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

17-Feb.-15

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Maintaining Sales & Earnings Growth through Salads and Delicatessen Products that Meet Lifestyle Changes

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 foods made from eggs, and other products. It has a strong position in the market for commercial-use and has the leading market share in the "long-life salad" category at 40% and in egg salad for sandwiches and bread meal at 56%. In the mayonnaise and dressings market, it is second behind Kewpie <2809> with a 14.9% share.

Consolidated results for H1 FY3/15 showed that despite continuing underlying year-on-year (y-o-y) sales growth of 3.9%, with expansion in demand for egg products, delicatessen and other products, recurring profit declined 18.7% y-o-y due to the impact of surges in the market price for eggs and one-off cost increases from the establishment of its new factory.

The outlook for FY3/15 full-year results anticipate sales of ¥60,000 million, up 4.7% y-o-y, and a swing back to profitability in recurring profit after a period of profit decline to ¥2,700 million, up 19.5% y-o-y. In addition to the impact of sales growth and price revisions in mayonnaise, egg products and other products that have been implemented in stages from H2 FY3/14, factors such as reductions in purchasing costs of cooking oil were behind growth in profits.

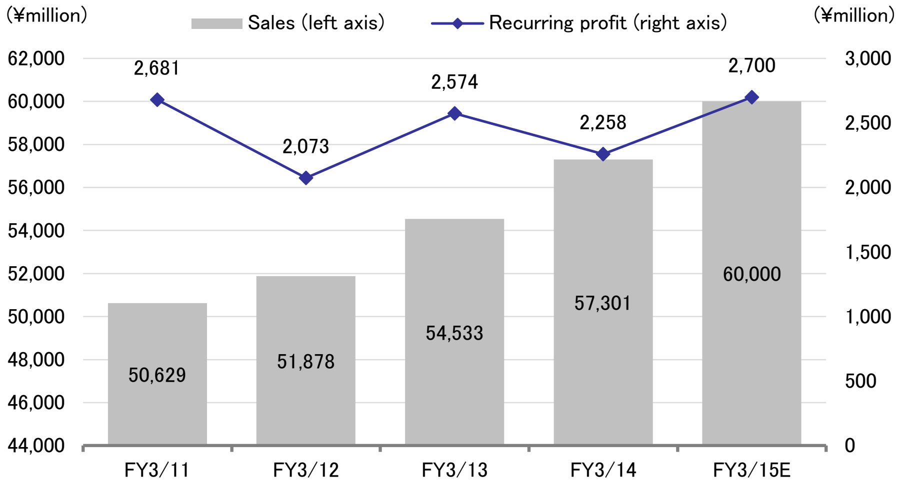
In respect of overseas business, the Company is developing operations through equity method affiliates in China and Indonesia, and expects them to become profitable in FY3/16. Also, in its domestic BtoC business of Salad Cafe, requests for new store openings, centering on metropolitan areas are increasing, with store numbers planned to be increased at a pace of several stores per year, pursuant to its strategy of raising brand value. In addition, the Company is also tackling how to strengthen functional food development and its cut vegetables business, aiming for even further growth.

Amidst changes in lifestyle such as the advancement of ageing society, increases in single-person households, and the social advancement of women, the Company is expected to continue stable growth going forward also, by expanding products that meet customer needs. Moreover, apart from aiming for stable dividend growth, targeting a consolidated payout ratio of 20% or above for shareholder returns, the Company also makes presents of its products as a form of shareholder benefit.

Check Point

- H1 sees higher sales as a result of increased product take-up, centered on egg products aimed at convenience stores (herein "CVS"), but lower profit due to rises in raw material prices
- Full-year forecasts remain unchanged from initial plans, expecting revenue & earnings growth
- Dividends expected to rise by ¥2 due to a recovery in results, with a target payout ratio of 20% or above

Results Trends



Company Overview

Mainstay commercial seasoning & processed food business represent 80% of sales

(1) 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 egg products and other products for commercial use, undertaking operations such as the production and sale of chilled grocery type delicatessen products, and retail store operations through subsidiaries.

Its operations may be divided into three business segments: seasoning and processed food business (salads, delicatessen products, mayonnaise and dressings, egg products etc.), side-dish-related business (chilled groceries such as delicatessen and salad products), and other business (retail store and overseas business), comprising H1 FY3/15 sales contributions of 83.0% from seasoning and processed food business, 15.1% from side-dish-related business and 1.9% from other business. A breakdown of seasoning and processed food business shows that salads and delicatessen products represent 44.5%, mayonnaise and dressings 27.8%, egg products 26.0%, and 1.7% for other, with gradual trend in recent years for an increase in the egg products component. The background to this is that demand (for these products) is expanding for lunchboxes, bread and sandwiches due to expansion in the home meal replacement (hereafter "HMR") market, centered on convenience stores (CVS).

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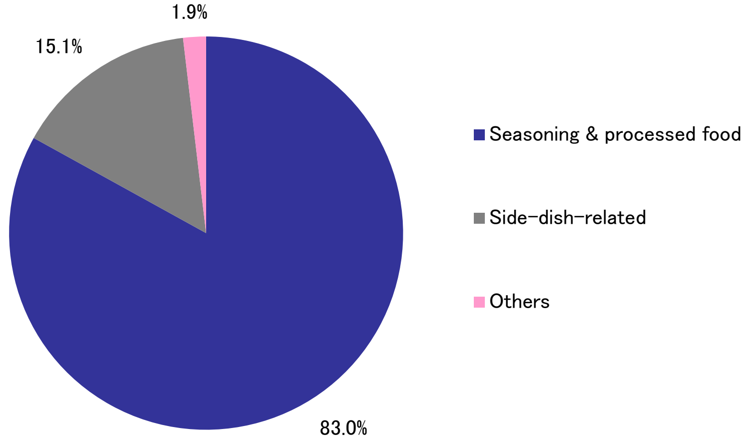
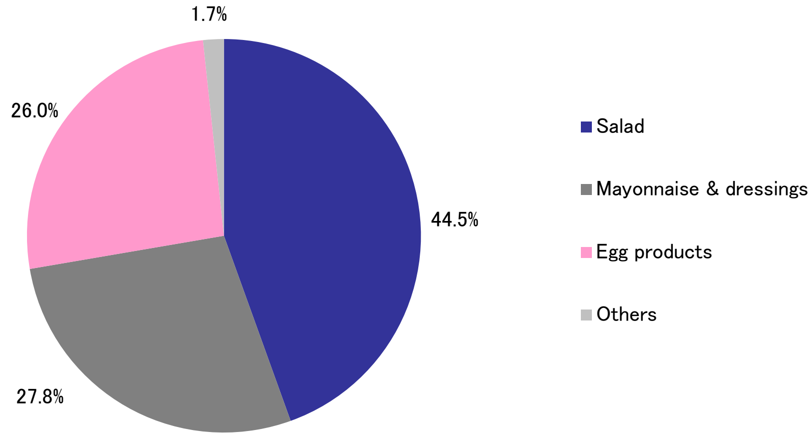
Sales Contribution by Business Segment (H1 FY3/15)



Sales Contribution by Product (H1 FY3/15)



Source: Company materials

Competing for top position in commercial mayonnaise & dressings, with the top share in long-life salad

(2) Sales & Market Share by Business Category

Examining the Company's sales ratio by business category, we see that the restaurant industry has the largest share with 27.1%, followed by mass retailers (supermarket chains), CVS, bread makers (bakeries), food dispensing and others (consumer co-ops, commercial food wholesalers etc.), with a distinctive feature of the Company's business being that it has mainly developed business aimed at the restaurant and HMR markets. In recent years there has been a trend for decline in the restaurant industry ratio, but on the other hand the ratio for CVS has been rising, which may also be discerned from the graph. The background to this is that in the CVS market, accompanying an increase in store numbers demand is expanding for bread, delicatessen, lunchbox and other products.

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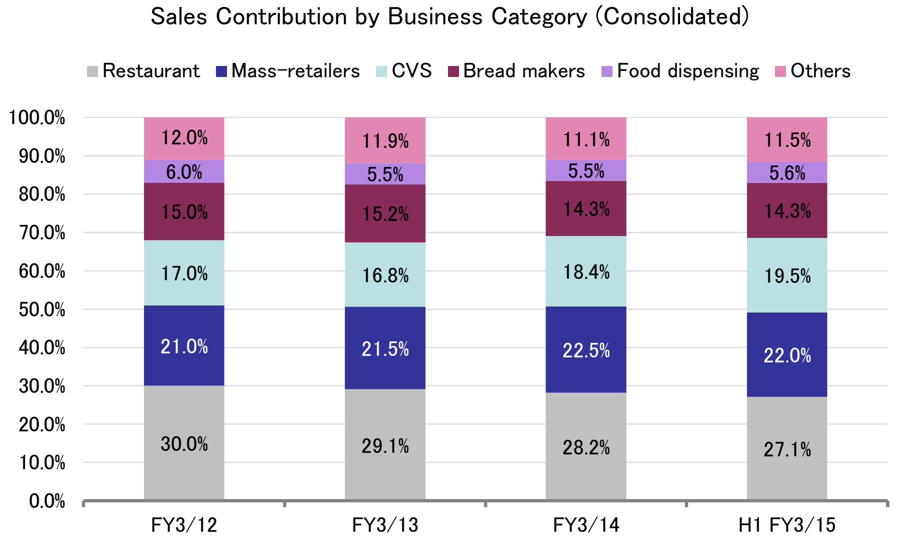
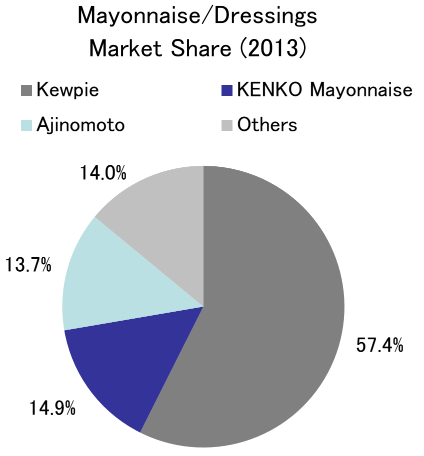
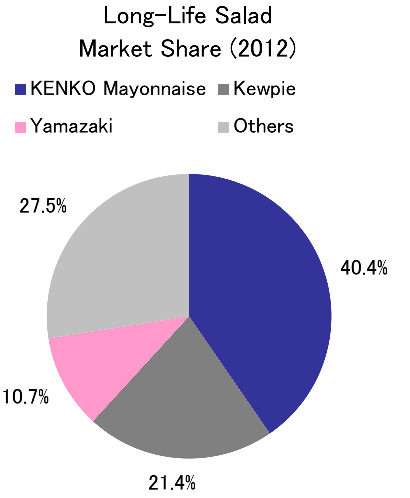


Looking at market share within its industries, in recent years mayonnaise and dressings have performed stably at around 15%, maintaining its number two position in the industry. Given that it is virtually specialized on commercial usage, while its familiarity is limited with general consumers, in commercial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

Meanwhile, the Company, the pioneer of "long-life salad," has established the industry-leading market share of over 40% for long-life salad.



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



Source: FUJI Keizai "Foodstuff Marketing Handbook"

Collective strength from management integration of production, development & sales

(3) Company's Strengths

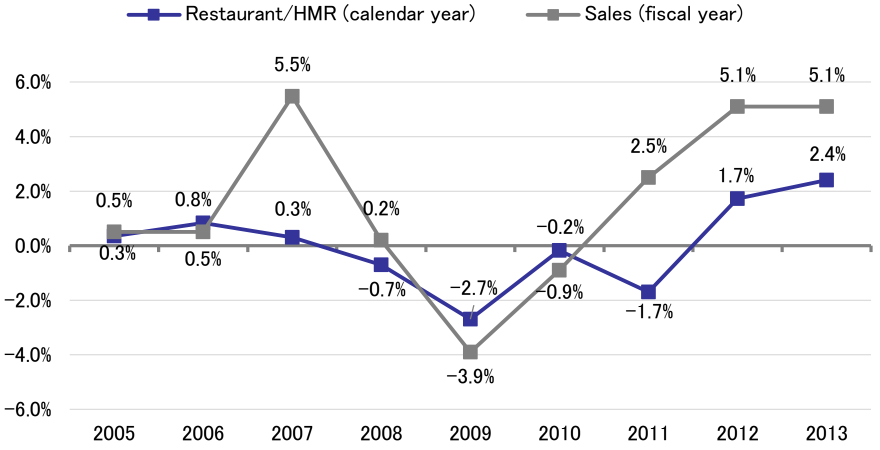
The Company's strength, in addition to having built a nationwide production network for the stable supply of high-quality products, lies in the collective strength from combined management integration of production, development and sales, including product development capabilities that meet customer needs and meticulous sales response capabilities.

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 much added value can it offer customers holds an important key to its business growth. The company has taken steps to offer added value through its meticulous response to customers involving the segmentation of fields by business classification and the integration of its sales, product 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. As the graph shows, since 2011, it has continued to grow at a rate exceeding the restaurant and HMR markets thanks to the fruits of these efforts.

Wide-ranging 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.

Development of flexible production system that meets customer needs

(4) Production Systems & Group Subsidiaries

Currently, the Company's nationwide production system comprises seven factories operated by the parent company and nine factories operated by seven consolidated subsidiaries. Subsidiaries' production bases are closely linked to their operating areas because they are the production bases for chilled groceries type delicatessen products for to supermarkets, 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 volume.

Further, as of the end of December 2014 there were 16 Salad Cafe stores, mainly located in department stores and general merchandizing stores. In respect of overseas business, the Company has developed operations in China and Indonesia, with both of them being equity method affiliates. The Company's Chinese operations have been developed by way of a joint venture (50% capital contribution) with a Taiwanese foodstuffs manufacturer. Previously there were two production facilities in Dongguan and Hangzhou; however, in August 2014 they were consolidated in the Hangzhou factory. This factory mainly produces mayonnaise and dressings (with an annual production capacity of 25,000 tons), which are sold to local companies and Japanese restaurant companies.

On the other hand, in Indonesia the Company established a joint venture (49% capital contribution) with a local foodstuffs manufacturer in 2012, and from the autumn of 2013 commenced production of mayonnaise and dressings (with an annual production capacity of 4,000 tons). This factory has Halal certification, and apart from bulk and commercial selling locally, also engages in the sale of liquid egg. From November 2014 it commenced exports to Japan of mayonnaise with Halal certification.

Because its companies in China and Indonesia are 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 earnings of affiliates. They are included under Other Businesses of the consolidated segmentation.

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.

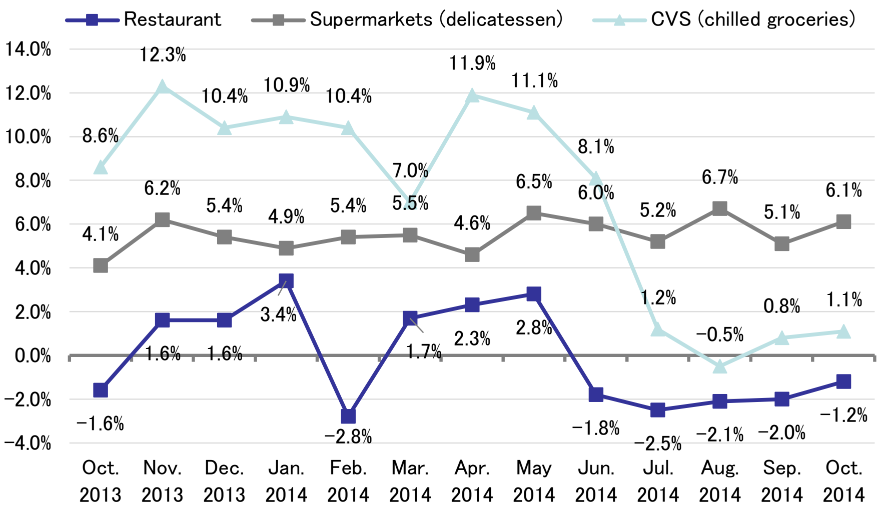
Performance Trends

Deterioration in the market environment due to unseasonable summer weather & ingredient cost rises

(1) Market Environment

Monthly sales trends in the Company's mainstay customer markets of restaurants industries, supermarkets (delicatessen) and CVS (chilled groceries) are displayed in the graph below. Although delicatessen product sales to supermarkets continue to grow steadily at around 5% y-o-y, apart from June sales to the restaurant industry shifting to a y-o-y decline, with, amongst other things, CVS (chilled groceries) sales also slowing down from July, the Company is arguably in the position of having lost a little momentum. We feel that this is due to the impact of unseasonable weather, including the typhoon and prolonged rain over summer, and also due to price rises in certain areas as a result of increases in ingredient costs. Going forward also, as a result of ingredient cost rises due to factors such as yen depreciation, trends including price hikes in the restaurant sector will proceed, and thus arguably the market environment is in a position that cannot be viewed optimistically.

Major Market Monthly Sales Trends (y-o-y)



Source: Prepared by FISCO from statistical data from the Japan Food Service Association, Japan Food Service Association & Japan Franchise Association.

H1 sees higher sales as a result of increased product take-up at CVS, but lower profit due to rises in raw material prices

(2) Consolidated H1 FY3/15 Financial Highlights

The consolidated H1 FY3/15 results (Apr-Sep 2014), which were announced on November 7, showed increased revenues but decreased profits, with sales of ¥30,091 million, up 3.9% y-o-y, operating profit of ¥1,394 million, down 15.8% y-o-y, recurring profit of ¥1,270 million, down 18.7% y-o-y, and net profit of ¥736 million, down 19.1% y-o-y. Compared with the Company's initial plan, apart from sales of sauces to the fast food industry being sluggish, and excluding the fact that the market price for eggs rose more than expected, progress was largely in line with the plan.

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Consolidated H1 FY3/15 Results

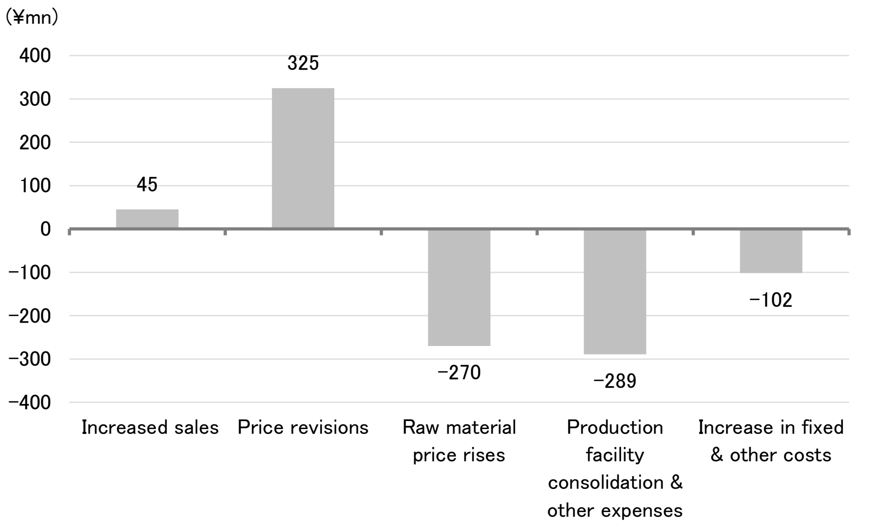
(¥mn)

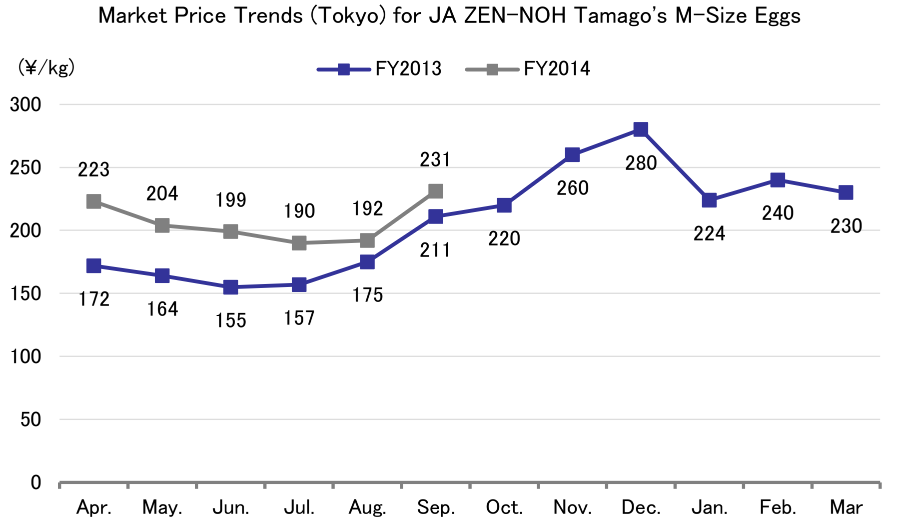
	H1 FY3/14		H1 FY3/15				
	Actual	% Sales	Plan	Actual	% Sales	y-o-y	vs Plan
Sales	28,951	100.0%	30,200	30,091	100.0%	3.9%	-0.4%
Gross profit	7,862	27.2%	-	7,728	25.7%	-1.7%	-
SG&A expenses	6,207	21.4%	-	6,334	21.0%	2.0%	-
Operating profit	1,655	5.7%	1,400	1,394	4.6%	-15.8%	-0.4%
Recurring profit	1,561	5.4%	1,280	1,270	4.2%	-18.7%	-0.7%
Net profit	910	3.1%	670	736	2.4%	-19.1%	9.9%

Within sales, despite sales to the fast food industry being lackluster, apart from sales of egg products, centered on CVS, performing well, as a result of promoting meticulous menu development by segment and business type, as well as its sales response, amongst other things in each market there was progress in the take-up of not only existing products but new products, which also contributed to revenue growth. Looking at growth rates by industry, aside from sales to CVS rising by approximately 10% y-o-y, food dispensing rose by approximately 8%, with restaurants, retail outlets and bakeries each rising by 1-2%. In particular, in respect of CVS, in addition to the number of stores growing, proactive product menu proposal activities led to growth in sales. In the CVS industry, the product turnover period is short in comparison to other industries, and there are numerous opportunities to participate in competitions with other companies. In this sort of environment, the fact that sales have been expanded is arguably proof that the Company's product appeal as well as its quality and technical capabilities are regarded highly.

Examining the reasons for the changes in recurring profit, while the impact of increased revenues (¥45 million) and the impact of mayonnaise and processed egg product price revisions (¥325 million) were factors tending to boost profit, on the other hand, increases in raw material prices, including surges in the market price for eggs and vegetables prices (¥270 million), cost increases including one-off expenses (¥289 million) associated with the consolidation of processed egg product production facilities (KANTOH DIET EGG Co., Ltd.'s Niiza Factory was consolidated into the Shizuoka Fujisan Factory), and rise in fixed costs (¥102 million) were factors tending to reduce profits.

Factors for Fluctuation in Recurring Profit (H1 FY3/15)





Egg products & delicatessen-related products performed well in H1

(3) Trends by business segment

○Seasoning/Processed Food Business

Sales in the mainstay seasoning and processed food business rose 3.2% y-o-y to ¥24,985 million, while segment profit declined 8.5% y-o-y to ¥1,244 million. As noted above, the reasons for the decline in profits were rises in ingredient costs and one-off expenses due to the consolidation of production facilities.

Examining sales trends by product line, salads and delicatessen products performed solidly rising 3.7% y-o-y to ¥8,317 million (with volumes sold up 2.3% y-o-y). Apart from new take-up of the flagship potato salad product, mainly for the restaurant sector, pumpkin salad for bread making increased. Also, the "Salad Made by a Salad Pro" range of salads for which sales were newly commenced from September 2013 for commercial use, performed well, being adopted not only under the Company's brand but as a private brand product for CVS.

Mayonnaise and dressings declined 4.5% y-o-y to ¥8,354 million (with volumes sold down 7.4% y-o-y), which was the only decline by product category. Aside from progress in the new take-up of mayonnaise for baked bread and dressings for restaurants, as a result of factors such as the expansion of the number of products in the World Sauce range, from 14 in the same period last year to 18 items, sales grew steadily. However, the impact of sluggish conditions in the fast food industry was apparent. Moreover, given that from H2 FY3/14 the Company has undertaken a phased price revision of mayonnaise, the sales price has risen in the order of 3% by unit weight.

Egg products performed well rising 12.0% y-o-y to ¥7,787 million (with volumes sold up 10.6%). A variety of processed products, including egg salad for sandwiches and baked bread, Atsuyaki-Tamago (Japanese style rolled omelet) and boiled eggs for lunch boxes and other products grew mainly focused on CVS and bread makers.

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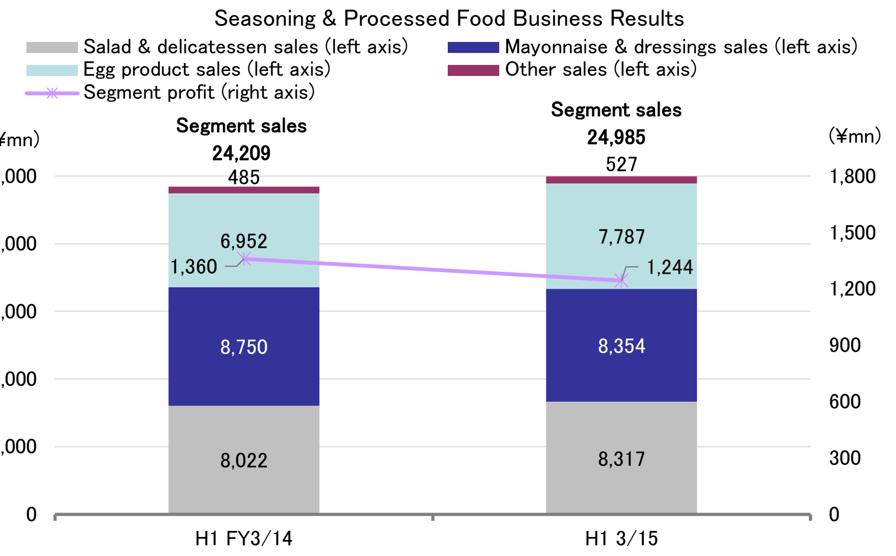
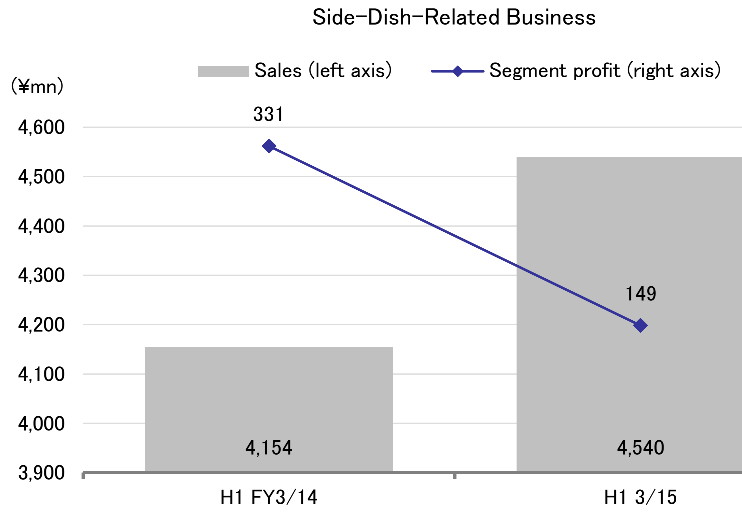
Further, given that the Shizuoka Fujisan Factory that commenced operations from April has built a production line from egg-breaking process, quality and taste have improved from even that previously, and new customer acquisition also appears to be proceeding steadily. In the initial plan it was scheduled that the consolidation and transfer of operations of the KANTOH DIET EGG Co., Ltd.'s subsidiary Niiza Factory would be completed by Q1, however, the fact that completion of the transfer will take until the end of September, due to the impact of factors such as the minor fire in June, is a cause for cost rises.



○Side-Dish-Related Business
Sales from side-dish-related business rose 9.3% y-o-y to ¥4,540 million, while segment profit declined 54.9% y-o-y to ¥149 million, forming a gain in revenue but decline in earnings. Apart from sales of cut vegetables which were started in December 2013 and are limited to the Hokkaido region performing steadily, sales of existing products such as pasta salads for mass retailers rose. In the supermarket industry, given the fact that the growth rate of delicatessen products is in the order of 6%, we may say that the Company's growth exceeded the industry average. On the other hand, from a profit perspective, rises in egg and vegetable prices were a reason for the decline in profits.



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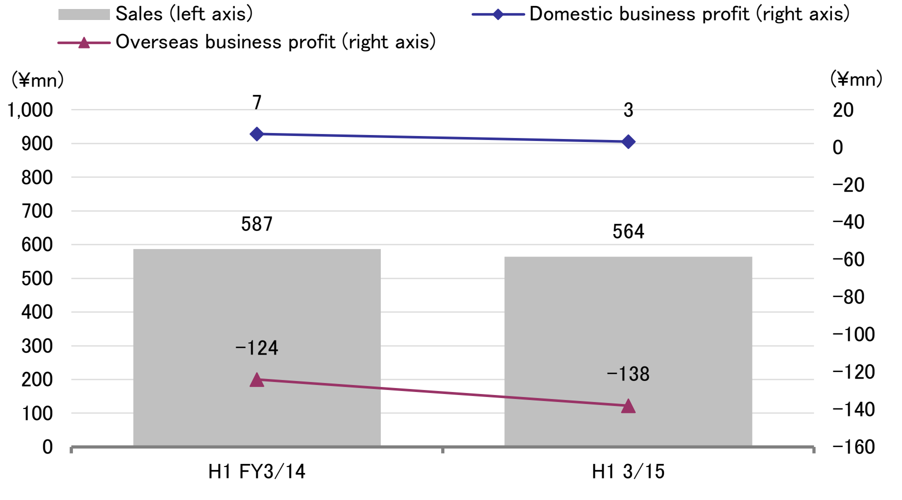
○Other Business

Sales in the other business segment, in addition to revenue from the specialty salad shops developed as Salad Cafe Co., Ltd., include in profits income (or losses) in equity method affiliates from overseas operations. H1 sales declined 3.9% y-o-y to ¥564 million, with a segment loss of ¥134 million (compared with loss of ¥117 million in the same period a year ago). Within this, looking at segment profit and excluding overseas operations, there was a decline from ¥7 million in the same period a year ago to ¥3 million. During this H1, among the 16 specialty salad shops, a refurbishment of the shop in Takashimaya Kyoto store was carried out.

On the other hand, despite a reduction in investment losses in overseas business within its Chinese business from ¥125 million to ¥95 million, due to a ¥43 million loss from Indonesian business, where the factory has been fully operational from autumn last year, total losses in net equity of affiliates expanded from ¥124 million to ¥138 million.

Other Business Results



Full-year outlook for revenue & earnings growth remains unchanged from the initial plan

(4) Outlook for FY3/15

The FY3/15 consolidated results outlook remains unchanged from the initial plan, with sales up 4.7% y-o-y to ¥60,000 million, operating profit up 19.0% y-o-y to ¥2,890 million, recurring profit up 19.5% y-o-y to ¥2,700 million, and net profit up 25.6% y-o-y to ¥1,590 million.

In sales by business, excluding a 2.8% y-o-y decline in mayonnaise and dressings, all businesses are expected to show an increase in sales. In particular, double-digit growth of 12.0% y-o-y is expected in respect of egg products. Benefits from increased capacity, expansion in sales channels and new product rollout from the Shizuoka Fujisan Factory becoming operational will contribute to this result. From mid-October all nine lines at the Shizuoka Fujisan Factory will commence operations, with the utilization rate thus also being on an upward trend. Initially the Company aimed for it to be running at full capacity three years after becoming operational, however, given that customer appraisal has been increasing, it is expected that it will be able to achieve full capacity a year earlier. Because the demand for egg products is robust, the Company is promoting increases in capacity at its KANTOH DIET EGG's Aizu Wakamatsu Factory also, and, in the event that even with this production capacity is deemed to be insufficient, it will promote additional expansion at the Shizuoka Fujisan Factory.

In respect of salads and delicatessen products, apart from further strengthening a sales and development strategy segmentized by business, and strengthening commercial sales promotions for mainstay FDF® (Fashion Delica Foods ®), the Company is promoting the expansion of sales channels for its commercial usage "Salad Made by a Salad Pro" range of salads.

In respect of side-dish-related business also, apart from promoting sales expansion of fresh delicatessen and other products focusing on mass retailers, it is striving to strengthen its cut vegetables business in Hokkaido.

Other than that, in December the Company opened its Salad Cafe The Diamond Yokohama shop. As a result of increased health consciousness and demand for HMR due to changes in lifestyles, requests for new store openings of Salad Cafes has been rising. While emphasizing profitability, the Company also has plans to expand store numbers at a pace of several stores per annum in convenient locations such as shopping precincts at train stations and within commercial buildings over train stations. Its strategy is to boost the value of KENKO Mayonnaise by raising the recognition and brand power of Salad Cafes.

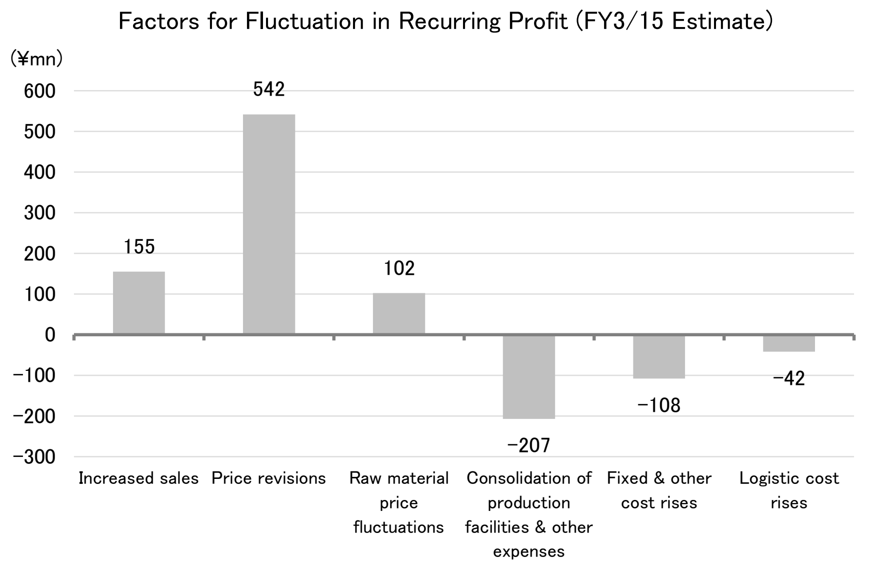
Sales by Segment

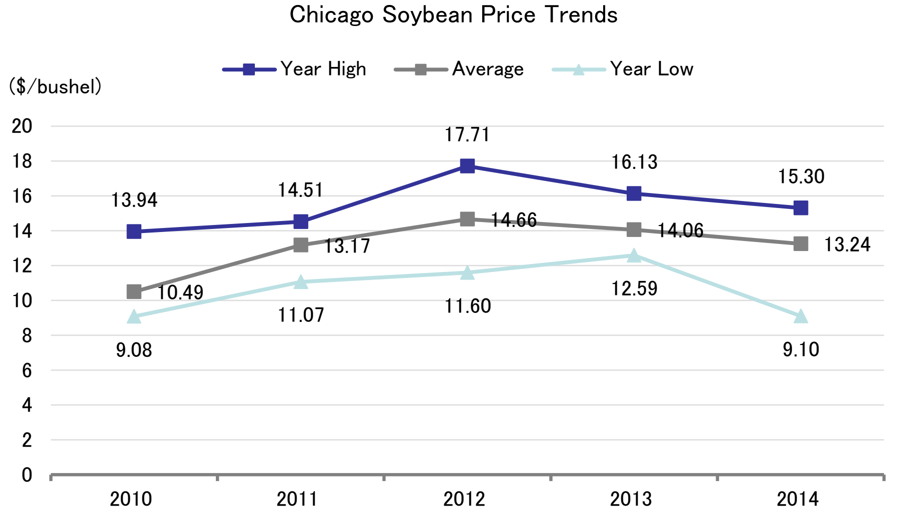
(¥mn)

	FY3/12	FY3/13	FY3/14	FY3/15E	y-o-y
Seasonings & Processed foods	43,618	45,894	47,541	49,397	3.9%
Salads & Delicatessen	15,118	16,081	15,866	16,545	4.3%
Mayonnaise & Dressings	16,143	16,820	17,093	16,609	-2.8%
Processed Egg products	11,298	11,986	13,567	15,191	12.0%
Others	1,059	1,007	1,015	1,052	3.6%
Side-Dish-Related Business	7,298	7,526	8,586	9,415	9.7%
Other Business	960	1,113	1,173	1,187	1.2%
Total	51,878	54,533	57,301	60,000	4.7%

Recurring profit is expected to swing to an increase from a decline of FY3/14, and examining the main reasons behind fluctuation in profits, the impact of increased sales, price revisions and changes in raw material prices are expected to be factors tending to boost earnings by ¥155 million, ¥542 million and ¥102 million. On the other hand, factors that are expected to reduce profits include costs due to consolidation of production facilities of ¥207 million, increases in fixed and other costs of ¥108 million, and ¥42 million from the impact of increased logistics cost pricing.

In respect of fluctuations in raw material prices, up to Q2 this has been a cause behind reduced earnings, however, it will be a cause for increased earnings over the full year. In respect of the market price for eggs, it is thought that high pricing levels will continue in H2, and that this factor will contribute to a ¥400 million reduction in earnings over the full year. However, it is expected that this can be covered as a result of price reductions in cooking oil, which is also a key ingredient. In respect of cooking oil, the Company's purchase pricing was affected by the price movement of Chicago soybean futures market at a lag of half a year to nine months, and given that this year will reflect the 2013 purchase prices, when Chicago market prices started to decline, thus this price decline will make a positive contribution.





Note: Data for Jan-Sep 2014.

Further, in respect of overseas business, given that Chinese business will become profitable on an annualized base in the 2015 fiscal year, the Company is proceeding to focus management resources. Specifically, apart from closing its Dongguan Factory in August and consolidating production facilities at its Hangzhou Factory, its policy is to promote customer acquisition focusing sales systems also on the Eastern China region. In China the Company is undertaking the manufacture and sale of ketchup, mayonnaise, salads and other products, and though around 65% of sales being to the joint venture's group companies, the price for group companies is constrained and this is also a factor behind sluggish performance of the Chinese business. Apart from reducing costs by raising productivity through consolidation of its production facilities, the Company through moves including increasing sales by way of new customer acquisition, aims among other things to become profitable, and is expected to have sales from its Chinese joint venture up 50% y-o-y of ¥1,600 million (with H1 sales of ¥700 million).

In Indonesian business, sales of commercial mayonnaise and liquid eggs are steady. With the factory only having been established from October 2013, the Company aims going forward to increase sales by promoting a strengthening of marketing. Further, the Indonesian factory has obtained Halal certification, and it is planned for it to also develop activities such as exports. Exports of Halal compliant products to Japan are scheduled from February 2015. In Japan, the number of tourists and business travellers from overseas is increasing, and thus it is expected that demand including at foreign hotels, for in-flight meals and at airport restaurants will expand. Also, while the timing of monetization is fluid, given that upfront investment costs are high, the Company has stated that it aims to achieve profitability in FY3/16 for overall overseas business.

Growth Strategies

Focusing on Global Development & Expanding Business Domains

Midterm Management Plan IV (Fourth) 2012-2014

The Company is now implementing the "Midterm Management Plan IV (Fourth) 2012-2014," of which FY3/15 is the plan's final year. It has tackled five themes under the plan with the aim of "raising its business presence as a company that creates/proposes new ideas." The following is a brief presentation of the status of those efforts.

○Becoming a global company
Aiming to become a global company, KENKO Mayo has expanded business into China and Indonesia through joint ventures. From Japan, the company now exports dressings, mayonnaise and other products to 25 countries and regions. In FY3/13, it had export sales of ¥200 million and targets export sales of ¥500 million in FY3/15.

○Expansion of Business Domains
In terms of expanding business domains the Company is expanding functional products, rolling out its new full flavored "the world's sauces" and "the world's salad" Cuisine products, and promoting EC (electronic commerce) website expansion.

The Company has developed new functional products that meet diverse needs, including low calorie non-oil dressings, euglena added dressing, egg free and powdered mayonnaise, and is launching them on the market. Also, the Company updated its EC website in July, expanding its chilled product response and product line-up (125 items as of the end of December 2014), and adding a user review function, promoting the acquisition of a regular customer segment.

In addition, as a new initiative it announced a commercial alliance with Toshiba <6502> in November 2014. In particular, they are cooperating by way of the Company providing proposals relating to mayonnaise, dressings and sauces, as well as information in relation to salad specialty shop Salad Cafe's salads to Toshiba, Toshiba providing marketing and sales channel information relating to vegetable factories operated by Toshiba, and in respect of, among other things, investigation into product design, manufacture, and marketing of collaborative products by the companies.

As the first step in its commercial alliance, from November 28, 2014, sales of a collaborative product, namely vegetables produced at Toshiba's vegetable factories with the Company's powdered dressing attached, were commenced. Going forward, placing this product into other distribution channels is being considered.

○Establishing "Salad Cuisine," and practicing its strategy as a company that creates/proposes new ideas

As an initiative aimed at establishing Salad Cuisine as well as expanding the salad market, apart from making menu proposals by industry type through hosting events aimed at the food service industry, the Company is also concentrating on "salad cuisine recipes" utilizing its corporate website. The number of recipes has grown from around 370 from the end of March 2014 to approximately 740 by the end of December. Also, utilizing the media also, following on from commencing broadcasts of "Salad Talk Oshigoto Cafe" from October 2013 on ABC Radio in Kansai area (8:25-8:40 every Sunday), the Company commenced broadcasts in Kanto area also from October 2014 on TBS Radio (17:15-17:30 every Sunday).

○Promoting and spreading the Salad Cafe brand

Through its Salad Cafe shops, the Company learns about consumer needs while raising its brand power. At present, 16 shops have been opened in major urban areas, and it plans to open stores while focusing on profitability. Additionally, in order to create Salad Cafe fans, apart from holding salad meal workshops (five times annually), it is also undertaking the publication of a recipe collection.

Salad Café shop

Source: Company homepage

○Personnel development and systems enhancement

As part of its personnel development, from this term the Company has newly implemented hierarchical training (compulsory participation) and selective training (training for future CEO and mid-management levels). Also, to strengthen systems it is planning the introduction of a new production management system in FY3/15. This system will be able to handle matters such as standardization and optimization of factory operations, visibility regarding the cost of merchandise, and reinforcement of traceability, and is expected will improve productivity going forward, as well as be something that reinforces further food safety and security measures.

Financial Status and Policy of Shareholder Returns

Interest Bearing Liabilities Declines and Improvement in Financial Standing Proceeding

(1) Financial Status

The financial status as of the end of September 2014 shows a decline in total assets of ¥690 million y-o-y to ¥38,996 million. The main factors for variation were declines in cash and deposits of ¥399 million, and in deferred tax assets of ¥258 million.

On the other hand, liabilities declined ¥1,704 million y-o-y to ¥22,171 million. Apart from a ¥829 million decline in interest bearing liabilities, this was mainly due to a ¥543 million decline in retirement benefit obligations. Also, net assets rose ¥1,014 million y-o-y to ¥16,824 million, with a ¥914 million increase in retained earnings being the main reason.

Examining management indicators, despite a temporary deterioration in the shareholders' equity ratio and debt-to-equity ratio from an increase in interest bearing liabilities associated with the implementation of large scale capital investments in the preceding term, as at the end of September this year both have recovered to levels as at the end of March 2013. The capital investment plan for the FY3/15 is ¥780 million, with no large scale investments planned, with it expected that further improvement in the Company's financial status will proceed steadily.

Consolidated Balance Sheet

(¥mn)

	FY3/11	FY3/12	FY3/13	FY3/14	FY9/14	Chg
Current assets	16,203	16,107	18,403	18,095	17,643	-452
(cash and deposits)	5,557	4,017	5,919	3,884	3,485	-399
Fixed assets	14,550	14,297	15,595	21,590	21,351	-239
Total assets	30,753	30,404	33,998	39,686	38,996	-690
Current liabilities	13,281	13,207	14,249	14,860	14,425	-435
Fixed liabilities	4,760	3,705	4,948	9,015	7,746	-1,269
(interest-bearing debt)	5,239	2,720	4,178	5,029	4,574	-455
Total Liabilities	18,042	16,912	19,197	23,876	22,171	-1,705
Total Net Assets	12,711	13,492	14,801	15,810	16,824	1,014
(Safety)						
Current ratio (current assets/current liabilities)	122.0%	122.0%	29.2%	121.8%	122.3%	
Equity ratio (equity capital/total assets)	41.3%	44.4%	43.5%	39.8%	43.1%	
Debt-to-equity ratio (interest-bearing debt/shareholders' equity)	41.3%	20.3%	29.0%	32.7%	28.1%	

Aiming for a payout ratio of 20% or more, with a ¥2 dividend rise schedule due to a recovery in performance

(2) Shareholder Return Policy

The company's shareholder returns are cash dividend payments and special gift exclusive for shareholders. On the basis of a dividend payout ratio of 20% on a consolidated basis, and out of consideration for the continuity of dividends, its policy is to stably raising dividends in line with the Company growth, development and its increased earnings. In FY3/15, as operating results are expected to recover, the company plans to pay a dividend of ¥23, a ¥2 increase, for a dividend payout ratio of 20.6%. Therefore, if there is growth in operating results in FY3/16 and after, it is highly likely to increase cash dividends.

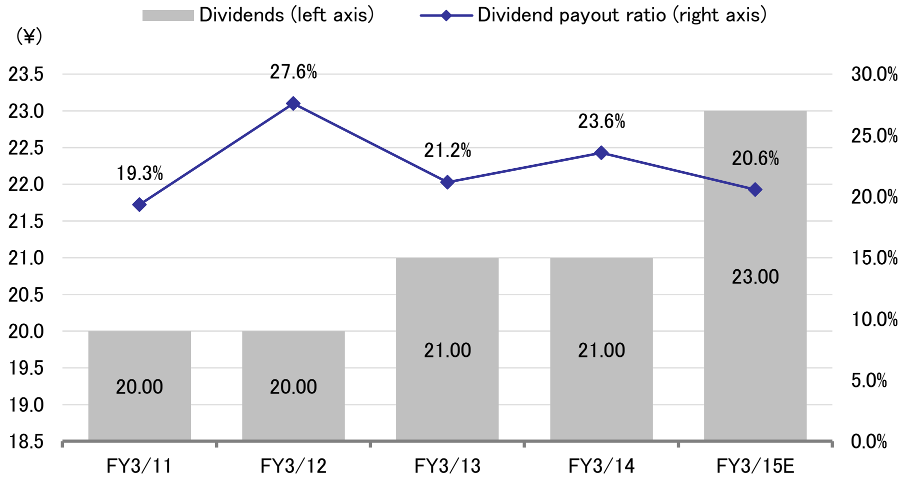
FISCO

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

17-Feb.-15

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. Including shareholder benefits the return on investment per single share, calculated on a share price of ¥1,412 as of January 19, is at the 2.34% mark.

Dividend Per Share and Dividend Payout Ratio



Consolidated Income Statement

(¥mn; %)

	FY3/11	FY3/12	FY3/13	FY3/14	FY3/15E
Sales	50,629	51,878	54,533	57,301	60,000
(y-o-y)	-0.9	2.5	5.1	5.1	4.7
Cost of goods sold	36,536	38,253	39,628	42,530	
(ratio)	72.2	73.7	72.7	74.2	
SG&A expenses	11,319	11,480	12,126	12,342	
(ratio)	22.4	22.1	22.2	21.5	
Operating profit	2,773	2,144	2,778	2,428	2,890
(y-o-y)	-6.0	-22.7	29.6	-12.6	19.0
(ratio)	5.5	4.1	5.1	4.2	4.8
Non-operating profit	87	80	100	148	
Non-operating expenses	180	151	303	318	
(Equity in losses of affiliates)	-4	-20	-216	-229	
Recurring profit	2,681	2,073	2,574	2,258	2,700
(y-o-y)	-6.0	-22.7	24.1	-12.3	19.5
(ratio)	5.3	4.0	4.7	3.9	4.5
Extraordinary profit	31	0	2	1	
Extraordinary losses	269	83	188	45	
Income before income taxes	2,443	1,990	2,388	2,215	
(y-o-y)	-8.9	-18.5	20.0	-7.3	
(ratio)	4.8	3.8	4.4	3.9	
Corporate income tax	1,124	960	979	949	
(effective tax rate)	46.0	48.2	41.0	42.8	
Net profit	1,319	1,029	1,409	1,265	1,590
(y-o-y)	-8.8	-22.0	36.8	-10.2	25.6
(ratio)	2.6	2.0	2.6	2.2	2.7
[Key indicators]					
Capital investment	1,716	469	664	6,424	
Depreciation expenses	1,027	993	960	1,004	
R&D expenses	269	403	446	456	-
Number of shares outstanding (thousands)	14,211	14,211	14,211	14,211	14,211
Net profit per share (¥)	103.47	72.46	99.16	89.08	111.89
Dividend per share (¥)	20.00	20.00	21.00	21.00	23.00
Net assets per share (¥)	894.47	949.44	1041.54	1112.55	-
Dividend payout ratio (%)	19.3	27.6	21.2	23.6	20.6
No. of employees (incl. temporary workers)	2,887	2,807	2,936	2,983	-

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