

**KENKO Mayonnaise Co., Ltd.**

[Securities code: 2915]

# **Material for Briefing Session**

## **For FY 3/2023 1H**

Nov. 22, 2022



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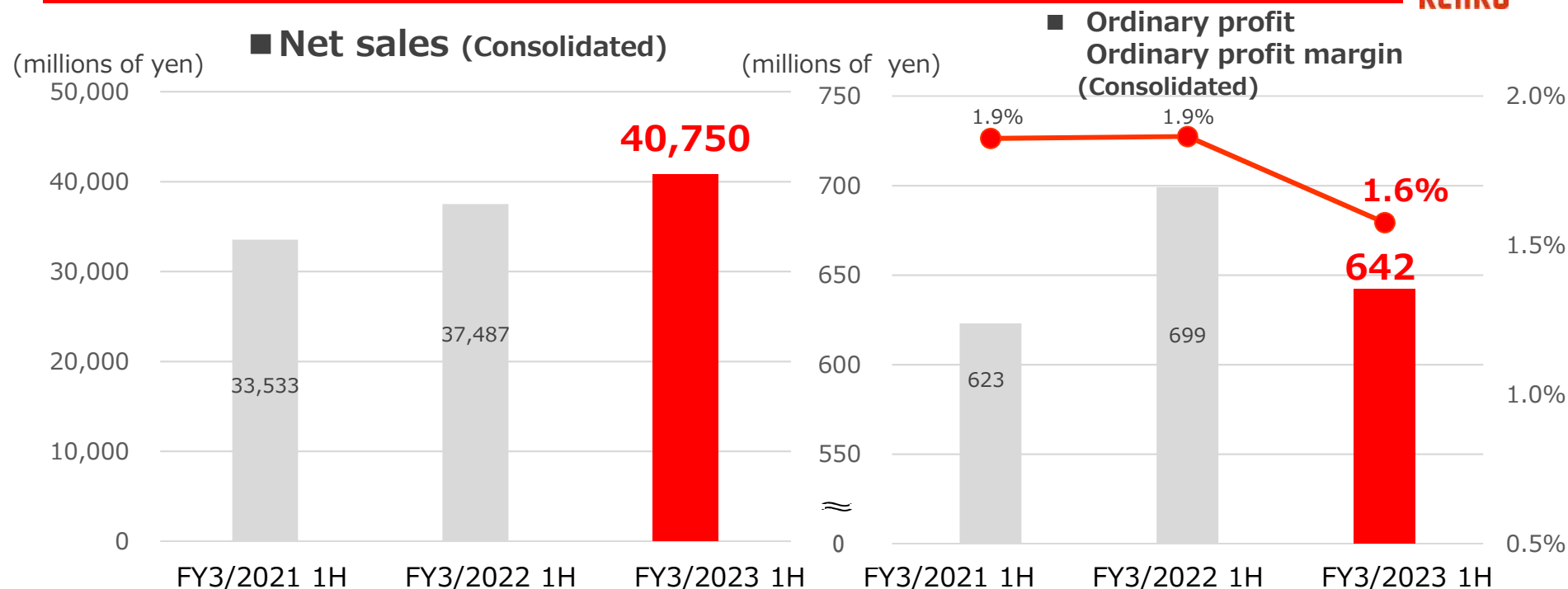
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- 1. Results for FY 3/2023 1H**
- 2. Forecast for FY 3/2023**
- 3. Progress  
of Medium-Term Management Plan**

# 1.Results for FY 3/2023 1H

# Highlights of the Results



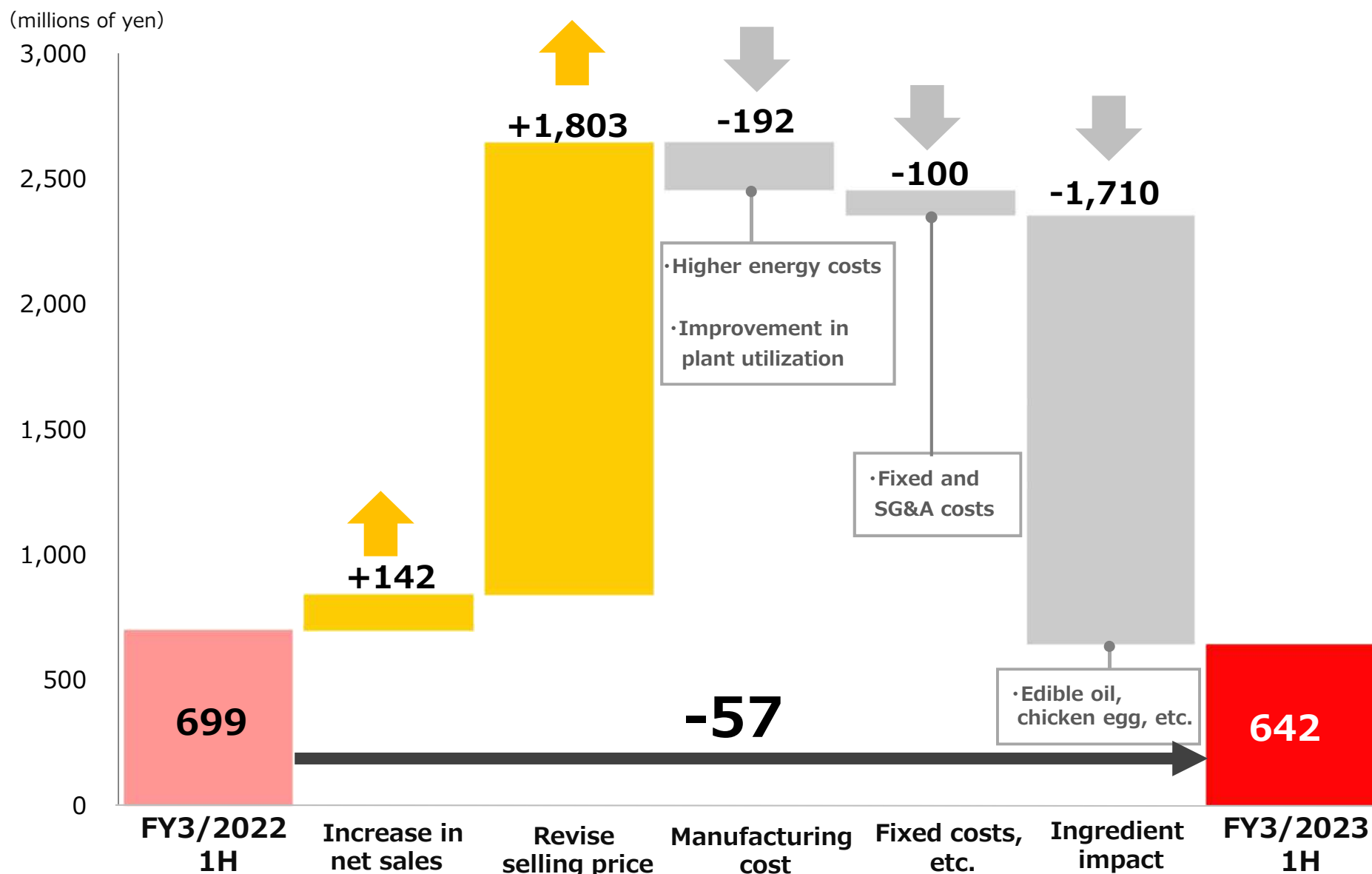
- ◇ Consolidated net sales : 8.7% increase YoY  
Consolidated ordinary profit : 8.2% decrease YoY
- ◇ In terms of sales,  
lifting of the state of emergency and effect of price revisions
- ◇ In terms of profit, impact of soaring ingredient prices and energy costs

# Statements of Income (Consolidated)

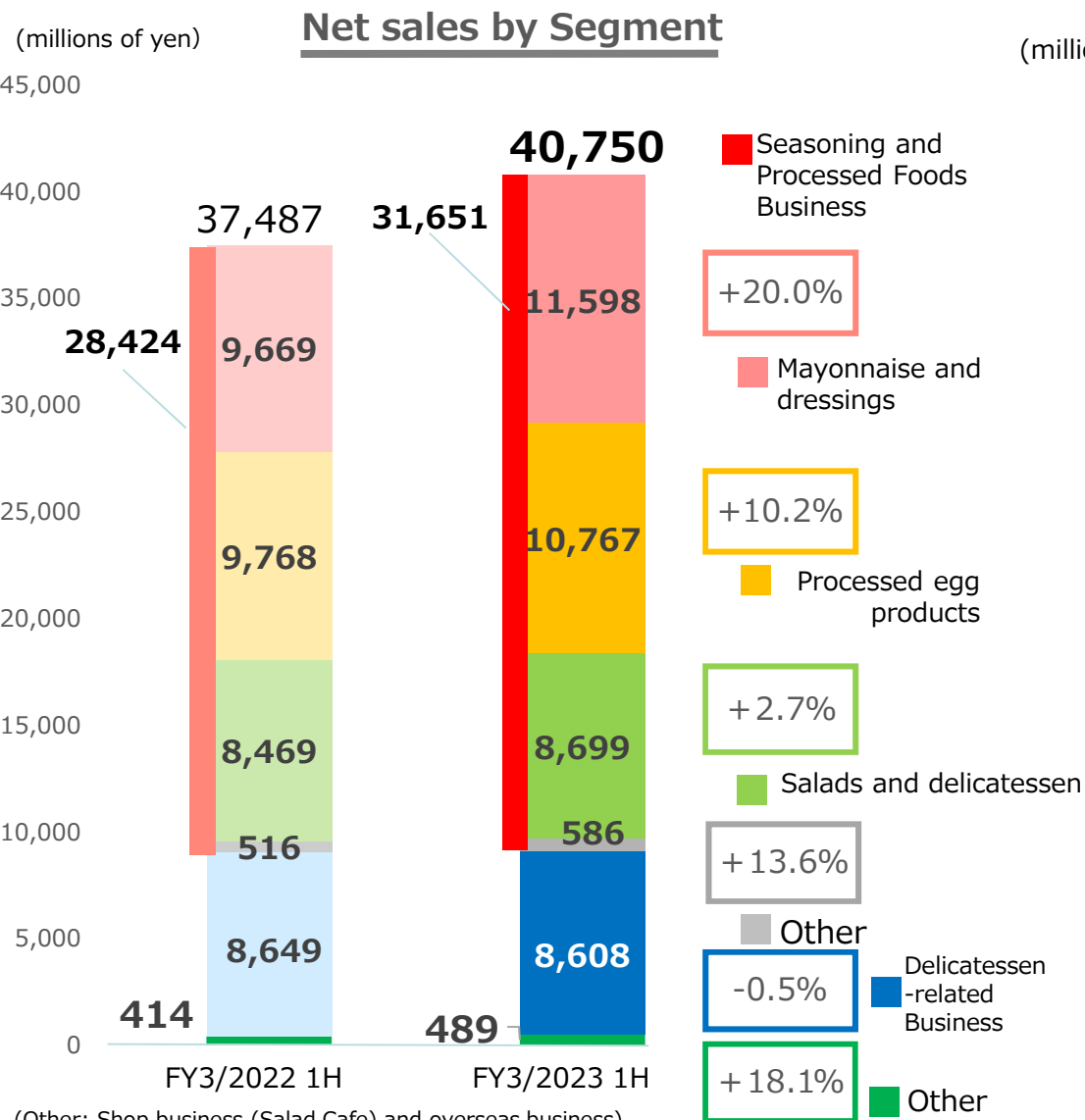


(millions of yen)	FY 3/2022 1H	FY3/2023 1H	
	Amount	Amount	YoY
Net sales	37,487	<b>40,750</b>	8.7%
Gross profit	7,838	<b>8,045</b>	2.6%
%	20.9%	19.7%	
Selling, general and administrative expenses	7,138	<b>7,425</b>	4.0%
Operating profit	700	<b>620</b>	-11.4%
%	1.9%	1.5%	
Ordinary profit	699	<b>642</b>	-8.2%
%	1.9%	1.6%	
Total extraordinary income and losses	2	<b>70</b>	3,500%
Profit before income taxes	701	<b>712</b>	1.6%
Profit attributable to owners of parent	456	<b>482</b>	5.7%
%	1.2%	1.2%	
Earnings per share	27.97yen	<b>29.66yen</b>	

# Factors in Changes in Ordinary Profit (Consolidated)

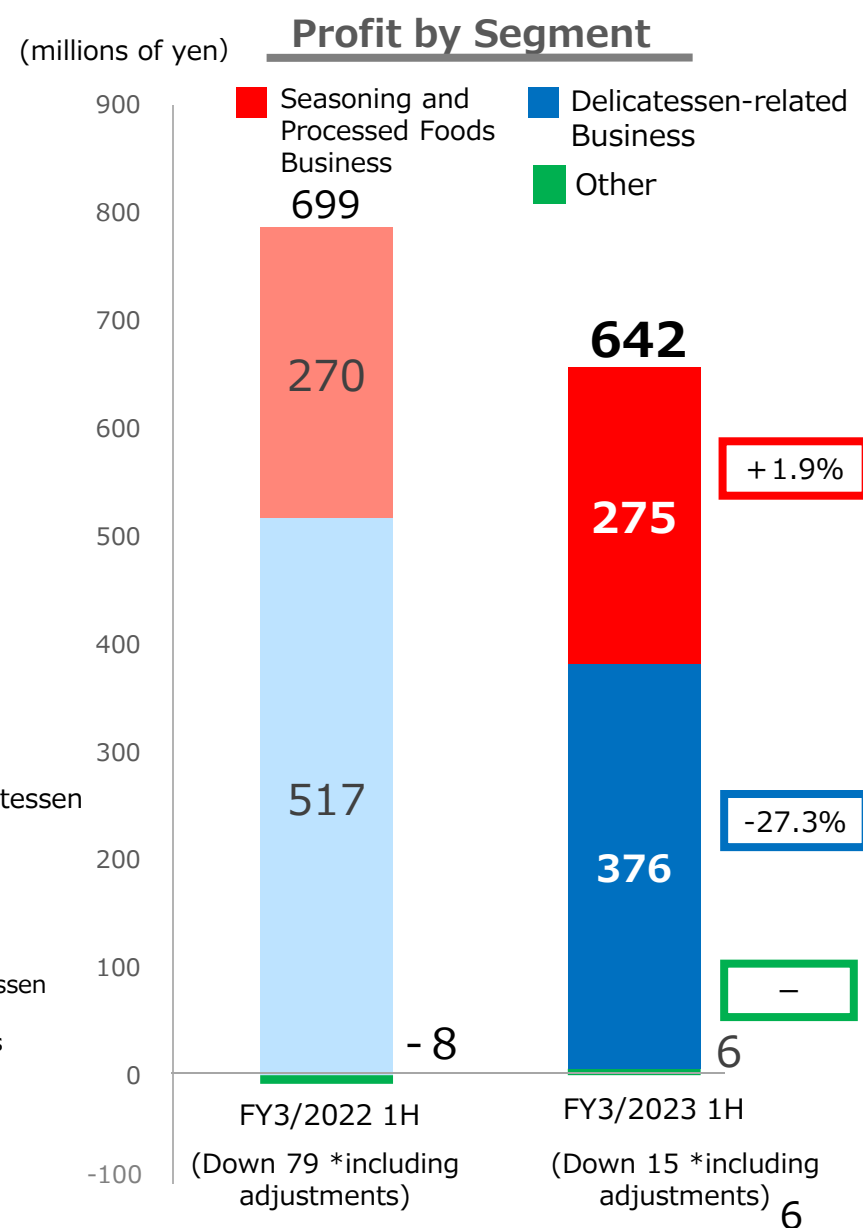


# Results by Segment



(Other: Shop business (Salad Cafe) and overseas business)  
 \*Overseas Business is accounted for by the equity method, it is not included in net sales.

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# By Segment for 1H Key Points



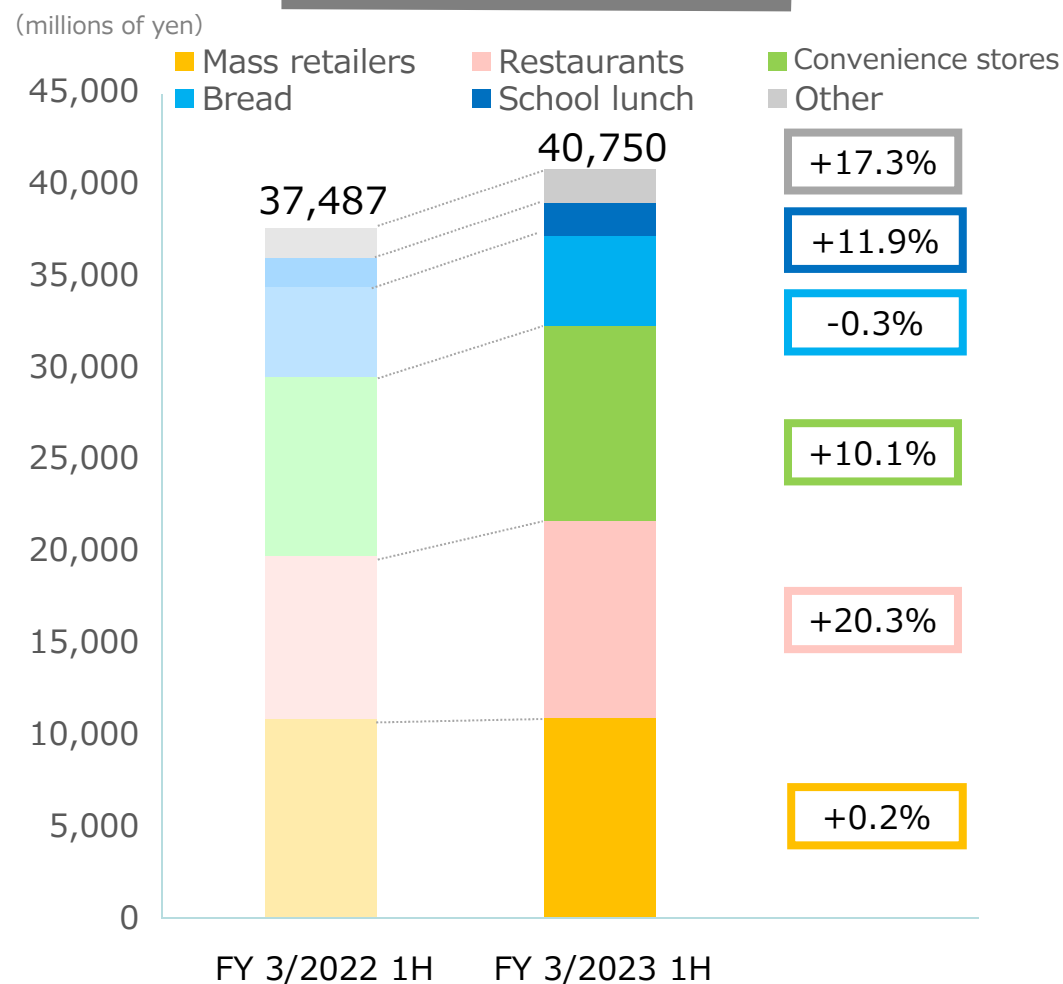
Segment	Product	Net sales growth rate	Profit growth rate by segment	1H Key Points
Seasoning and Processed Foods Business	Mayonnaise and dressings	+20.0%	+1.9%	<ul style="list-style-type: none"> <li>• Launched “fullness®”, a new product with processing aptitude and functionality</li> <li>• Implemented price revisions</li> </ul>
	Processed egg products	+10.2%		<ul style="list-style-type: none"> <li>• Sales of Kinshi egg (shredded egg) for noodles decreased due to unseasonable weather during the summer</li> <li>• Sales of egg salads to major bread manufacturers and convenience stores increased</li> <li>• Atsuyaki tamago (thick omelets) adopted by restaurant chains and convenience stores</li> </ul>
	Salads and delicatessen	+2.7%		<ul style="list-style-type: none"> <li>• Potato salad (1 kg package), a key product, recovered in net sales</li> <li>• The “WASAI BANSAI®” series of Japanese side dishes sold well</li> </ul>
	Other	+13.6%		<ul style="list-style-type: none"> <li>• Products addressing labor shortages, such as frozen potatoes that can be used without preprocessing, enjoyed favorable sales</li> </ul>
Delicatessen-related Business	Fresh salads, Japanese side dishes, etc.	-0.5%	-27.3%	<ul style="list-style-type: none"> <li>• Stable demand for home meal</li> <li>• Expand introduction of three fresh products (meat, fish, vegetables) to the sales floor</li> </ul>
Other	Salad Cafe Overseas *Profit only for overseas operations (due to equity method affiliates)	+18.1%	—	<p>[Salad Cafe]</p> <ul style="list-style-type: none"> <li>• Increased number of customers because of lifting of the state of emergency</li> <li>• Relocated due to rebuilding of a department store</li> <li>• Opened a new brand “YASAI no OKASHI” for a limited period of time</li> </ul> <p>[Overseas]</p> <ul style="list-style-type: none"> <li>• Recovered spending after COVID-19</li> </ul>



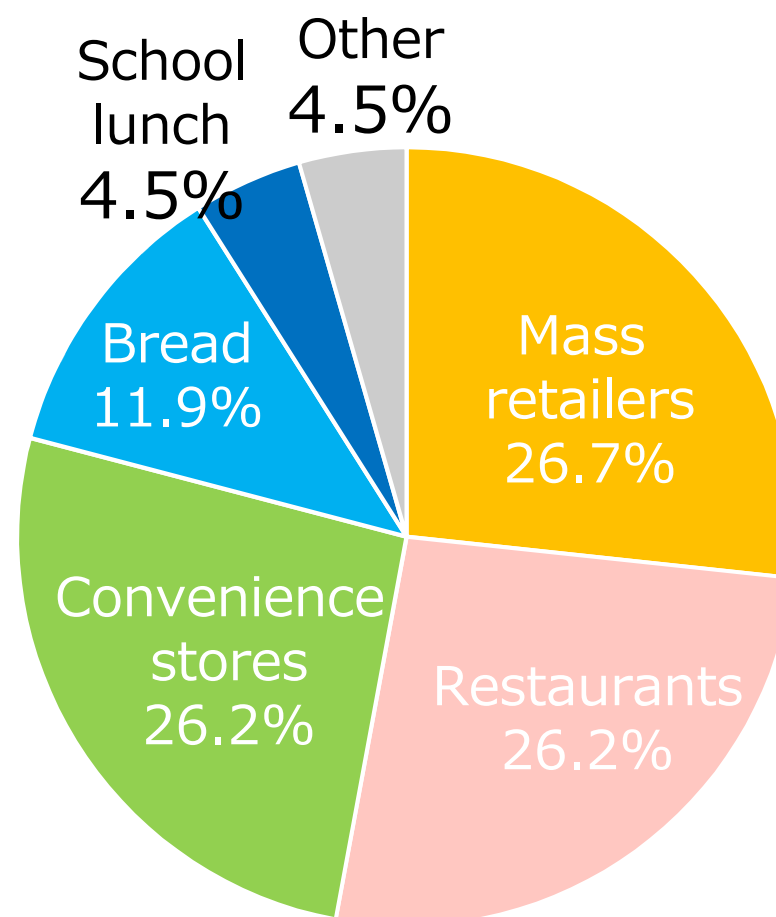
# Sales by Channels (Consolidated)



## Variations in Sales by channels



## Sales composition by channels

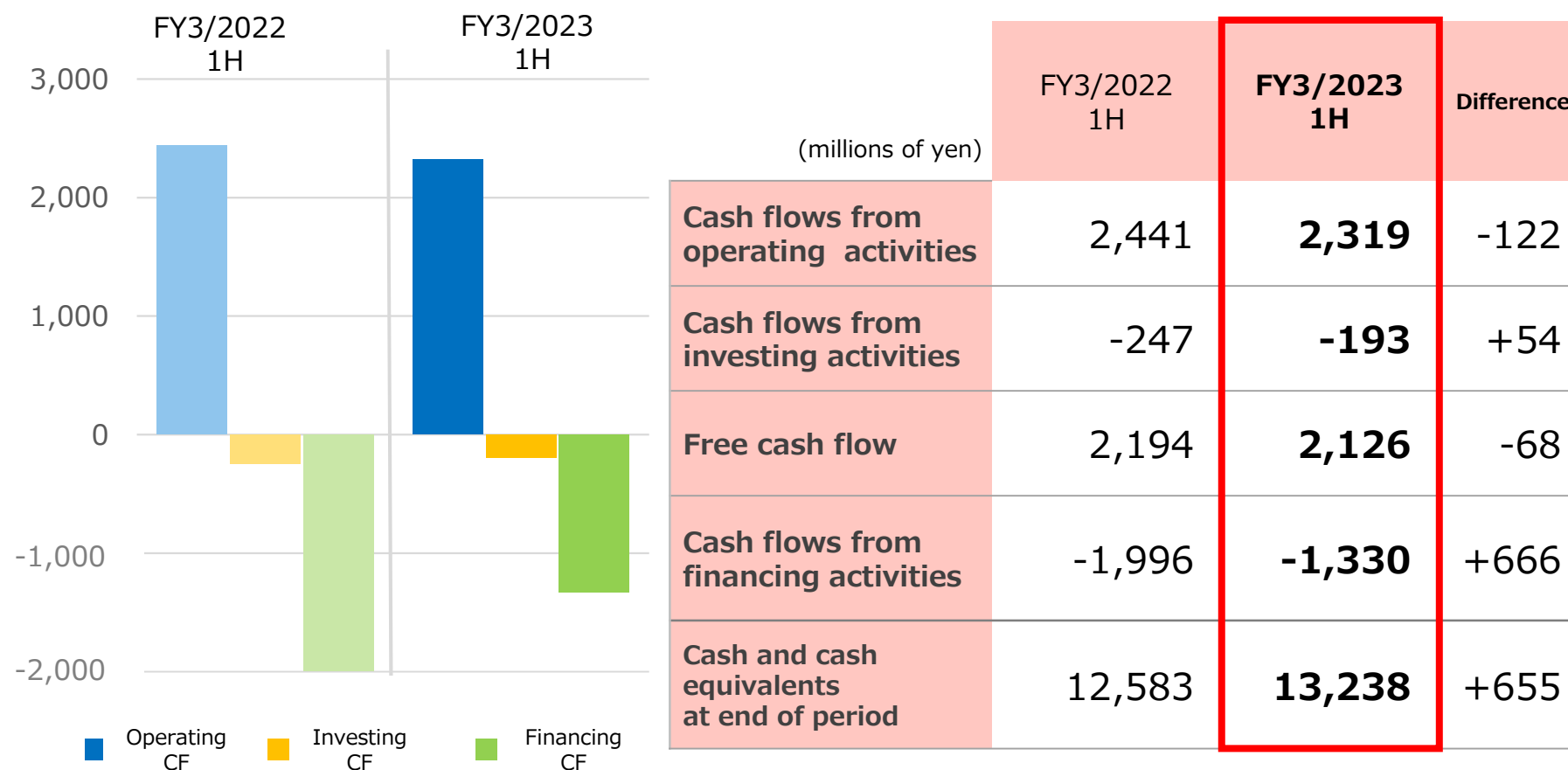


# Overview of the Balance sheet (Consolidated)



*Includes long-term accounts payable - other (millions of yen)		FY 3/2022	FY 3/2023 1H	Difference	Change from FY 3/2022 end
Assets	Current assets	27,868	<b>30,066</b>	2,198	+7.9%
	Non-current assets	33,892	<b>33,085</b>	-807	-2.4%
Total assets		61,760	<b>63,151</b>	1,390	+2.3%
Liabilities	Balance of interest-bearing debt*	10,427	<b>9,278</b>	-1,149	-11.0%
		25,221	<b>25,953</b>	732	+2.9%
Net assets		36,539	<b>37,198</b>	658	+1.8%
Total liabilities and net assets		61,760	<b>63,151</b>	1,390	+2.3%
Net assets per share		2,245.07yen	<b>2,285.53yen</b>	+40.46yen	+1.8%
Equity ratio		59.2%	<b>58.9%</b>	-0.3%	

# Overview of Cash Flows (Consolidated)



- ◇Cash flows from operating activities: Profit before income taxes and depreciation
- ◇Cash flows from investing activities: Acquisition of software and other intangible assets, etc.
- ◇Cash flows from financing activities: Repayment of interest-bearing debt and dividend payments

## 2.Forecast for FY3/2023

# Business Environment in 2H

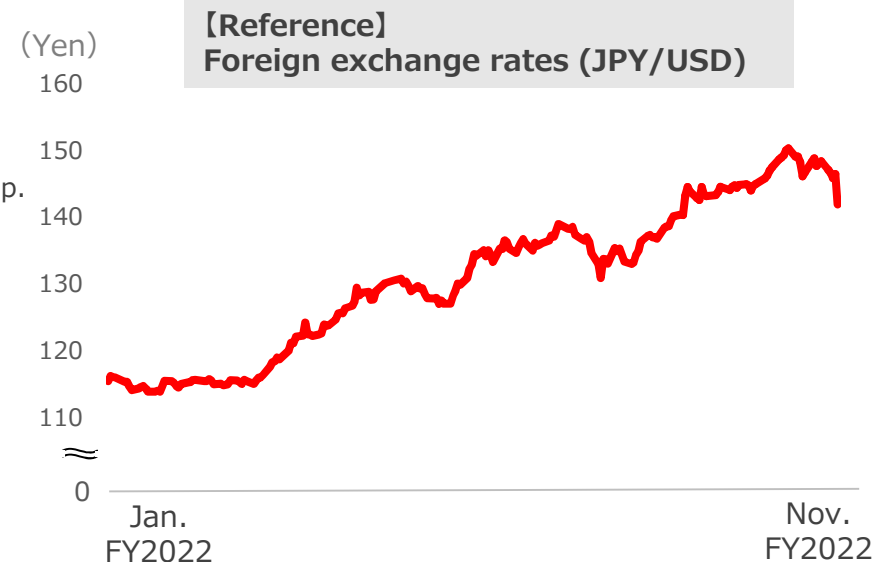
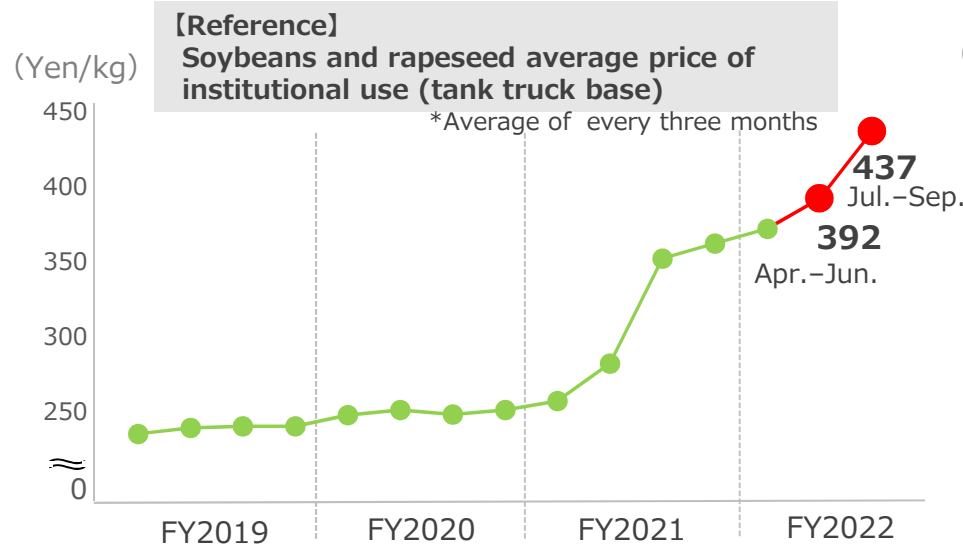
Shifting  
global situation

Surging  
exchange rate  
fluctuations

Soaring  
ingredient prices  
Higher energy costs

Changing  
lifestyles

- Current business environment will continue to be a challenge in 2H and beyond
- Respond to rising costs by revising prices, reducing expenses, improving production efficiency, etc.

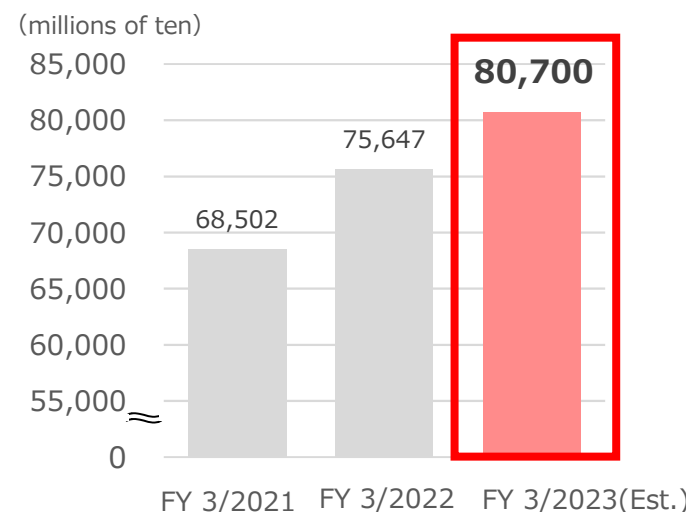


# Earning Estimate (Consolidated)

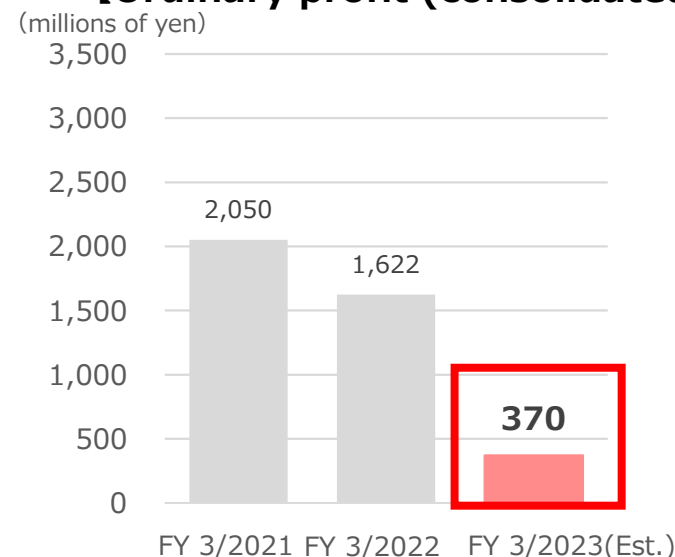


	FY 3/2022	FY 3/2023 (Est.)	
(Millions of yen)	Amount	Amount	YoY
Net sales	75,647	80,700	+6.7%
Operating profit	1,616	326	-79.8%
%	2.1%	0.4%	-
Ordinary profit	1,622	370	-77.2%
%	2.1%	0.5%	-
Profit attributable to owners of parent	1,211	-	-
%	1.6%		
Earnings per share	74.32 yen	-	

## 【Net sales (consolidated)】

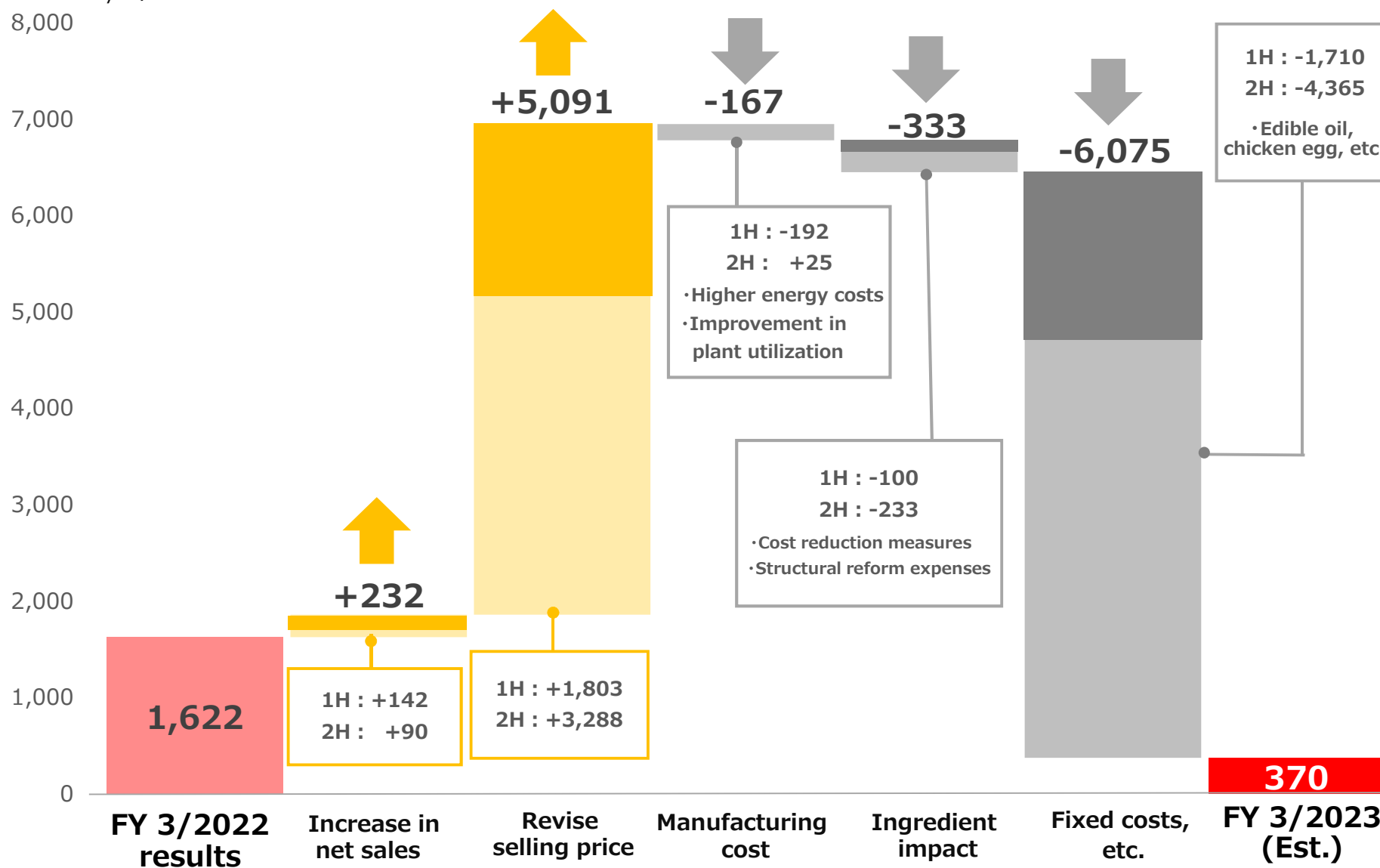


## 【Ordinary profit (consolidated)】



# Forecast for Changes in Ordinary Profit (Consolidated)

(millions of yen)



# Dividend Policy and Shareholder Returns



Basic policy is to maintain and continue stable dividends while aiming to increase corporate value, raising the dividend level based on business performance

Interim dividend

Undecided → **8yen/share**

Term-end dividend  
(Est.)

Undecided → **9yen/share**

**Total**  
**17yen**  
(Est.)

■ Dividends and Payout Ratio

	FY3/2018	FY3/2019	FY3/2020	FY3/2021	FY3/2022
Dividends(yen/share)	37	30	31	20	17
Payout ratio (%)	21.2	21.5	24.8	22.6	22.9



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

# KENKO Transformation Plan

## Company Philosophy

### CSV "Creation of Shared Value"

#### Four Themes

##### B to B to C

Increase opportunities for consumers to get to know KENKO Mayonnaise firsthand

##### Innovation

Create a New KENKO based on awareness of environmental conservation looking ahead to the global environment of the future

##### Structural reform

Implement reform to grow the core business

##### Global business

Strengthen the foundation for our 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



## Market Environment

## Issues

### B to B to C

- ✓Diversified lifestyles caused by COVID-19
- ✓Establishment of SDGs
- ✓Soaring ingredient prices



- Develop small volume and room temperature products
- Information brand strategies
- Promote small pouch products
- Respond to soaring ingredient prices
- Thoroughly market the area

### Innovation

- ✓Growing health consciousness
- ✓Spread of ethical consumption
- ✓Aging society
- ✓Initiatives for local economy and society
- ✓Labor shortages



- Development of high value-added products
- Introduction of DX (Digital ledger management, collaborative robots, etc.)
- Promotion of regional revitalization
- Standardization of carton sizes
- Loss reduction
- Expansion of export-ready products

### Structural reform

- ✓Gender equality
- ✓New normal
- ✓Work-life balance
- ✓Digitization
- ✓TSE market reorganization



- Restructuring of core systems
- Reform of security
- Cost reductions
- Reform of personnel systems and enhancement of personnel development
- Enhancement of governance, capital policy, and disclosure

### Global business

- ✓Contraction of Japanese market
- ✓Expansion of global market
- ✓Expansion of ecommerce market
- ✓High U.S. inflation
- ✓Soaring ingredient prices



- Increase in number of countries for exports and expand sales in priority areas
- FSSC 22000 certification
- Products for global use
- Enhancement of English disclosure

# Initiatives ①

B to B to C

innovation

Structural  
reform

Global  
business



## EC sites

Net sales target **+18% YoY**

### Website

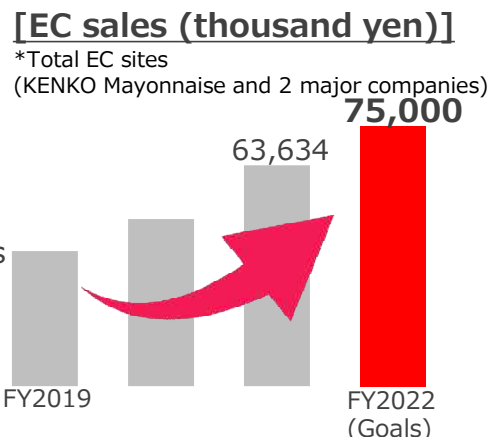
Integrated with  
product website in 2019

### Items handled

Expanded to **411** items

### Campaign

For new customers



**Aiming to develop as a new sales channel**

## Social media

### ● Build user contact points

→ Approx. **110,000** followers

(including Twitter/Instagram)

### ● Enjoy increased publicity



### ● Strengthen promotion

- Opened in April 2022  
Official LINE account of  
Salad Cafe



⇒ **Communication tool  
from recognition to fan growth**

## Garlic butter sauce

**Contributed to boosting sales and brand recognition  
thanks to increased media exposure, etc.,  
word of mouth and spread of recommendations**

Total company-wide sales **exceed 4 million bottles**  
(Aug. 2022)

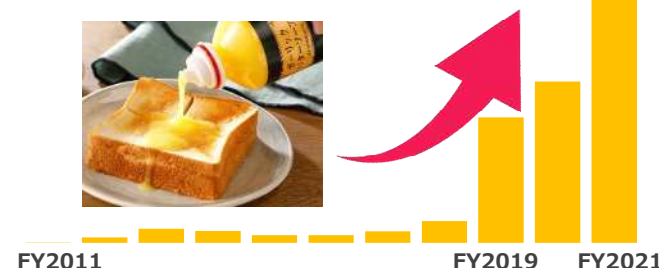
Total EC sales: approx. **160,000 bottles**

Amazon "Condiments & Sauces" Bestseller **#1**



## Total EC sites Sales volume

(KENKO Mayonnaise and 2 major companies)  
(515g and 205g total)



# Initiatives ②

B to B to C

innovation

Structural reform

Global business



## In Pursuit of Local Cuisine

Cherish unique local cuisines toward  
a world where they can be enjoyed  
**Japanese food anytime and anywhere**

Product on sale in July 2022

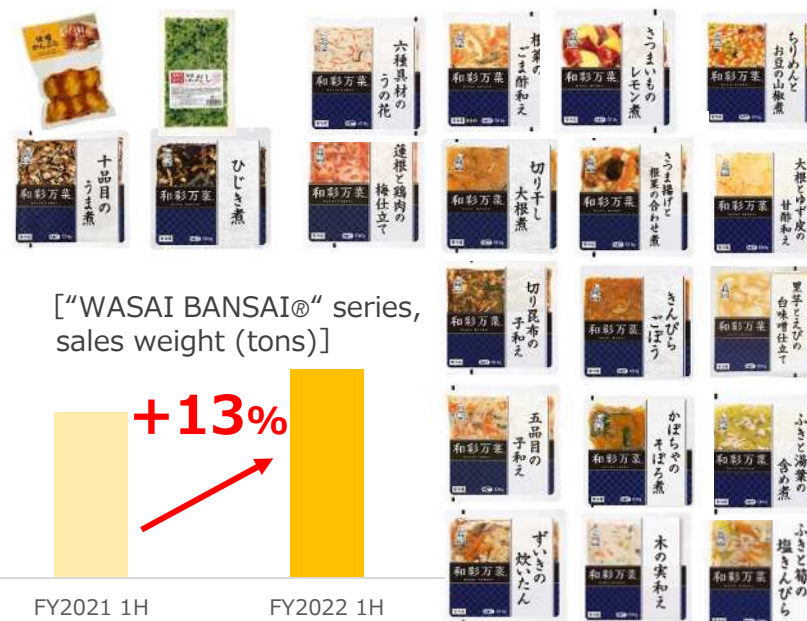


New

New

New

Total  
**24** items



## Robot Technology

Drive streamlining of manufacturing sites

▶ **Scheduled demonstration test of  
a prepared food serving robot  
at KANTOH DIET COOK**



Japan Ready-made Meal Association participates as a partner company after being selected for a model demonstration project “Smart Food Industry Demonstration Project among the Agricultural, Forestry and Fishery Products and Food Products Export Promotion Emergency Measures Projects” by the Ministry of Agriculture, Forestry and Fisheries of Japan

## Topics

Received the 52nd (2022)  
The Food Industrial Technical Award



“Noseru Dake” (simply add) 5 products

Received JAPAN MILLET AWARD  
Daily Foods [Fall 2022] Gold Prize



“Kale and Quinoa Salad  
with Cheese” by Salad Cafe

## Structural Reform Initiatives

### ● Reform of security

- Addressing unauthorized access, cyber-attacks, etc.

### ● Strengthening risk management

- Conduct media training
- In-house risk management training

### ● Reconstruction of core systems and reform of personnel systems

- Scheduled to begin operation in FY2024

### ● Enhancement of disclosure

- Integrated Report  
→ To be released by the end of November 2022 (website)

## Approach to Global Markets

### ● Export business

Export products to **49** countries and regions (FY2021)



#### Main sales channels

Supermarkets, sushi boats, restaurants, and hotel buffets, etc.

### ● Promotion

Product website in English Expanding the information volume



## 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



# Goals for Sustainability



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**

- More efficient energy-using equipment
- Shift to alternate refrigerants  
→ Almost complete by FY2023

Reduction of CO<sub>2</sub>

**-3%**

(Compared to FY 2019 intensities)

Alternative CFCs

Promoting the use of alternative refrigerants

**Use of sustainable packaging materials**

- Shift to biomass ink for outer mayonnaise packaging
- No more boxes for some products



(in a box)



(no box)



New packaging for "KENKO Restaurant taste Mayonnaise"



**Lightweight packaging material**

**Reduction of waste**

**-11.4%**

(FY2022 1H results)

- Reduction of sludge ⇒ 24.8% down  
(Compared to FY 2019 weight)
- Utilization of animal and plant residues



**Reduction of waste and processing losses**

**-5%**

(Compared to FY 2019 intensities)

⇒ Target already achieved (Rescheduling)

\*Targets will be reviewed according to social environmental changes.

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## Final Year Targets of the Medium-Term Management Plan



### Goals for KENKO Transformation Plan (FY2023)



**Consolidated  
net sales**

**80 billion yen**



**FY2022  
Expected  
to achieve**

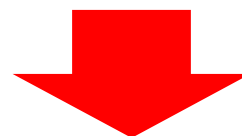


**Consolidated  
ordinary profit**

**4 billion yen**



**Reviewing  
the Goals**



- The external environment, including global situation, exchange rates, ingredient prices, and energy costs, has changed significantly since the plan started.
- This trend of rising ingredient prices and energy costs is expected to continue in the next fiscal year and beyond.



- **Uncertainty about the external environment and cost increases in FY2023 at this time.**
- **Target for consolidated ordinary profit to be announced in the next fiscal year.**

# For Inquiries

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- **Notes on the future outlook**

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