

Translation

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Summary of Consolidated Financial Results for the Year Ended March 31, 2017 (Based on Japanese GAAP)

May 12, 2017

Company name: KENKO Mayonnaise Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 2915 URL <http://www.kenkomayo.co.jp>
 Representative: President Takashi Sumii
 Inquiries: Director and Managing Executive Officer Takashi Murata TEL 03-5318-7530
 Scheduled date of ordinary general meeting of shareholders: June 28, 2017
 Scheduled date to file Securities Report: June 28, 2017
 Scheduled date to commence dividend payments: June 29, 2017
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended March 31, 2017 (from April 1, 2016 to March 31, 2017)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended March 31, 2017	70,812	5.8	3,987	16.0	4,017	17.2	2,867	37.5
Year ended March 31, 2016	66,933	11.0	3,436	14.5	3,426	23.4	2,085	27.0

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended March 31, 2017	194.88	–	12.0	8.6	5.6
Year ended March 31, 2016	146.76	–	11.2	8.4	5.1

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2017	51,442	28,456	55.3	1,727.17
As of March 31, 2016	42,306	19,311	45.6	1,358.94

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended March 31, 2017	4,692	(3,929)	5,603	13,779
Year ended March 31, 2016	4,270	(458)	(1,177)	7,412

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2016	–	11.00	–	17.00	28.00	397	19.1	2.1
Year ended March 31, 2017	–	14.00	–	23.00	37.00	577	19.0	2.4
Year ending March 31, 2018 (Forecast)	–	18.00	–	19.00	37.00		21.2	

3. Forecast of consolidated financial results for the year ending March 31, 2018 (from April 1, 2017 to March 31, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2017	37,880	5.2	2,200	(11.2)	2,210	(11.3)	1,550	(8.3)	94.08
Full year	75,000	5.9	4,080	2.3	4,100	2.1	2,870	0.1	174.20

4. Notes

(1) Changes in significant subsidiaries during the year ended March 31, 2017

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2017	16,476,000 shares	As of March 31, 2016	14,211,000 shares
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Number of treasury shares at the end of the period

As of March 31, 2017	273 shares	As of March 31, 2016	209 shares
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Average number of shares during the period

Year ended March 31, 2017	14,713,067 shares	Year ended March 31, 2016	14,210,823 shares
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Consolidated financial statements
Consolidated balance sheets

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Assets		
Current assets		
Cash and deposits	7,412	13,779
Notes and accounts receivable - trade	11,242	11,436
Merchandise and finished goods	1,728	1,881
Work in process	13	17
Raw materials and supplies	860	919
Deferred tax assets	309	350
Accounts receivable - other	187	711
Other	85	101
Allowance for doubtful accounts	(4)	(2)
Total current assets	21,836	29,196
Non-current assets		
Property, plant and equipment		
Buildings and structures	11,786	12,118
Accumulated depreciation	(6,185)	(6,656)
Buildings and structures, net	5,601	5,461
Machinery, equipment and vehicles	14,704	16,255
Accumulated depreciation	(8,856)	(9,601)
Machinery, equipment and vehicles, net	5,848	6,653
Tools, furniture and fixtures	1,239	1,335
Accumulated depreciation	(876)	(962)
Tools, furniture and fixtures, net	362	373
Land	4,697	5,968
Leased assets	24	15
Accumulated depreciation	(17)	(10)
Leased assets, net	7	4
Construction in progress	352	8
Total property, plant and equipment	16,870	18,469
Intangible assets		
Total intangible assets	332	268
Investments and other assets		
Investment securities	1,964	2,047
Long-term prepaid expenses	79	101
Deferred tax assets	297	398
Guarantee deposits	367	365
Insurance funds	519	542
Other	80	91
Allowance for doubtful accounts	(42)	(40)
Total investments and other assets	3,266	3,506
Total non-current assets	20,469	22,245
Total assets	42,306	51,442

(Millions of yen)

	As of March 31, 2016	As of March 31, 2017
Liabilities		
Current liabilities		
Notes and accounts payable - trade	8,594	8,751
Current portion of long-term loans payable	1,389	920
Accounts payable - other	3,422	4,139
Income taxes payable	466	909
Provision for bonuses	417	420
Provision for directors' bonuses	13	15
Provision for sales rebates	14	24
Notes payable - facilities	839	167
Other	1,156	1,138
Total current liabilities	16,313	16,487
Non-current liabilities		
Long-term loans payable	2,184	1,489
Deferred tax liabilities	79	77
Provision for directors' retirement benefits	328	384
Net defined benefit liability	486	443
Long-term accounts payable - other	2,976	3,512
Other provision	580	550
Other	44	40
Total non-current liabilities	6,680	6,498
Total liabilities	22,994	22,985
Net assets		
Shareholders' equity		
Capital stock	2,180	5,424
Capital surplus	2,448	5,691
Retained earnings	14,161	16,688
Treasury shares	(0)	(0)
Total shareholders' equity	18,790	27,803
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	719	798
Foreign currency translation adjustment	14	9
Remeasurements of defined benefit plans	(212)	(155)
Total accumulated other comprehensive income	520	652
Total net assets	19,311	28,456
Total liabilities and net assets	42,306	51,442

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Net sales	66,933	70,812
Cost of sales	49,689	52,433
Gross profit	17,244	18,378
Selling, general and administrative expenses	13,807	14,391
Operating profit	3,436	3,987
Non-operating income		
Interest income	1	0
Dividend income	30	33
Rent income	24	15
Reversal of provision for other	–	30
Other	102	92
Total non-operating income	158	172
Non-operating expenses		
Interest expenses	67	53
Share of loss of entities accounted for using equity method	81	32
Share issuance cost	–	40
Other	19	15
Total non-operating expenses	168	142
Ordinary profit	3,426	4,017
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	205	–
Subsidy income	16	30
Gain on donation of non-current assets	–	7
Other	3	0
Total extraordinary income	225	38
Extraordinary losses		
Loss on retirement of non-current assets	595	25
Impairment loss	283	3
Other	5	6
Total extraordinary losses	885	34
Profit before income taxes	2,767	4,021
Income taxes - current	945	1,244
Income taxes - deferred	(263)	(90)
Total income taxes	681	1,154
Profit	2,085	2,867
Profit attributable to owners of parent	2,085	2,867

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Profit	2,085	2,867
Other comprehensive income		
Valuation difference on available-for-sale securities	(73)	79
Remeasurements of defined benefit plans, net of tax	(123)	57
Share of other comprehensive income of entities accounted for using equity method	(204)	(4)
Total other comprehensive income	(400)	131
Comprehensive income	1,684	2,999
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,684	2,999

Consolidated statements of changes in equity

Fiscal year ended March 31, 2016

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,180	2,448	12,417	(0)	17,046
Cumulative effects of changes in accounting policies					
Restated balance	2,180	2,448	12,417	(0)	17,046
Changes of items during period					
Dividends of surplus			(341)		(341)
Profit attributable to owners of parent			2,085		2,085
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,744	(0)	1,744
Balance at end of current period	2,180	2,448	14,161	(0)	18,790

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	792	218	(89)	921	17,967
Cumulative effects of changes in accounting policies					
Restated balance	792	218	(89)	921	17,967
Changes of items during period					
Dividends of surplus					(341)
Profit attributable to owners of parent					2,085
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	(73)	(204)	(123)	(400)	(400)
Total changes of items during period	(73)	(204)	(123)	(400)	1,343
Balance at end of current period	719	14	(212)	520	19,311

Fiscal year ended March 31, 2017

(Millions of yen)

	Shareholders' equity				Total shareholders' equity
	Capital stock	Capital surplus	Retained earnings	Treasury shares	
Balance at beginning of current period	2,180	2,448	14,161	(0)	18,790
Cumulative effects of changes in accounting policies			99		99
Restated balance	2,180	2,448	14,261	(0)	18,890
Changes of items during period					
Issuance of new shares	3,243	3,243			6,486
Dividends of surplus			(440)		(440)
Profit attributable to owners of parent			2,867		2,867
Purchase of treasury shares				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	3,243	3,243	2,426	(0)	8,912
Balance at end of current period	5,424	5,691	16,688	(0)	27,803

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of current period	719	14	(212)	520	19,311
Cumulative effects of changes in accounting policies					99
Restated balance	719	14	(212)	520	19,411
Changes of items during period					
Issuance of new shares					6,486
Dividends of surplus					(440)
Profit attributable to owners of parent					2,867
Purchase of treasury shares					(0)
Net changes of items other than shareholders' equity	79	(4)	57	131	131
Total changes of items during period	79	(4)	57	131	9,044
Balance at end of current period	798	9	(155)	652	28,456

Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017
Cash flows from operating activities		
Profit before income taxes	2,767	4,021
Depreciation	1,508	1,754
Impairment loss	283	3
Increase (decrease) in allowance for doubtful accounts	(5)	(3)
Increase (decrease) in provision for bonuses	20	3
Increase (decrease) in provision for directors' bonuses	(4)	1
Increase (decrease) in other provision	580	(30)
Increase (decrease) in net defined benefit liability	11	40
Increase (decrease) in provision for directors' retirement benefits	88	56
Interest and dividend income	(31)	(34)
Interest expenses	67	53
Loss on retirement of non-current assets	15	25
Decrease (increase) in notes and accounts receivable - trade	(1,083)	(193)
Decrease (increase) in inventories	(291)	(216)
Increase (decrease) in notes and accounts payable - trade	1,151	157
Decrease (increase) in prepaid expenses	12	(14)
Increase (decrease) in accounts payable - other	181	(8)
Increase (decrease) in accrued consumption taxes	(420)	(64)
Increase (decrease) in accrued expenses	48	65
Decrease (increase) in other assets	693	(96)
Increase (decrease) in other liabilities	69	53
Other, net	(113)	32
Subtotal	5,551	5,604
Interest and dividend income received	31	34
Interest expenses paid	(66)	(52)
Income taxes paid	(1,246)	(892)
Net cash provided by (used in) operating activities	4,270	4,692
Cash flows from investing activities		
Purchase of property, plant and equipment	(708)	(3,850)
Purchase of intangible assets	(75)	(59)
Purchase of investment securities	(122)	(19)
Proceeds from sales of investment securities	537	–
Other, net	(88)	0
Net cash provided by (used in) investing activities	(458)	(3,929)
Cash flows from financing activities		
Repayments of installment payables	(1,155)	(1,338)
Proceeds from installment plan	941	2,063
Proceeds from long-term loans payable	612	324
Repayments of long-term loans payable	(1,231)	(1,488)
Proceeds from issuance of common shares	–	6,486
Cash dividends paid	(340)	(440)
Other, net	(2)	(3)
Net cash provided by (used in) financing activities	(1,177)	5,603
Net increase (decrease) in cash and cash equivalents	2,634	6,366
Cash and cash equivalents at beginning of period	4,778	7,412
Cash and cash equivalents at end of period	7,412	13,779