KENKO Mayonnaise Co., Ltd.
2915 Tokyo Stock Exchange First Section

21-Jul.-15

FISCO Ltd. Analyst
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Dominant in commercial-use, Industry leader in long-life salads, egg salads etc.

KENKO Mayonnaise Co., Ltd. <2915> (hereafter "KENKO Mayo" or "the Company") is engaged in the production and sale of salads and delicatessen products, mayonnaise and dressings, as well as processed egg and other products. It has a strong position in the commercial-use market, and has the leading market share in the "long-life salads" category at 37.4%. In the mayonnaise and dressings market, it is second behind Kewpie <2809> with a 14.7% share.

The FY3/15 consolidated results showed steady expansion in processed egg, salad and delicatessen-related products for convenience stores (CVS) and bakeries, with sales up 5.3% y-o-y to ¥60,327mn, marking four consecutive periods of increased sales, and setting a new record high. Also, recurring profit, enjoying the impact of factors such as higher sales, lower raw material costs and revisions in selling prices, rose 22.9% y-o-y to ¥2,776mn, a shift back to earnings growth for the first time in two periods.

The outlook for the FY3/16 consolidated results is for continued revenue and earnings growth, with sales up 4.8% y-o-y to ¥63,200mn and recurring profit up 8.0% y-o-y to ¥3,000mn, setting a new record high for recurring profit for the first time in six periods. The quality of the processed egg products at the Shizuoka Fujisan Factory, which was fully operational from last period, has been highly rated. New customer acquisition is proceeding steadily, and in salads and delicatessen-related items also growth is expected, with expansion in HMR demand providing a tailwind. While rises in raw material costs and increases in fixed costs are anticipated, profit margins are also expected to rise due to the impact of higher revenues and earnings, enhanced productivity at the Shizuoka Fujisan Factory and improvements in the product mix.

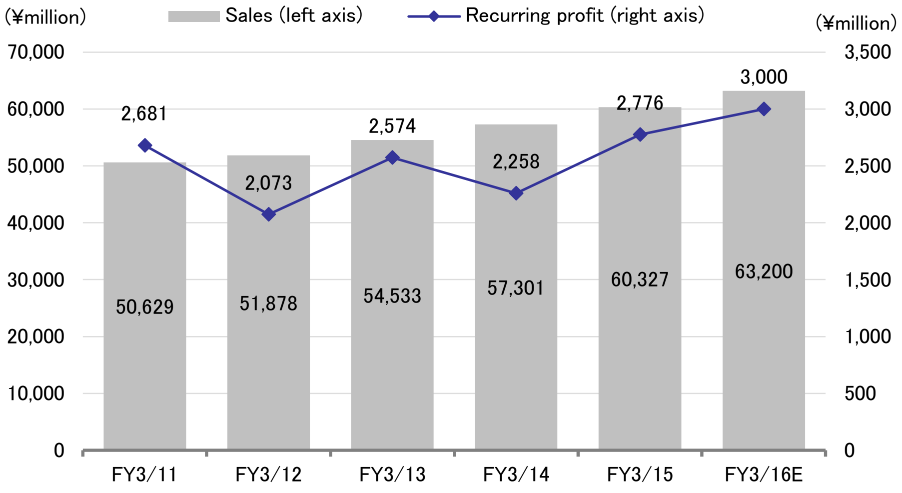
At the same time as announcing results, the Company announced its new Mid-term Management Plan "KENKO Five Code 2015-2017". Its three strategies are: (1) establishing its position as the Leading Company in Salads, (2) to further evolve "Salad Cuisine," and (3) to further strengthen the management platform to proactively promote expansion into global markets. The Company aims to achieve consolidated sales of ¥75,000mn and a recurring profit margin of 5% in the Plan's final year, FY3/18.

Further, while being conscious of (its commitment to) a 20% payout ratio in terms of shareholder returns, the Company aims to raise the payout ratio while continuing a stable distribution of profits, and in FY3/16 also plans a ¥2 increase in dividends to ¥25 (a payout ratio of 20.1%). Additionally, every year the Company presents its own products to shareholders as at the end of March, as (another) shareholder reward.

Check Point

- Focus on commercial-use mayonnaise and dressings produces many actual results for orders
- Significant sales growth in processed egg products, with new take-ups concentrated around CVS
- Aiming for consolidated sales of ¥75bn under the new Mid-term Management Plan

Results Trends



Company Overview

Focus on commercial-use mayonnaise and dressings produces many actual results for orders

Scope of Business

KENKO Mayo is a manufacturer of foodstuffs, mainly engaged in the production and sale of salads and delicatessen items, mayonnaise and dressings, as well as processed egg products and other products for commercial use, undertaking operations such as the production and sale of chilled grocery delicatessen products, and retail store operations through subsidiaries.

Looking at the (consolidated) composition of sales by product segment in FY3/15, salads continue to have the highest share overall at 45.2%, with mayonnaise and dressings at 27.8% and processed egg products 25.2%. Examining the trends in the last few years we see that the trend has been for the weighting of mayonnaise and dressings to decline and that of processed egg products to rise. This is due to expansion in the HMR market concentrated around CVSs, against a backdrop of demand expanding for products including lunchboxes, bread snacks and sandwiches.

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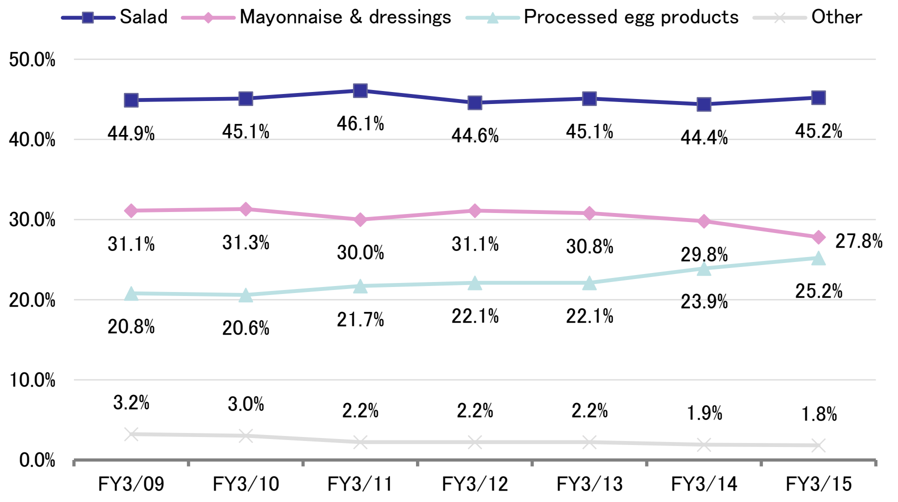
KENKO Mayonnaise Co., Ltd.
2915 Tokyo Stock Exchange First Section

21-Jul.-15

Sales Contribution by Product

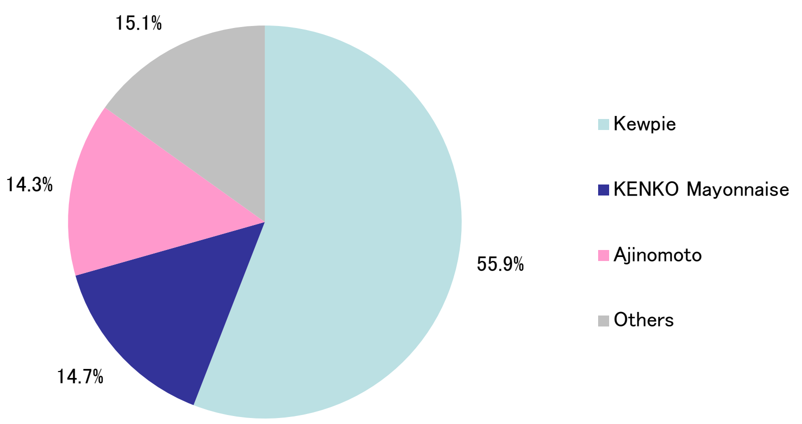


Further, looking at the (consolidated) sales composition by industry segment (client industry type), we see that three industry segments represent almost 70% of the overall, with the restaurant industry being 26.7%, big box retailers 23.2% and CVS 18.9%. Looking at the trends for the past few years we see that the weighting for the restaurant industry has been in a slight downtrend, while big box retailers and CVS are in an uptrend. The HMR market having expanded is thought to be the cause, against a background where, amongst other things, there are changes in consumer lifestyles and greater participation by women in society.

Looking at market share within industries, in recent years mayonnaise and dressings have performed stably at around 15%, maintaining its number two position in the industry. Given that it is virtually specialized in commercial-use, while its familiarity is limited with general consumers, in commercial-use the Company plays sparring partner to the leading manufacturer Kewpie, with a supply track record to most of the major restaurants and hotel chains.

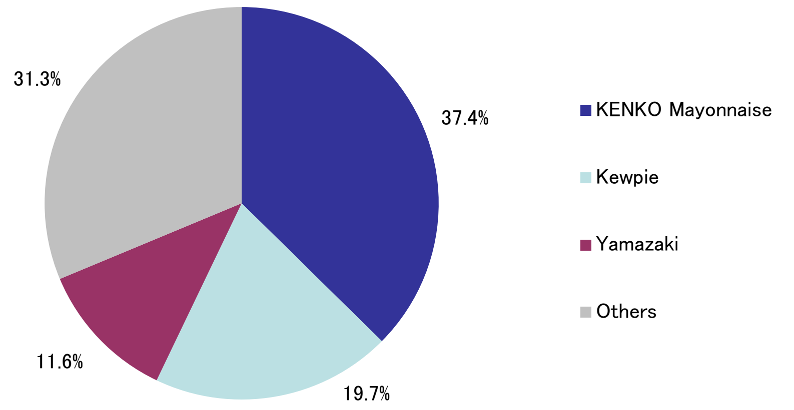
Meanwhile, the Company, the pioneer of "long-life salads," has established an industry-leading market share of over 37% for long-life salads.

Mayonnaise/Dressings Market Share (2014)



Source: NIKKAN KEIZAI TSUSHINSHA, Inc. "The Beverage & Food Statistics Monthly"

Long-Life Salad Market Share (2013)



Source: FUJI Keizai "Foodstuff Marketing Handbook"

Company Strengths

The Company's strength lies in management integration of production, development and sales, including, in addition to having established nationwide manufacturing structures that deliver stable, high quality products, having a product development capability that meets customer needs and a meticulous sales response capacity.

High quality means not only good taste; safety and security are also important elements. Further, for the Company, which is focused on sales for commercial-use, the question of how it can offer added value to customers holds an important key to expanding business growth. The Company has taken steps to offer added value through its meticulous response to customers, involving the segmentation of industry types and the integration of its product marketing and development and menu development teams. The number of product items that it develops annually exceeds 1,800, meaning it develops five new items every day. One of the Company's major strengths is not only offering new products, but offering them together with menus that utilize them, which is a factor in obtaining customer satisfaction and trust. As the graph (below) shows, since 2011, it has continued to grow at a rate exceeding the restaurant and HMR markets thanks to the fruits of these efforts.

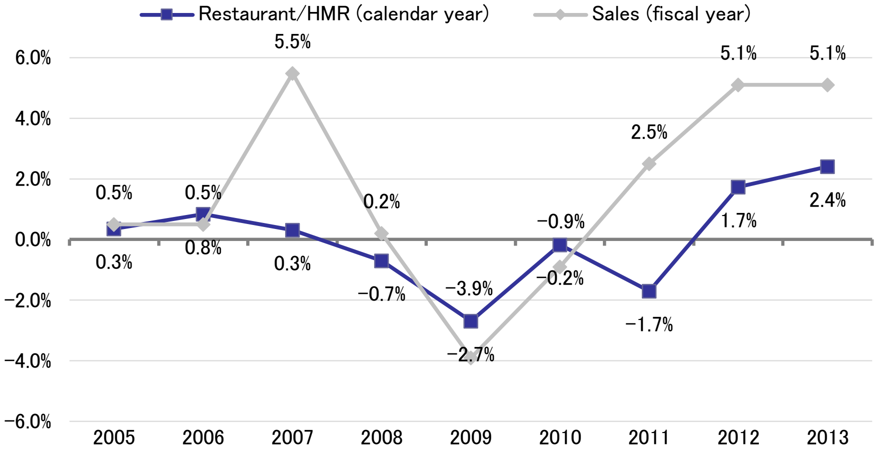
KENKO Mayonnaise Co., Ltd.
2915 Tokyo Stock Exchange First Section

21-Jul.-15

Broad Product Lineup

Source: Company briefing materials

Growth Rate of Restaurant/HMR Market and Company Sales



Source: Restaurant/HMR by market data from Foodservice Industry Research Institute

Production Structures, Group Subsidiaries

Currently, the Company's nationwide production system comprises seven factories operated by the parent company and 9 factories operated by seven consolidated subsidiaries. Subsidiaries production bases are closely linked to their operating areas because they are the production bases for delicatessen-related products for daily delivery to big box retailers, CVS, and other outlets. Above all, just-in-time (JIT) response capability is essential for CVS that operate 24/7. Some of the factories therefore operate 365 days-a-year, with flexible production systems that can quickly respond to changes in order volumes.

Also, the Company's subsidiary Salad Cafe Co., Ltd. operates specialty salad restaurants. As of end-March 2015 there were 16 shops, mainly opened in department stores and supermarkets.

In terms of overseas operations, the Company established a joint venture (49% equity stake) in Indonesia with a local food producer in 2012 that began production (annual capacity of about 4,000 tons) and sales of mayonnaise, dressings, and sauces in Autumn 2013. This factory has obtained Halal certification, and apart from home and commercial-use sales locally, it is engaged in the sale of liquid eggs. Locally demand, in particular from Japanese-affiliated companies is so high that it has to proceed with expansion of its facilities. From February 2015 the Company has commenced exports to Japan of its "omayo" brand mayonnaise, which has received Halal certification, while domestically it is in the process of expanding its sales channels on a number of fronts.

Because its overseas businesses operate under equity-method affiliates, their sales are not reflected in the Company's consolidated sales, but are recorded in non-operating income and expenses as equity in net income (losses) of affiliates. They are included under Other Businesses in the consolidated business segments.

Affiliates (% Capital Contribution & Scope of Operations)

Consolidated subsidiaries	Ownership (%)	Main business
DIETCOOK SHIRAOI Co., Ltd.	100.0	Delicatessen-related production and sales
Lilac FOODS Co., Ltd.	100.0	Delicatessen-related production and sales
KANTOH DIETCOOK Co., Ltd.	100.0	Delicatessen-related production and sales
KANTOH DIET EGG Co., Ltd.	100.0	Delicatessen-related production and sales
KANSAI DIETCOOK Co., Ltd.	100.0	Delicatessen-related production and sales
DIETCOOK SUPPLY Co., Ltd.	100.0	Delicatessen-related production and sales
KYUSHU DIETCOOK Co., Ltd.	100.0	Delicatessen-related production and sales
Hello Delica Co., Ltd.	100.0	Delicatessen-related sales
Salad Cafe Co., Ltd.	100.0	Operation of shops specializing in salads
Equity-method affiliates		
KENKO & TING (HONG KONG) HOLDING CO., LIMITED	50.0	Mayonnaise, dressings, and salad sales
Hangzhou KENKO & Ting Foods CO., LTD.	50.0	Mayonnaise and dressings production and sales
PT. Intan Kenkomayo Indonesia	49.0	Mayonnaise, dressings and sauces production and sales

*Shows group investment ratio including indirect investment from wholly-owned subsidiaries.

Results Trends

Sales set a new a record high with four consecutive periods of growth

(1) Consolidated FY3/15 Financial Highlights

The Company's FY3/15 consolidated results, which were announced on May 11, show increases in sales and earnings, with sales up 5.3% y-o-y to ¥60, 327mn, operating profit up 23.6% y-o-y to ¥3,001mn, recurring profit up 22.9% y-o-y to ¥2,776mn and net profit 29.7% to ¥1,642mn. Sales rose for a fourth consecutive period, setting a new record high for a third consecutive period, with recurring and net profit both posting growth for the first time in two periods. Against the Company's plan also both sales and earnings were slightly above target, making it we feel a sound set of results.

Consolidated FY3/15 Results

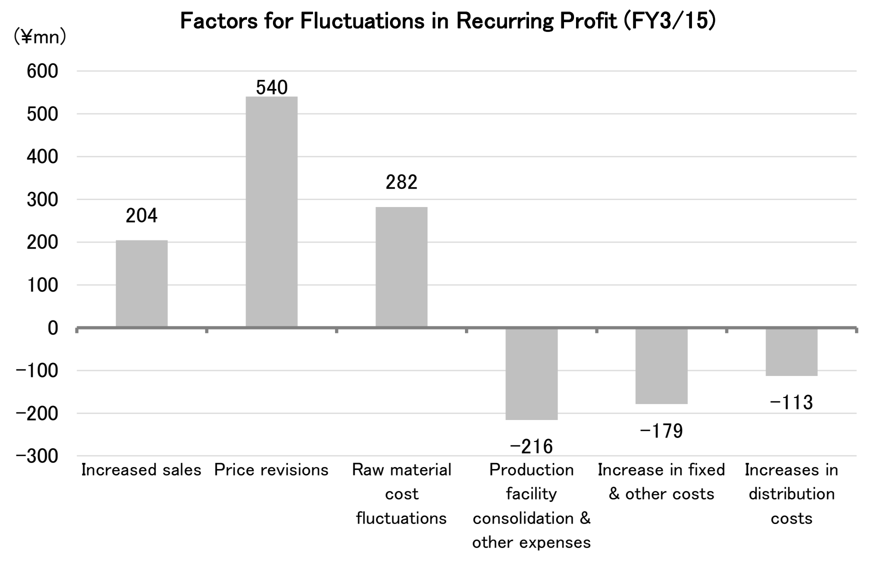
(¥mn)

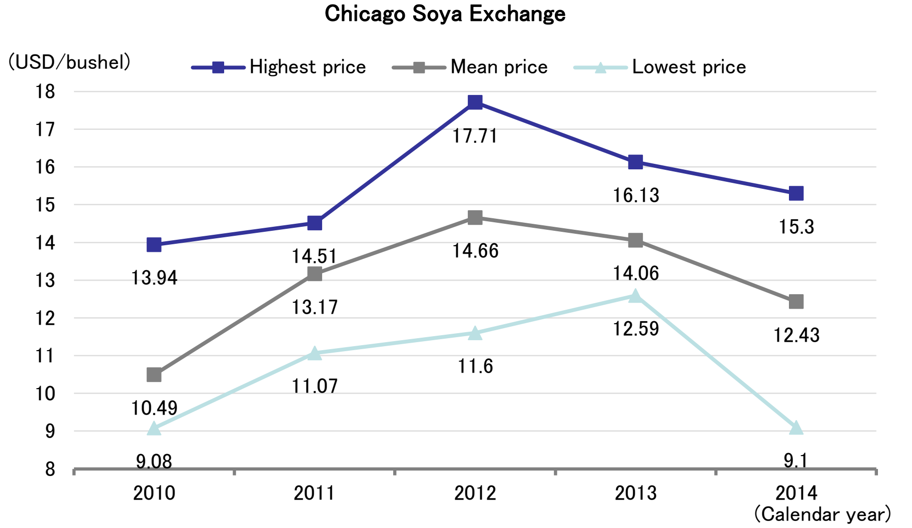
	FY3/14		FY3/15				
	Actual	% Sales	Plan	Actual	% Sales	y-o-y	vs Plan
Sales	57,301	–	60,000	60,327	–	5.3%	0.5%
Operating profit	2,428	4.2%	2,890	3,001	5.0%	23.6%	3.8%
(Equity in net income (losses) of affiliates)	-229	-0.4%	–	-246	-0.4%	–	–
Recurring profit	2,258	3.9%	2,700	2,776	4.6%	22.9%	2.8%
Net profit	1,265	2.2%	1,590	1,642	2.7%	29.8%	3.3%

Examining the industry trends respectively, in Company's main target markets including restaurants, big box retailers and CVSs, we can see that in the restaurant industry, family restaurants have seen increased health consciousness and also a rise in amounts paid per customer with positive year-on-year growth, while in the Izakaya (Japanese-style restaurant -bar) and fast food restaurant industries customer traffic has stalled leading to negative growth, in turn leading to slightly negative growth for the restaurant industry overall. On the other hand, in the supermarket and CVS industries, amidst expansion in HMR demand in both industries, the Company has succeeded in efforts to strengthen its lunchbox and delicatessen menu product lineup, displaying positive year-on-year growth.

Looking at the Company's sales by market, with respect to the restaurant industry, despite sales to the fast food industry being lackluster, due to the impact of strengthened marketing activities, including meticulous menu proposals that business segment and industry segment teams have engaged in to date, overall sales were on a par with those levels last year. Further, in respect of the big box retailer and CVS industries, both saw year-on-year sales increases exceeding 8%. Apart from processed egg products being used in many products, with a tailwind provided by expansion in the HMR market, the main factor was sound performance in both salads and delicatessen items.

Looking at the factors behind fluctuations in recurring profit, the main factors tending to boost earnings were the impact of higher revenues ¥204mn, mayonnaise and processed egg product price revisions ¥540mn, and ¥282mn as both edible oil and egg market prices showed composure with stable, high prices. On the other hand, factors tending to lower earnings included ¥216mn in costs incurred due to the consolidation of production facilities, ¥179mn in increases in fixed costs, and ¥113mn in increased distribution expenses. The costs incurred in consolidation of production facilities mean costs incurred in closing the Niiza Factory held by subsidiary KANTOH DIET EGG Co., Ltd., consolidation of operations in the Shizuoka Fujisan Factory and related costs, associated with the Shizuoka Fujisan Factory, which commenced operations from April 2014 as an integrated production facility for processed egg products, becoming fully operational (all lines operating from October).





Note: The Chicago Soya Exchange is a (6-9 month) leading indicator for edible oil prices

Significant sales growth in processed egg products, with new take-ups concentrated around CVS

(2) Trends by Business Segment

○Seasoning/Processed Food Business

Sales in the seasoning and processed food business rose 4.6% y-o-y to ¥49,733mn, with segment profit rising 25.8% y-o-y to ¥2,648mn.

Looking at sales trends by product type, we see that salads and delicatessen items performed soundly, rising 5.6% y-o-y to ¥16,758mn (with volumes sold up 3.8%). Due to meticulous sales activities by business segment and industry segment, long-life salads performed soundly focused on the Company's flagship potato salad. Further, the small-package "Salad Made by a Salad Pro" salad series for big box retailers and CVS, which were introduced for home use from 2013, also performed well.

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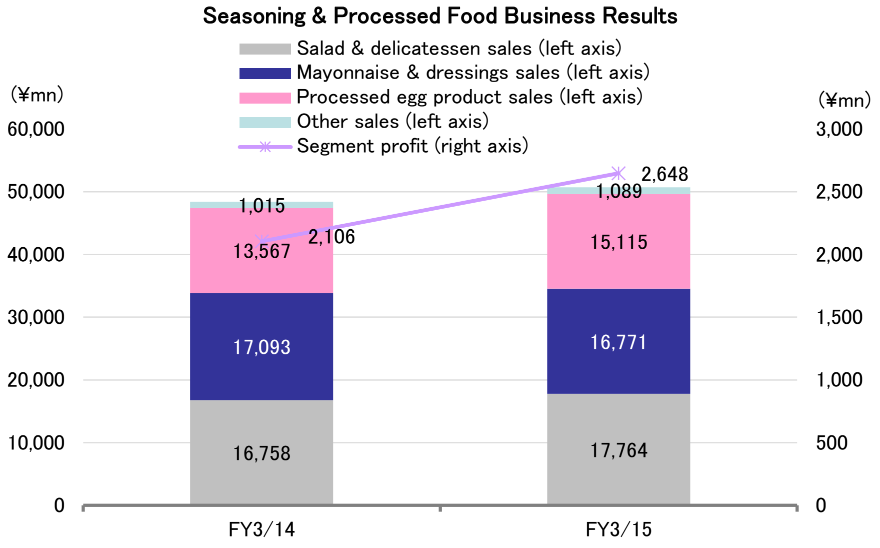
2915 Tokyo Stock Exchange First Section

21-Jul.-15

Mayonnaise and dressings declined 1.9% y-o-y to ¥16,771mn (with volumes sold down 3.0%), which was the only decline in sales by category. Apart from new uptake of mayonnaise for baked bread and dressings for restaurants progressing, the World Sauces series also steadily expanded sales through developing the number of items in the lineup, however, the impact of the 11.0% y-o-y decline in sales to restaurants was felt. Within the restaurant industry sales to the family restaurant, sushi and rice-bowl subsectors grew, however, they were unable to cover declines in the fast food and Izakaya subsectors.

Processed egg products performed well, rising 11.4% y-o-y to ¥15,115mn (with volumes sold up 9.7%). New uptake, concentrated around CVS, for a variety of processed products including egg salads for sandwiches and delicatessen bakery products, thick omelettes for lunchboxes, kinshi-tamago and boiled eggs, led to significant increases in sales. In particular, at the Shizuoka Fujisan Factory, which commenced operations from April 2014, the Company has developed a continuous and integrated production line from cracking the eggs to the final processes. Since it became fully operational in H2, the new line has contributed to earnings, for example by enhancing quality and taste markedly compared with that of the previous line, which has helped to increase sales of high-value-added products, as well as leading to the acquisition of customers such as large-scale sushi chains.



○Delicatessen-Related Business

In delicatessen and related businesses, there was growth in sales but a decline in earnings, with a rise of 9.7% y-o-y to ¥9,419mn in sales, while segment profit declined 5.6% y-o-y to ¥348mn. Apart from cut vegetables, which are limited to the Hokkaido region and commenced from December 2013, items including potato salad and macaroni salad for big box retailers grew steadily, due to expansion in HMR demand. Given that the growth rate for sales of delicatessen products in the supermarket industry showed a rise of 6% y-o-y, we may note that the Company growth exceeded the industry average.

On the other hand, rises in the market price of poultry eggs and the surges in Summer market vegetable prices impacted from a profit perspective, resulting in a decline in earnings. However, looking only at H2, sales performed well, rising 10.1% y-o-y, and segment profit also expanded from ¥38mn in H2 FY3/14 to ¥199mn. Moreover, the Hokkaido cut vegetable business performed above the Company's plan and contributed to earnings.

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KENKO Mayonnaise Co., Ltd.
2915 Tokyo Stock Exchange First Section

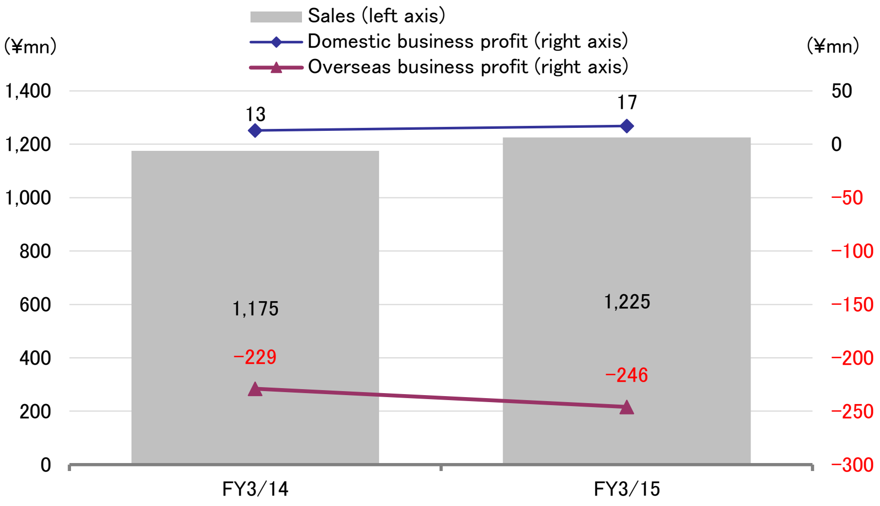
21-Jul.-15

○Other Businesses

In addition to revenue from its salad specialty shops, developed under subsidiary Salad Cafe, results in the Other Business segment, included losses from equity in net income from affiliates from overseas operations. Sales rose 0.1% y-o-y to ¥1,175mn, while segment losses were ¥229mn (compared to a loss of ¥216mn in the last period). The Salad Cafe business had a slight increase in profits, however, equity in net losses from affiliates, which were also impacted on by continued yen depreciation, rose from ¥229mn to ¥246mn.

In its Chinese business, despite losses declining by ¥39mn, due to consolidation of business locations, the pace of improvement in revenue lagged the Company's plan, providing an issue for further consideration in the future. On the other hand, while the amount of losses in its Indonesian business, that commenced operations from Autumn 2013, increased to ¥56mn in FY3/15, which was the first 12-month set of accounts, acquisition of customers such as Halal specialty shops is proceeding steadily, and when viewed on a half-yearly basis losses declined from ¥43mn in H1 to ¥13mn in H2, with December being profitable on a standalone monthly basis, and profitability for full-year FY3/16 now within sight.

Other Business Results



Growth expected in FY3/16 also, with expansion in salad demand due to increased health consciousness

(3) Results Outlook for FY3/16

Consolidated results for FY3/16 anticipate sales up 4.8% y-o-y to ¥63,200mn, operating profit up 1.6% y-o-y to ¥3,050mn, recurring profit up 8.0% y-o-y to ¥3,000mn and net profit up 7.8% y-o-y to ¥1,770mn, with recurring profit setting a new record high for the first time in six periods.

(¥mn)

	FY3/15		FY3/16		
	Actual results	% Sales	vs Plan	% Sales	y-o-y
Sales	60,327	-	63,200	-	4.8%
Operating profit	3,001	5.0%	3,050	4.8%	1.6%
(equity in net income (losses) of affiliates)	-246	-0.4%	-	-	-
Recurring profit	2,776	4.6%	3,000	4.7%	8.0%
Net profit	1,642	2.7%	1,770	2.8%	7.8%

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KENKO Mayonnaise Co., Ltd.
2915 Tokyo Stock Exchange First Section

21-Jul.-15

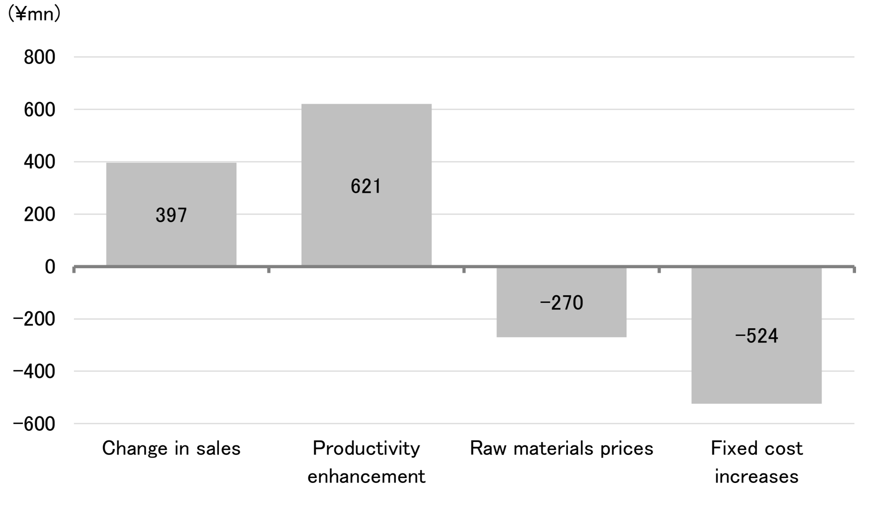
In terms of the market environment, the Company is expected to continue to experience tailwinds, with increased demand for salads expected due to heightened health consciousness as well as growing HMR demand associated with lifestyle changes.

The outlook for sale by business anticipates a 4.2% y-o-y rise in seasonings and processed foods. The breakdown includes expectations that salads and delicatessen items will rise 6.0% y-o-y, mayonnaise and dressings 1.9% y-o-y, and processed egg products will rise 4.5% y-o-y. In respect of salads and delicatessen items, the Company is striving to increase sales through continuing to strengthen product series including the World Salad series and Japanese delicatessen dishes, as well as expanding small-package products for big box retailers and CVS. Also, in respect of processed egg products, in addition to gains in products for CVS, gains in sales to the restaurant industry, including conveyor-belt sushi chains, are expected.

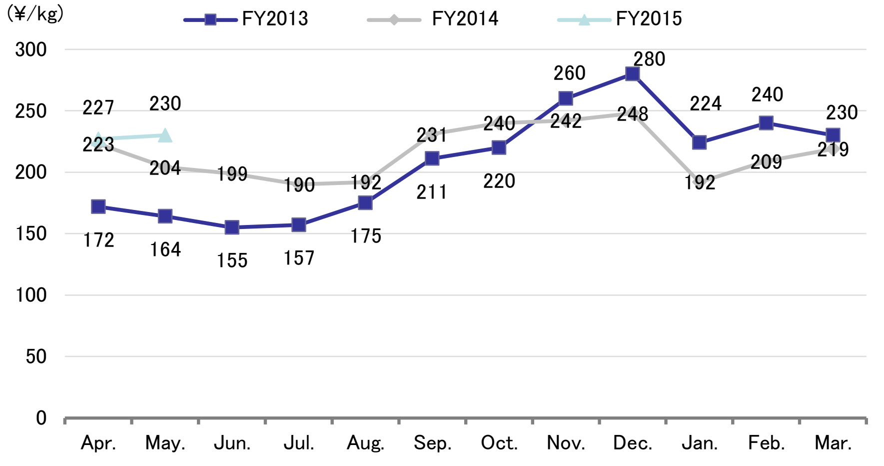
In respect of delicatessen and related businesses, a further high year-on-year growth rate of 7.7% is expected. The Company expects increases in daily products for big box retailers due to expansion in HMR demand. In respect of other businesses, sales growth of 4.3 y-o-y is expected. Growth in sales is expected due to the opening of one new Salad Cafe shop in April (in Tachikawa City, Tokyo).

Looking at factors behind fluctuations in recurring profit, ¥397mn from the impact of higher sales and ¥621mn from enhanced productivity centered mainly on the Shizuoka Fujisan Factory are the major factors tending to boost profits. On the other hand, ¥270mn from raw material cost fluctuations and ¥524mn from increased fixed and other costs, centering mainly around staff costs, are the main factors tending to lower profits. In respect of raw material costs, apart from high levels in poultry egg prices that have also continued since entering this period, we feel that one factor behind cost increases will also be the impact of yen depreciation on edible oil. Moreover, in respect of selling price revisions, which was a factor tending to boost profits last period, the Company's policy in relation to core products is to maintain them at current levels, making it neutral from the perspective of this period's results. Further, non-operating income is expected to improve ¥170mn y-o-y, however, the main factor behind this is a reduction in losses from equity in net income of affiliates.

Factors for Fluctuations in Recurring Profit (FY3/16)



National Federation of Agricultural Cooperative Associations (ZEN-NOH) Price (Tokyo) for Medium-sized Eggs



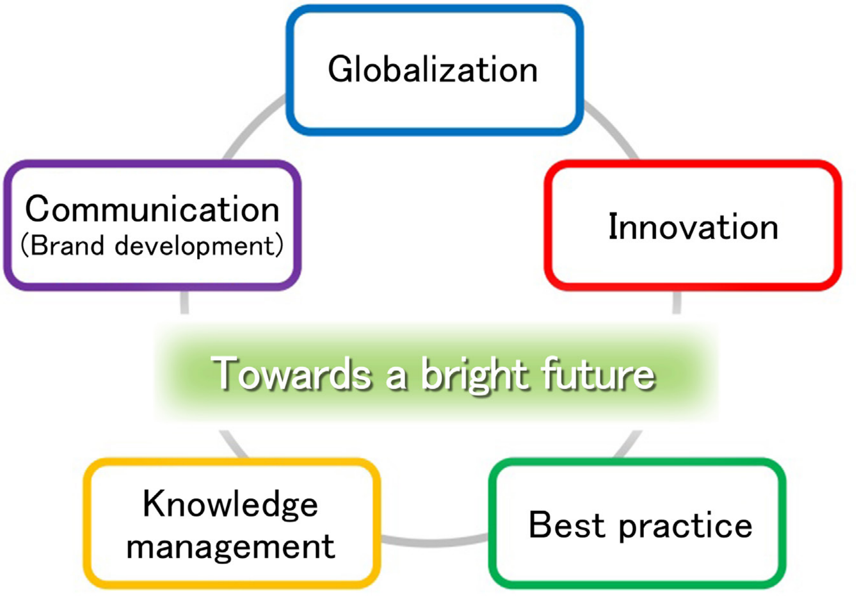
■ Mid-Term Management Plan

Aiming for sales for consolidated ¥75bn under the new Mid-term Management Plan

Outline of the New Mid-term Management Plan "KENKO Five Code 2015-2017"

The Company has announced a new Mid-term Management Plan, "KENKO Five Code 2015-2017", which starts from fiscal 2015. In terms of specific management targets it aims for consolidated sales of ¥75bn, a consolidated RP margin of 5%, an equity ratio of 50% and to maintain an ROE of 8% or above in FY3/18. In order to achieve these targets it plans to put five policies into effect.

KENKO Five Code 2015-2017 Business Strategies



Source: Company materials

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KENKO Mayonnaise Co., Ltd.
2915 Tokyo Stock Exchange First Section

21-Jul.-15

KENKO Five Code 2015-2017

	FY3/15	FY3/18
Sales	60,327	75,000
Recurring profit	2,776	3,750
RP margin	4.6%	5.0%
Equity ratio	45.5%	50.0%
ROE	9.6%	8% or above

5 Management Indices

○Globalization

In addition to business activities from raw material procurement to sales, the Company is engaging in establishing business locations aimed at developing human resources in order to undertake data collection activities (marketing) and global expansion. In particular, in this Plan, the Company is giving thought to expansion into the European and North American markets, and is planning to establish business locations in order to collect data locally. KENKO Mayonnaise is aiming in the future to be a company that broadcasts "trends in food" to the world.

○Innovation

Not constrained by prevailing wisdom and values, or existing structures, each staff member will continue to always maintain flexibility in their thinking, and in every circumstance be innovative and progressive, and to make a significant contribution.

○Best practice

From investment plans and capital policy, at every stage of business activity, the Company will respond with a sense of urgency, making on each occasion the most efficient and beneficial determination.

○Knowledge management

To share within the Group the 50 years of know-how, including expertise, experience, production technology and quality control skills, and promote the development of structures that allow for knowledge management sharing, believing that this will also contribute to future growth by linking to the next generation.

○Communication (Brand development)

We feel that brand value enhancement is achieved through trust obtained via communication with customers, and that by additionally boosting communication within the Company and the Group, we can refine a three-pronged management structure that combines our three business entities: the manufacturing function we have promoted to date at KENKO Mayo, the delicatessen functions in the subsidiaries, and the data collection and broadcasting functions utilizing shops and the Internet at Salad Cafe.

Business Strategies

○Establishing our position as the Leading Company in Salads

In order to establish its position as the Leading Company in Salads the Company's policy is to expand the scale of sales in its various businesses. For FY3/18, the Company is targeting sales increases of 19% for the mayonnaise and dressings business, 14% for the salads and delicatessen business, 19% for the potato business and 23% for the processed egg business (over FY3/15 actual results).

In its egg business, which it is expected will grow the most, the Company's policy is to proceed with a staged expansion in domestic factory facilities, focusing on the Shizuoka Fujisan Factory where orders are firm. The Company's policy is to strive to develop the product lineup and promote new customer acquisition, by undertaking product development that anticipates the development of functional products and market needs.

In respect of its mayonnaise and dressings business, apart from strengthening its product lineup in, for example, its World Sauce series and functional products, the Company continues to undertake innovation including in container formats to respond to small-package and other product (demand).

In its salad and delicatessen business, in addition to expanding its World Salad series, apart from strengthening product series such as its Japanese Manna Salad series of Japanese dishes, the Company will promote product development, engaging in unearthing new ingredients that broaden the range of salads and expand small-package commercial-use products.

In its potato business, apart from strengthening products that meet market needs (e.g. pre-processed potatoes for commercial usage), the Company will promote revitalization of the potato salad market, proposing menus where potato salads are the principal dishes.

○Further evolving "Salad Cuisine"
Toward further evolution of Salad Cuisine the Company is strengthening KENKO Mayonnaise Group structures. The Group will continue to broadcast Salad Cuisine utilizing the media at KENKO Mayonnaise parent. In addition, at subsidiaries that manufacture and sell daily items, the Group will expand its sales market share to local big box retailers, strengthening product development and its menu proposal capabilities. Furthermore, the Group will increase the number of its Salad Cafe shops to 23 by FY3/18 (from 16 at the end of the previous period), and will undertake expansion of salad cuisine tutorials.

○Strengthening the management platform to proactively promote expansion into global markets
In terms of the Company's overseas strategy, it is promoting the strengthening of egg and Halal products at its Indonesian production site, and expanding exports from Indonesia. Further, in the European and North American markets it will establish a business location in order to collect data and broadcast trends on food to the world.

In respect of export sales from Japan, from ¥350mn in FY3/15 the Company is aiming for ¥1,000mn in FY3/18. In addition to mayonnaise and dressings, going forward the plan is to expand exports such as salads and thick omelettes, positioning this period as one in which the Company seeks to strengthen its management platform to develop foreign markets in earnest.

■ Financial Condition & Policy on Shareholder Returns

Capital demand from the new factory construction complete, improvement in safety indices

(1) Financial Condition

In respect of the financial condition as of end-March 2015, total assets declined ¥237mn year-on-year to ¥39,448mn. The main factors behind fluctuations were increases of ¥894mn in cash and deposits and ¥1,150mn in accounts receivable on the one hand, and declines of ¥1,469mn and ¥908mn in other accounts receivable and tangible fixed assets respectively on the other.

At the same time, liabilities declined ¥2,395mn year-on-year to ¥21,481mn. Apart from a decline of ¥1,358mn in interest bearing liabilities, accrued amounts payable and equipment-related bills payable declined by ¥1,098mn and ¥1,102mn respectively. Net assets rose ¥2,157mn year-on-year as a result of retained earnings to ¥17,967mn.

Looking at management indices, interest-bearing debt increased in FY3/14 in the form of capital required for the construction of the new factory, however, in addition to that capital demand now being over, interest-bearing debt has fallen due to expansion in earnings, and all management safety indices have improved, including the equity ratio and interest-bearing debt ratio. For the time being the likelihood of large scale demand for capital arising is slight, with improvement in financial condition forecast to proceed along with earnings expansion. Moreover, in respect of its equity ratio, the Company is aiming for a level of 50% under the new Mid-term Management Plan.

On the other hand, profitability indices have shown steady performance over the last few years. Under the new Mid-term Management Plan the Company is aiming to have an RP margin of 5% and ROE of 8% or above in 3 years time, however, this is almost the same level as current profitability, with it considered that this is readily achievable if sales expand in accordance with the plan.

Consolidated Balance Sheet

(¥mn)

	FY3/12	FY3/13	FY3/14	FY3/15	Change
Current assets	16,107	18,403	18,095	18,704	608
(cash and deposits)	4,017	5,919	3,884	4,778	894
Fixed assets	14,297	15,595	21,590	20,744	-846
Total assets	30,404	33,998	39,686	39,448	-237
Current liabilities	13,207	14,249	14,860	14,422	-438
Fixed liabilities	3,705	4,948	9,015	7,058	-1,956
(interest-bearing debt)	4,254	5,526	9,943	8,584	-836
Total Liabilities	16,912	19,197	23,876	21,481	-2,395
Total Net Assets	13,492	14,801	15,810	17,967	2,157
(Safety)					
Current ratio	122.0%	129.2%	121.8%	129.7%	
Equity ratio	44.4%	43.5%	39.8%	45.5%	
Interest-bearing debt ratio	20.3%	29.0%	32.7%	23.4%	
(Profitability)					
Return on assets (ROA)	6.8%	8.0%	6.1%	7.0%	
Return on equity (ROE)	7.9%	10.0%	8.3%	9.6%	
OP margin	4.1%	5.1%	4.2%	5.0%	

Policy to raise the level of dividends stably in line with corporate earnings expansion

(2) Shareholder Return Policy

The Company's shareholder returns are cash dividend payments and special gift exclusives for shareholders. On the basis of a dividend payout ratio of 20% on a consolidated basis, while taking into consideration the sustainability of dividends, its policy is to stably raise dividends in line with increased earnings. The dividend per share in FY3/15 was ¥23 (¥10.00 interim and ¥13.00 year-end, for a payout ratio of 19.9%), being a ¥2 rise over the previous period. Given that revenues and earnings are expected to grow in FY3/16, it is planned that the dividend per share will be raised by ¥2 year-on-year to ¥25.00 (interim ¥11.00 and year-end ¥14.00, for a payout ratio of 20.1%). As such, if it appears that earnings growth will continue from FY3/17 also, it is highly likely that cash dividends will also increase.

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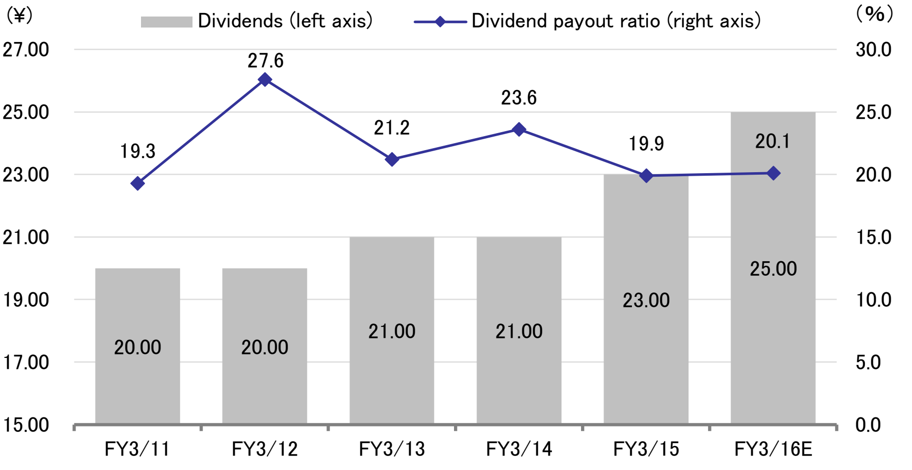
KENKO Mayonnaise Co., Ltd.
2915 Tokyo Stock Exchange First Section

21-Jul.-15

At the same time, as a special gift to shareholders, KENKO Mayo presents the company's products as gifts to shareholders of register as of March 31. A present with a value of ¥1,000 is given to shareholders with 100 to 999 shares, while a present with a value of ¥2,500 is given to shareholders of 1,000 or more shares. The investment return per unit of shares including the shareholder special gift was at the 2% mark based on conversion at a share price of ¥1,651 as of May 28.

Dividend Per Share and Dividend Payout Ratio



Consolidated Income Statement

(¥mn; %)

Accounting period	FY3/12	FY3/13	FY3/14	FY3/15	FY3/16E
Sales	51,878	54,533	57,301	60,327	63,200
(y-o-y)	2.5	5.1	5.1	5.3	4.8
Cost of goods sold	38,253	39,628	42,530	44,608	
(% Sales)	73.7	72.7	74.2	73.9	
SG&A expenses	11,480	12,126	12,342	12,717	
(% Sales)	22.1	22.2	21.5	21.1	
Operating profit	2,144	2,778	2,428	3,001	3,050
(y-o-y)	-22.7	29.6	-12.6	23.6	1.6
(% Sales)	4.1	5.1	4.2	5.0	4.8
Non-operating profit	80	100	148	154	
Non-operating expenses	151	303	318	378	
(Equity in income (losses) of affiliates)	-20	-216	-229	-246	
Recurring profit	2,073	2,574	2,258	2,776	3,000
(y-o-y)	-22.7	24.2	-12.3	22.9	8.1
(% Sales)	4.0	4.7	3.9	4.6	4.8
Extraordinary profit	0	2	1	97	
Extraordinary losses	83	188	45	80	
Income before income taxes	1,990	2,388	2,215	2,793	
(y-o-y)	-18.5	20.0	-7.2	26.1	
(% Sales)	3.8	4.4	3.9	4.6	
Corporate income tax	960	979	949	1,151	1,230
(effective tax rate)	48.2	41.0	42.8	41.2	41.0
Net profit	1,029	1,409	1,265	1,642	1,770
(y-o-y)	-22.0	36.9	-10.2	29.8	7.8
(% Sales)	2.0	2.6	2.2	2.7	2.8
[Key indicators]					
Number of shares outstanding (thousands)	14,211	14,211	14,211	14,211	14,211
Net profit per share (¥)	72.5	99.2	89.1	115.6	124.6
Dividend per share (¥)	20.0	21.0	21.0	23.0	25.0
Net assets per share (¥)	949.4	1041.5	1112.6	1264.4	-
Dividend payout ratio (%)	27.6	21.2	23.6	19.9	20.1

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