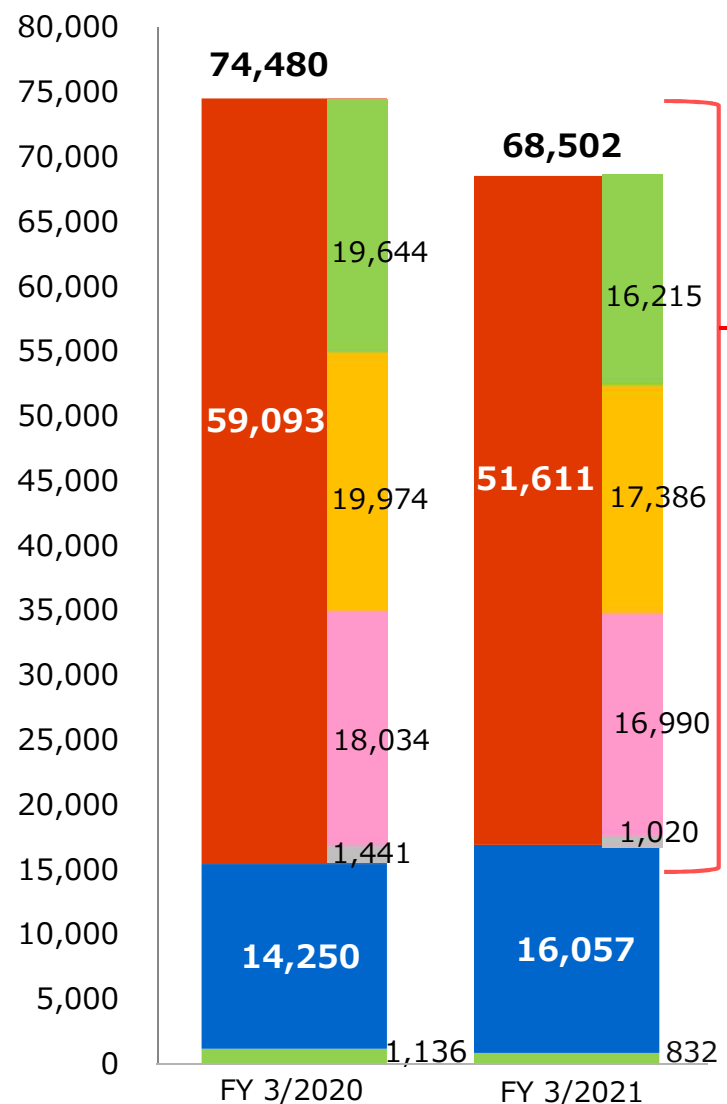
Sales by Product
Unit: million yen



Overview of Net Sales by Business Segment(Consolidated)



Unit: million yen



Seasoning and Processed Foods Business

• **Net sales: Down 12.7%**

- Sales weight: Down 12.3% Unit selling price: Down 2.7 yen/kg
- The segment performance was considerably affected by COVID-19, mainly in the restaurant sector.
- The sales decreased in each sector.
- **Salads and delicatessen** (net sales down 17.5% ; sales weight down 18.4%)
- **Processed egg products** (net sales down 13.0% ; sales weight down 13.2%)
- **Mayonnaise and dressings** (net sales down 5.8% ; sales weight down 5.9%)

Delicatessen-related Business

• **Net sales: +12.7%**

Fresh delicatessen (daily delivered salads and delicatessen), undertaking production inside the corporate group

- The demand for delicatessen at mass retailers is healthy.
- The sales of Kanagawa Factory of KANTOH DIETCOOK Co., Ltd. is growing steadily.

Other

• **Net sales: Down 26.8%**

Mainly the shop business (Salad Cafe)

- The sales of Salad Cafe dropped, due to the voluntary restraint of going out, etc. amid the COVID-19 pandemic.

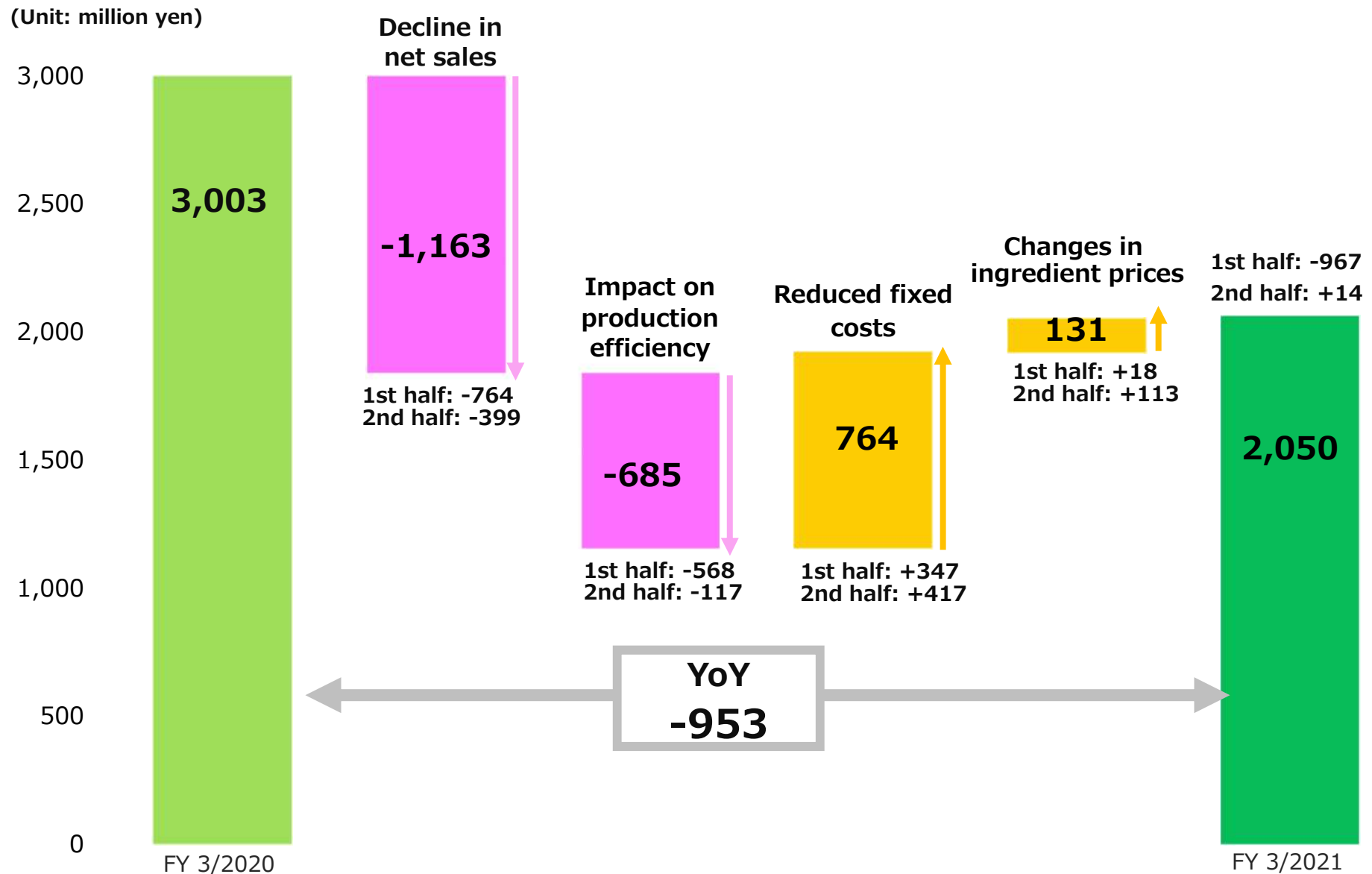
■ Seasoning and Processed Foods Business ■ Delicatessen-related Business ■ Other
(■ Salads and delicatessen ■ Processed egg products ■ Mayonnaise and dressings)

Net Sales and Profit by Business Segment (Consolidated)



Unit: million yen	FY 3/2020	FY 3/2021	YoY	
			difference	%
Net sales	74,480	68,502	-5,978	-8.0%
Seasoning and Processed Foods Business	59,093	51,611	-7,481	-12.7%
Delicatessen-related Business	14,250	16,057	+1,806	+12.7%
Other	1,136	832	-304	-26.8%
Segment profit	3,003	2,050	-952	-31.7%
Seasoning and Processed Foods Business	2,532	1,617	-915	-36.1%
Delicatessen-related Business	396	541	+145	+36.6%
Other	80	-35	-115	-
Adjustments	-6	-72	-66	-

Factors in Changes in Ordinary Profit (Consolidated)



Overview of the Balance Sheet (Consolidated)



*Includes long-term accounts payable - other

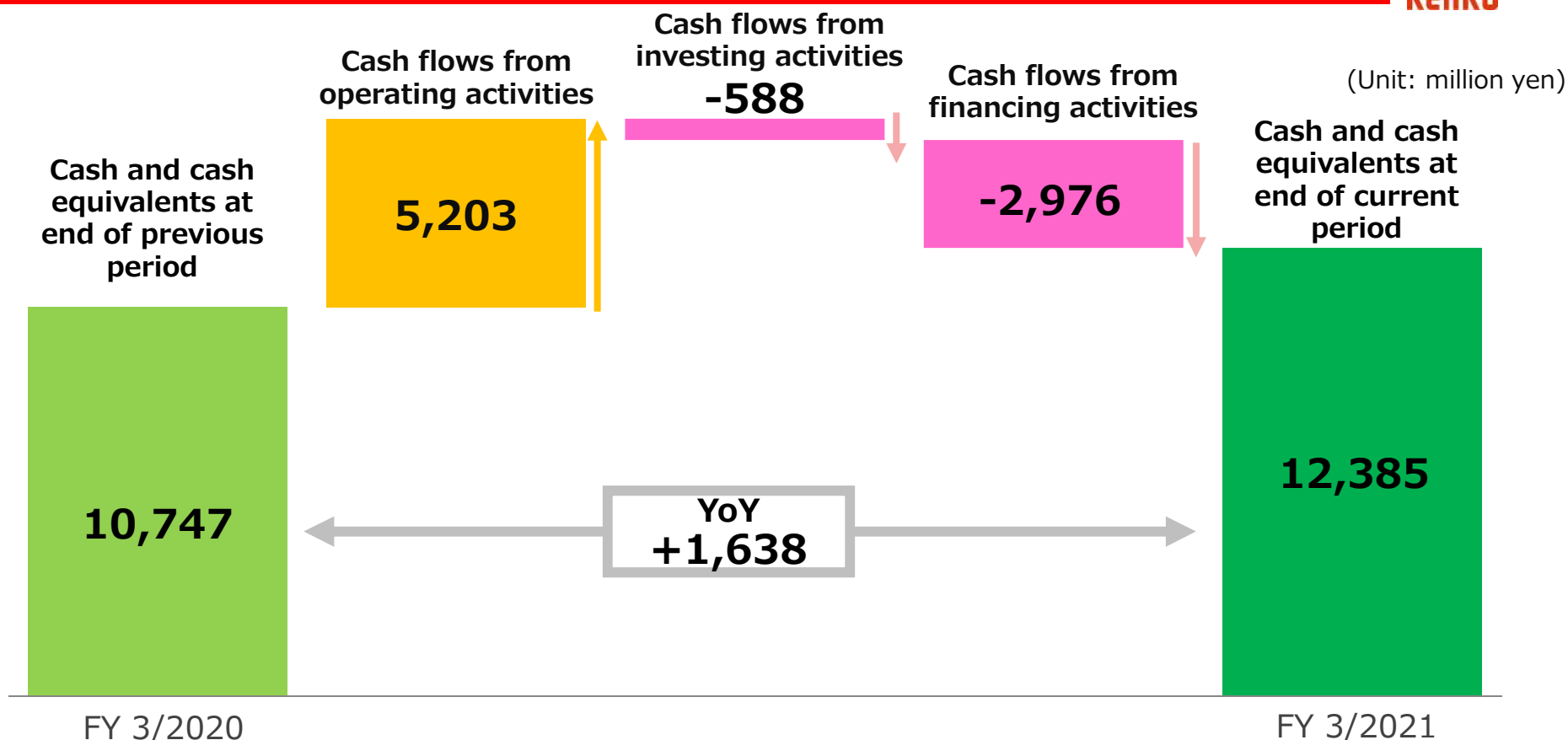
Unit: million yen

		FY 3/2020	FY 3/2021	Difference	Change from FY 3/2020 end (%)
Assets	Current assets	25,617	26,317	+699	+2.7%
	Non-current assets	38,149	36,003	-2,146	-5.6%
Total assets		63,767	62,320	-1,447	-2.3%
Liabilities	Balance of interest-bearing debt*	15,633	13,059	-2,573	-16.5%
		29,664	26,742	-2,922	-9.9%
Net assets		34,103	35,577	+1,474	+4.3%
Total liabilities and net assets		63,767	62,320	-1,447	-2.3%
Net assets per share		2,069.93 yen	2,159.46 yen	+89.53 yen	+4.3%
Equity ratio		53.5%	57.1%	+3.6%	

Total assets decreased by 1,447 million yen, mainly due to the depreciation of new production sites.

- Equity ratio rose to 57.1%, through the steady repayment of interest-bearing debt.

Overview of Cash Flows (Consolidated)



- In response to the decline in sales and profit, we made efforts to improve the efficiency of use of funds, by such as reducing inventory assets and revising capital investment plans. As a result, the balance of cash and deposits increased by 1,638 million yen from the end of the previous term, and cash on hand grew (enhancing our capacity to respond to emergencies).

Outlook for FY 3/2022

Earnings Estimate for FY 3/2022 (Consolidated)

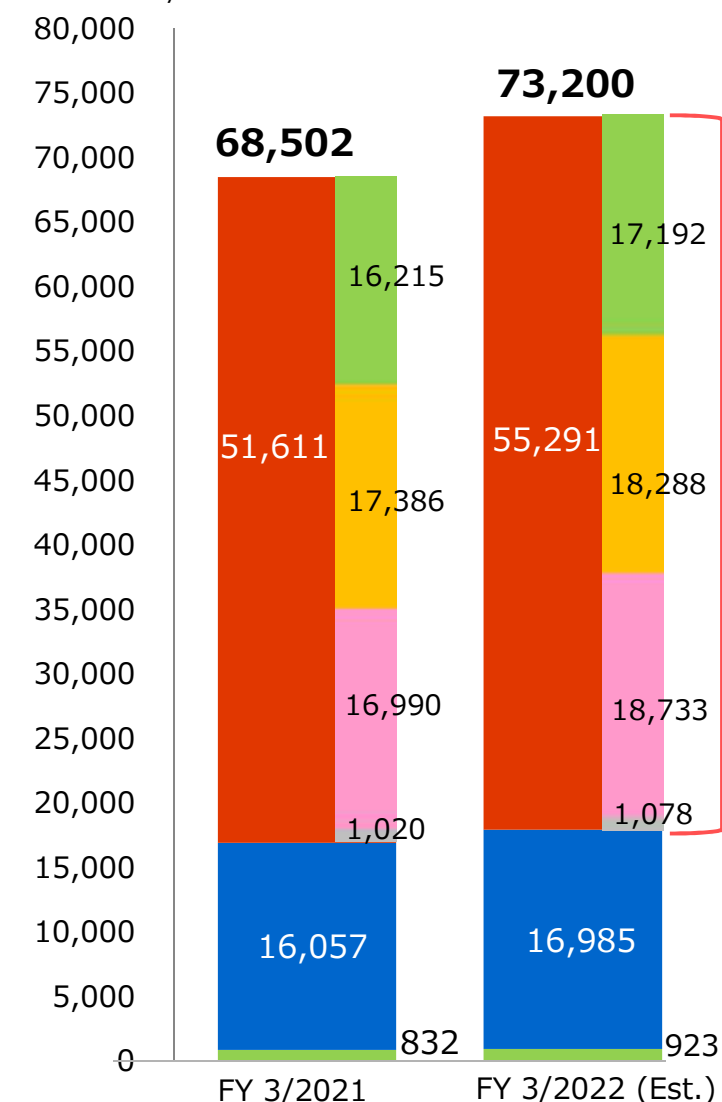


Summary of the consolidated statements of income Unit: million yen	FY 3/2021	FY 3/2022 (estimate)	
	Amount	Amount	YoY
Net sales	68,502	73,200	6.9%
Gross profit	15,859	-	
(Gross profit margin) %	23.2%		
Selling, general and administrative expenses	13,882	-	
Operating profit	1,976	1,430	-27.6%
(Operating profit margin) %	2.9%	2.0%	
Ordinary profit	2,050	1,500	-26.9%
(Ordinary profit margin) %	3.0%	2.0%	
Profit before income taxes	2,140	-	
Profit attributable to owners of parent	1,458	1,050	-28.0%
(Net profit margin) %	2.1%	1.4%	
Earnings per share	88.51 yen	63.73 yen	

Forecast of Net Sales by Business Segment (Consolidated)



Unit: million yen



■ Seasoning and Processed Foods Business ■ Delicatessen-related Business ■ Other
 (■ Salads and delicatessen ■ Processed egg products ■ Mayonnaise and dressings)

Seasoning and Processed Foods Business

● **Nets sales: +7.1%**

Forecast for FY 3/2022

Salads and delicatessen

+6.0%

Processed egg products

+5.2%

Mayonnaise and dressings

+10.3%

- Plan to revise the prices of mayonnaise products in July and onwards.
- Enrich our product lineup for new lifestyles.
 - ⇒ Meet takeaway and delivery needs.
- Increase sales channels, such as drugstores.

Delicatessen-related Business

● **Net sales: +5.8%**

Fresh delicatessen (daily delivered salads and delicatessen), undertaking production inside the corporate group

- Meet the demand for delicatessen, which is growing amid the COVID-19 pandemic.

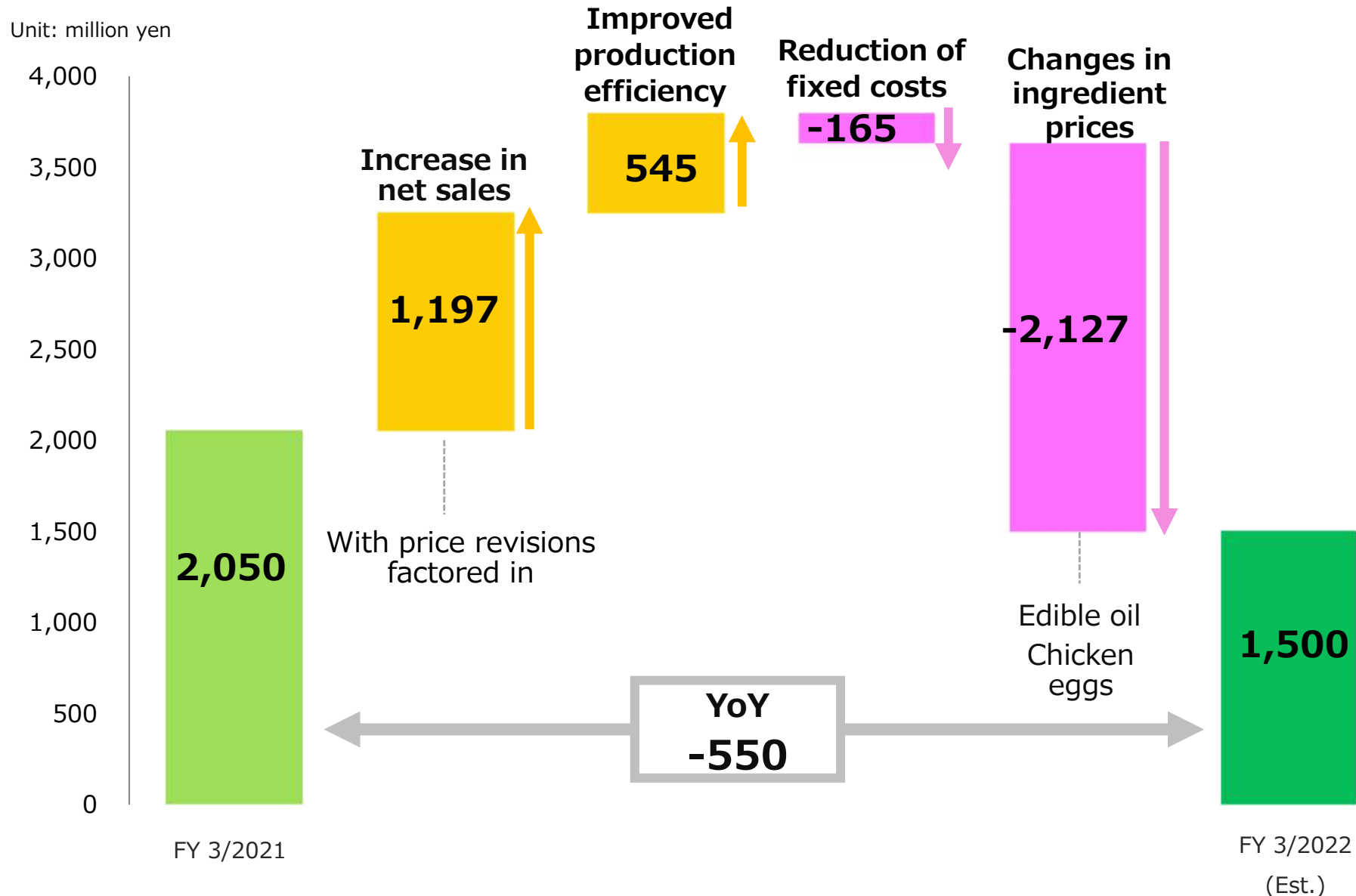
Other

● **Net sales: +10.9%**

shop business (Salad Cafe) and overseas business

- Brand improvement ⇒ Increase fans via social media
- Share information and cement cooperation with Diet Cook Supply.

Forecast for Changes in Ordinary Profit (Consolidated)



(Reference) Market Prices of Ingredients



● Edible oil

• Japanese oil makers revised the prices of their products in March 2021.

⇒ They plan to revise the prices again in the future.

• As the inventory of old crops of soybeans and rapeseed is insufficient, the market prices of new crops have already risen.

Market prices are estimated to skyrocket

● Chicken eggs

• The market price has been rising since the beginning of the year, due to the bird flu, which spread from November last year.

• The price of compound feeds, which accounts for 60% of the cost for producing chicken eggs, is continuously rising, due to the skyrocketing of the market prices of corn and soymeal in Chicago.

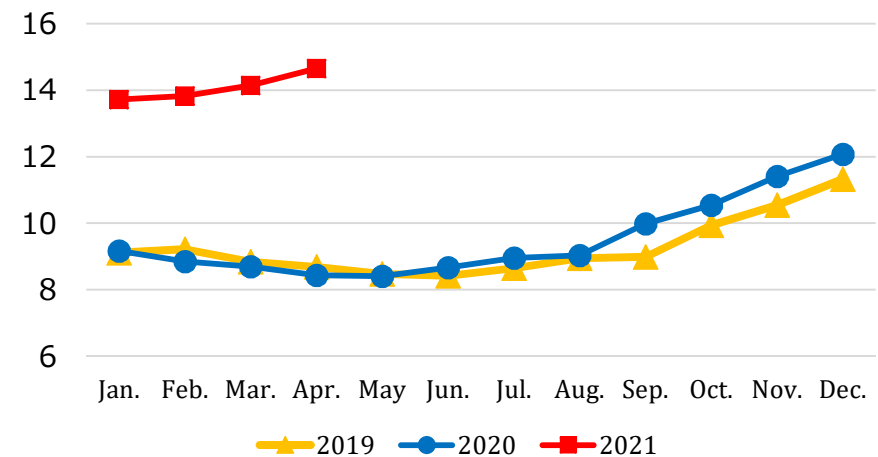
⇒ Our production costs also augmented accordingly.

In FY2021, it is projected to remain high.

Soybeans

(Monthly average of market price of soybeans in Chicago)

Unit: dollars/bushel

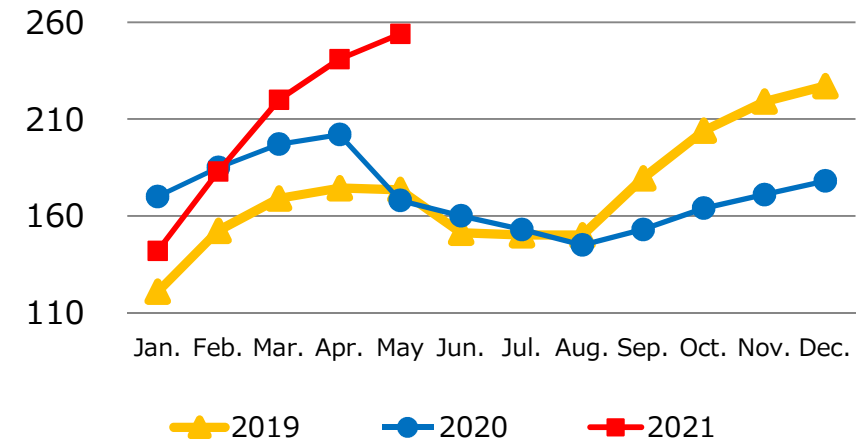


Chicken eggs

(Zenno Egg Size M [Tokyo])

*May 2021

Unit: yen

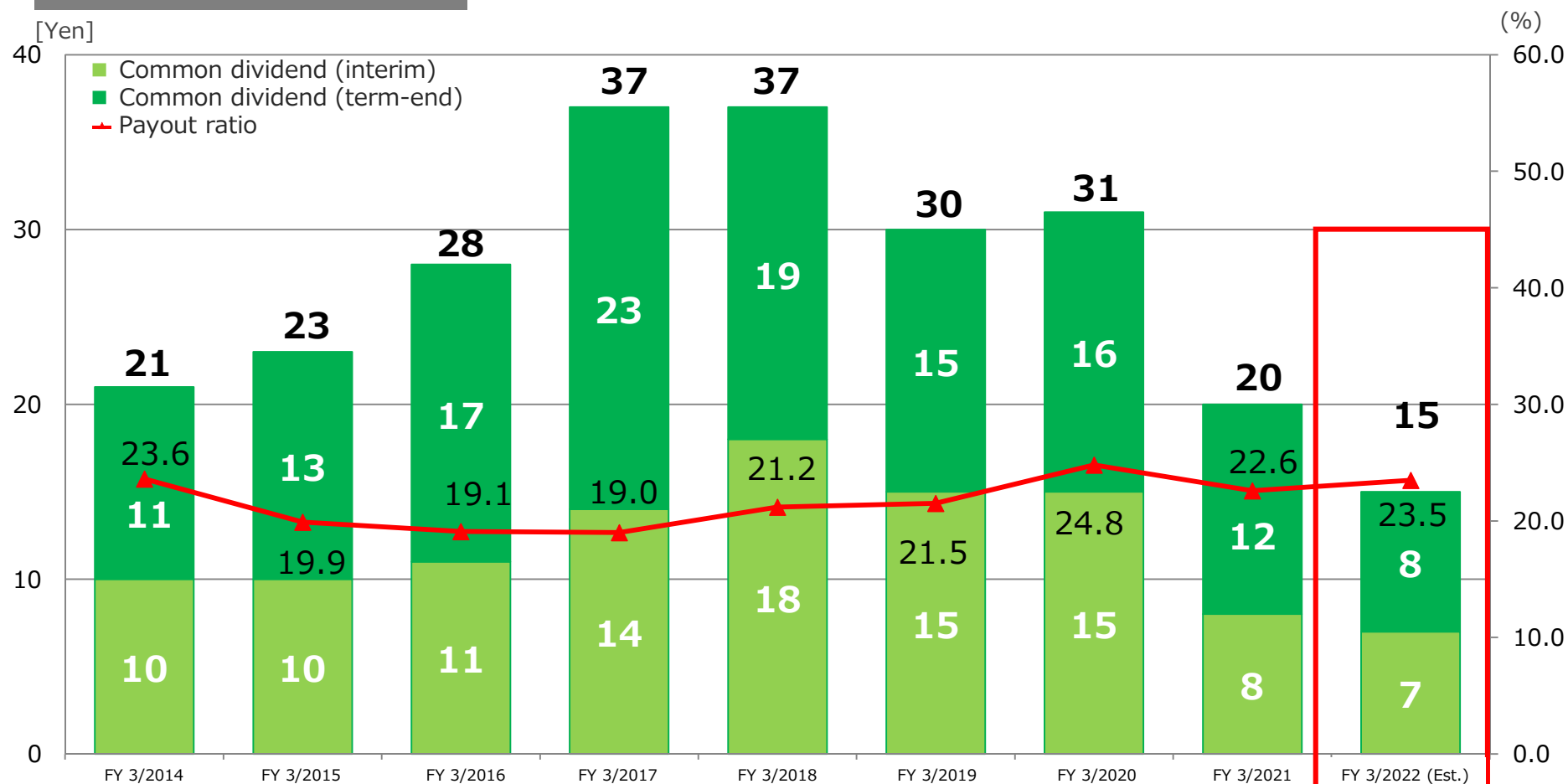


Dividends and Return to Shareholders



Basic policy

- To continue the stable payment of dividends
- To increase the dividend level according to performance



Medium-Term Management Plan from FY2021 to FY2023

Changes in the Business Environment



Business environment

COVID-19

- Changes in lifestyles
- Focus on health and immunity
- Diversification of workstyles

Food products

- Diversification of the dietary environment
- Intensification of competition among business sectors

Demographic dynamics (Japan)

- Declining population and birthrate, and aging
- Increase of single-person households

Environment and society

- ESG and SDGs
- Food loss issues
- Abnormal weather and large-scale disasters

Global

- Overseas interest in Japanese cuisine
- New dietary culture

Digital

- Digital transformation (DX)
- Utilization of AI and robot technologies

Issues to be dealt with

- To cope with the COVID-19 and adapt to the post-pandemic society
- To grow the core business continuously
- To seek new businesses while keeping an eye towards the future
- Shift to ESG- and SDGs-oriented corporate management
- To promote globalization
- To promote DX



New Medium-Term management plan from FY2021 to FY2023

KENKO Transformation Plan

Transformation for improving corporate value
and achieving sustainable growth

Four Themes

1. B to B to C
2. Innovation
3. Structural reform
4. Global business

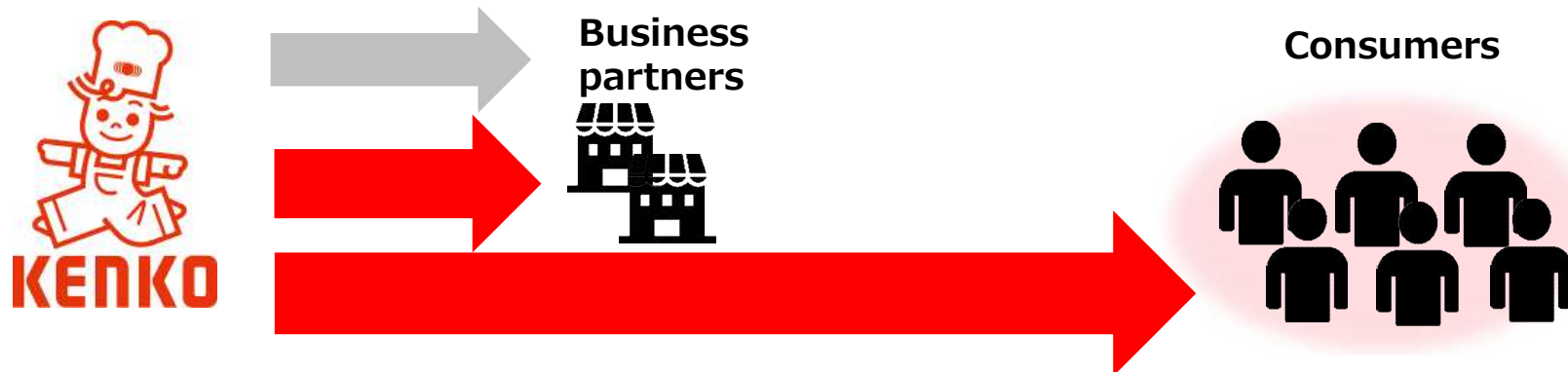
Sustainability Policy

Environment	To become an environmentally friendly company
Society	To bring happiness to stakeholders
Health	To care for mental and physical health and lives

Four Themes: (1) B to B to C



To conduct B to B to C businesses while coping with the COVID-19 and looking ahead to the post-pandemic market



To increase opportunities for consumers to get to know our company firsthand

Recognition

Interest

Search

Purchase

Sharing

Web
Social
Media

☐ Video content (recipes, dietary education, and factory tours)

☐ Expansion of EC sites

☐ Enrichment of websites (for menus)

Products

☐ One-portion products for eating alone ☐ Ingredients for local cuisines and specialties

☐ Response to the COVID-19 pandemic (to meet takeaway and delivery needs)

Activities &
Research

☐ Cooking lessons (Kitchen Space 831)
⇒ Promotion of nutrition

☐ Research into vegetables and salads
⇒ To find the strong points of vegetables

Four Themes: (2) Innovation



Crystallize our New KENKO vision into eco-friendly services.



Four Themes: (2) Innovation



Improvement in corporate value = Social value x Economic value

Product strategies

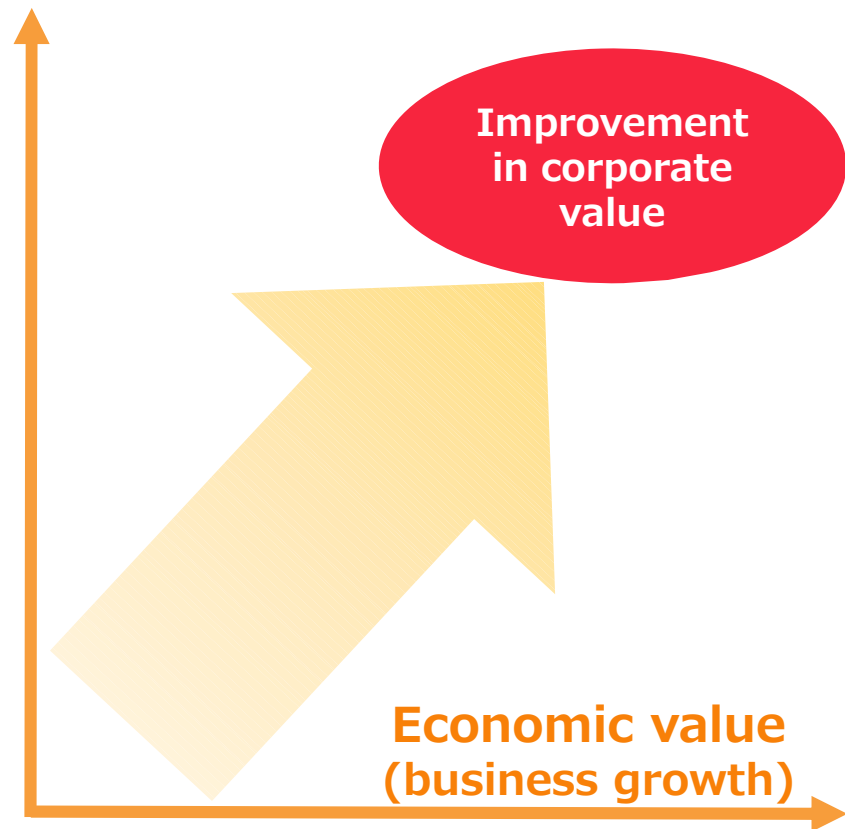
- To extend best-before periods
- Clean labels (transparency and added value)
- Upcycling (to use up vegetables from roots to leaves)

Production strategies

- To realize carbon neutrality
⇒ Designate Shizuoka Fujisan Factory a model sustainable factory
With solar panels installed, CO2 emissions are reduced by 3%/yr.
- Collaborative initiatives between industry and academia



Social value (sustainability)



Economic value
(business growth)

Four Themes: (3) Structural Reform



To execute reform for growing the core business

Business expansion

Growth of the core business

- **Market- and service-specific strategies**
⇒ Form 26 specific teams
- **Initiatives for new sales channels**
⇒ To expand sales channels on new dietary trends amid the COVID-19 pandemic

Reform and improvement

Workstyles

- HR system • Welfare
- **Personnel development**
⇒ To motivate employees

Systems

- **Promotion of DX**
⇒ To improve business operations again
- **Enhancement of corporate governance**

Improvement activities

- **Reform of employees' mindsets**
⇒ Raising environmental awareness
⇒ Educational activities for improving productivity

Four Themes: (4) Global Business



To strengthen the foundation for our global business

Overseas footholds

- **North America:** To plan the establishment of footholds in the U.S. market
- **Indonesia:** To expand the support for IKI

Development of products and HR

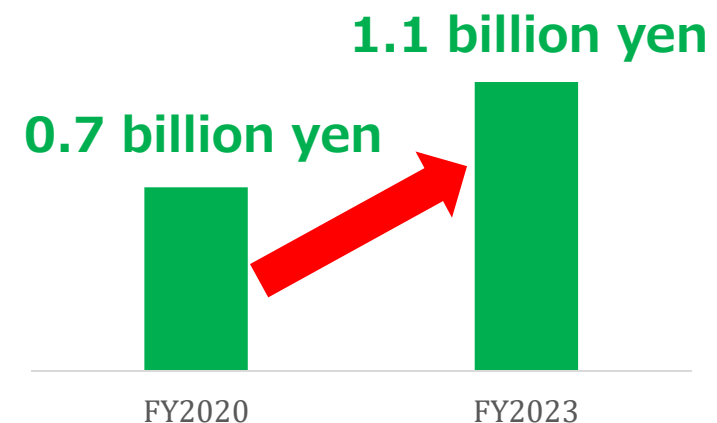
- **Utilization of overseas research centers**
⇒ Product development considering global food trends (plant-based, vegan, etc.)
- **Enrichment of the lineup of products to be exported**
- **Strengthening of global human resources**

Export and sale

- **To increase exports and destinations**
(as of Mar. 2021: 46 countries/regions)

⇒ Major targets:
The U.S., Canada, Australia, Taiwan, and Indonesia

Target sales from export



Sustainability: (1) Policy and Issues



Company
Philosophy

Contributing to the world by
providing quality foods

Sustainability policy

Five Issues

Environment

To become an environmentally friendly company

Ideal state

- Carbon neutrality
- Recycling-based economy

Society

To bring happiness to stakeholders

Ideal state

- Happiness of workers
- Harmony with local communities and society

Health

To care for mental and physical health and lives

Ideal state

- To provide safe, reliable products
- To promote health-oriented management

Greenhouse gases



Ingredients



Container/
packaging materials



Health



Human resources







Sustainability: (2) SDGs-oriented initiatives



Greenhouse gases

- To reduce CO₂
⇒Shift to environmentally friendly equipment
- To use renewable energy
- Streamline logistics management

Ingredients

- To reduce food loss
⇒Development of upcycled products
⇒Extension of best-before periods
- To adopt sustainable ingredients





Container/ packaging materials

- To reduce the use of plastics
- To promote 3R activities
- To select environmentally friendly materials





Health

- To develop products with high added value
- Education through food





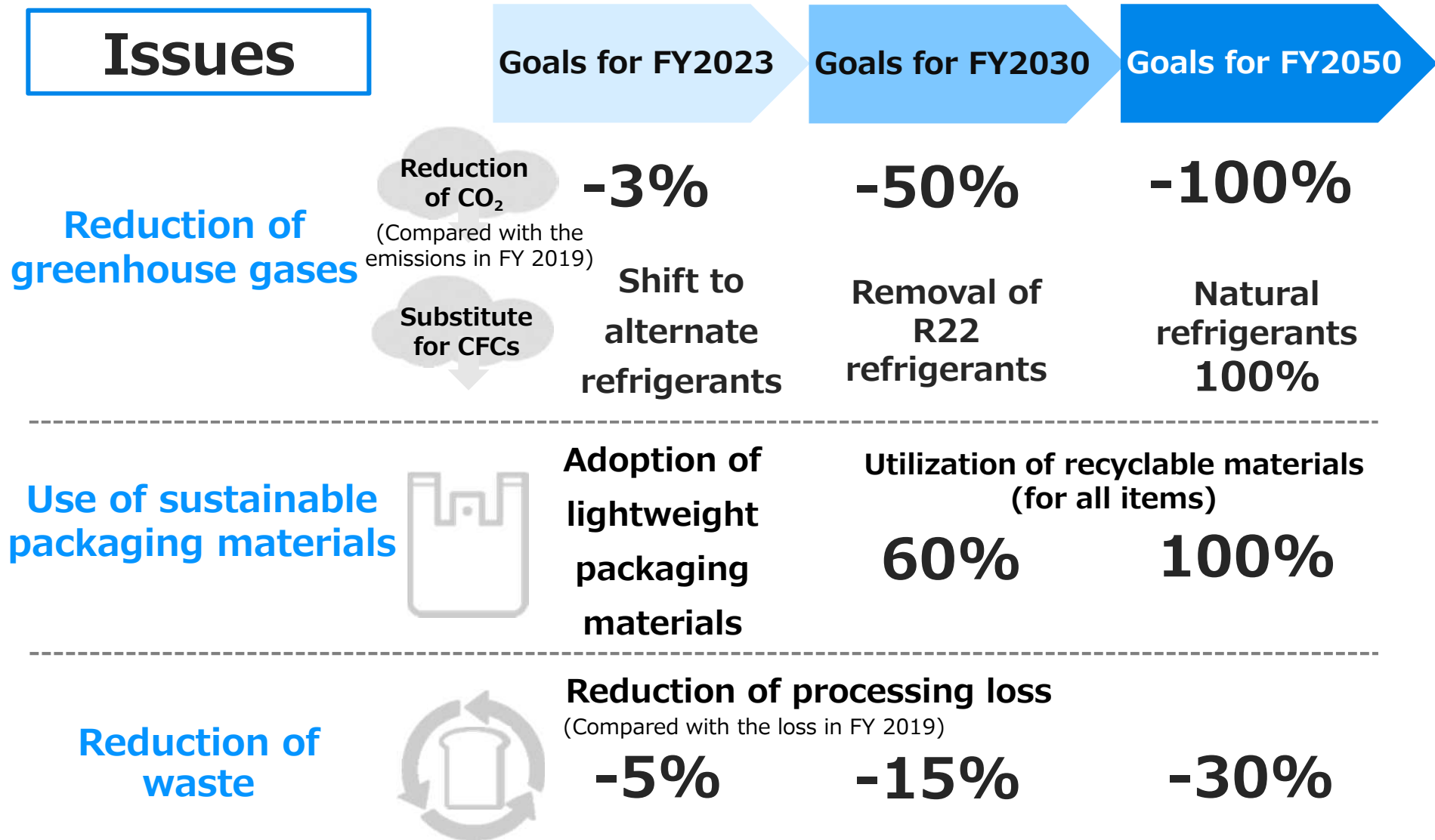
Human resources

- To improve the work-life balance
- To respect diversity





Sustainability: (3) Goals



Goals in the New Medium-Term Management Plan



New Medium-Term management plan from FY2021 to FY2023

KENKO Transformation Plan

Transformation for improving corporate value
and achieving sustainable growth

Goals for FY 2023

- Consolidated net sales: 80 billion yen
- Consolidated ordinary profit: 4 billion yen

For Inquiries



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- Notes on the future outlook

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