KENKO Mayonnaise Co., Ltd.

2915 Tokyo Stock Exchange First Section

1-Aug.-16

Important disclosures and disclaimers appear at the end of this document.

FISCO Ltd. Analyst
Yuzuru Sato

Posted All-Time High Earnings in FY3/16, Achieved Significant Growth in Small Packaged Long-Life Salads

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 leading position in the commercial-use market, and the leading market share in the “long-life salads” category at 37.6%. In the mayonnaise and dressings market, it is second behind the market leader Kewpie <2809> with a 14.7% share.

The Company posted all-time high results. In FY3/16 consolidated results, sales were up 11.0% y-o-y to ¥66,933mn and recurring profit was up 23.4% y-o-y to ¥3,426mn. We think it is worth noting that sales increased by over 10% for the first time since 2000. Key drivers of upbeat sales of salads, processed egg products, and other products, primarily to convenience stores (herein CVS), are more “solitary meals” with a rise in single-person households and “simplification” of cooking at home with the shift to nuclear family structures. In particular, small packaged long-life salad sales climbed sharply with a 2.5-fold gain. The Company also expanded sales to restaurants, mainly salads, thanks to favorable response to meticulous menu proposals customized for individual industries. From a profit perspective, rises in raw material and fixed costs were absorbed by the impact of higher sales and the increased production efficiency, leading to double-digit growth.

The Company’s guidance for FY3/17 consolidated results calls for a 4.6% y-o-y rise in sales to ¥70,000mn and a 2.1% increase in recurring profit to ¥3,500mn. However, we expect upside on the prospect of FY3/16 sales momentum continuing in FY3/17 too. The Company plans to steadily expand production capacity for products with robust demand, including processed egg products and salads. In the “KENKO Five Code 2015-2017” three-year mid-term management plan currently being implemented, sales of ¥75,000mn and a consolidated recurring profit margin of 5% are cited as targets for the plan’s final year, FY3/18. If the current pace continues, the Company is on track to comfortably achieve these targets.

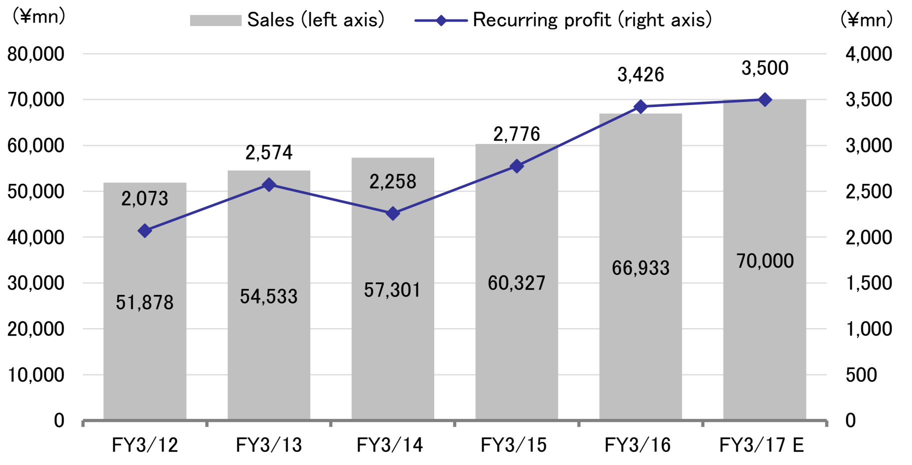
The Company is reviewing measures to stimulate the overall dressings market this year in light of the new designation of August 24 as “Dressings Day.”

The Company’s shareholder returns policy is based on stable dividends, with a payout ratio of 20% as a benchmark. The Company raised dividends by ¥5 year-on-year to ¥28 in FY3/16 and plans an increase of ¥2 per share to ¥30 in FY3/17 (representing a payout ratio of 20.0%). We expect a further dividend hike if earnings exceed guidance. Also, as a further shareholder incentive, the Company awards shareholders of record at the end of March each year with (¥1,000 or ¥2,500 worth of) its own products in line with the number of shares held.

Check Point

- Steadily recruiting new customers in the restaurant industry thanks to favorable assessment of quality at the Shizuoka Fujisan Factory
- Making progress in acquisition of major conveyor-belt sushi chain customers for processed egg products
- Aiming to increase sales for a sixth straight year and set all-time high earnings consecutively in FY3/17

Results Trends (Consolidated)



Company Overview

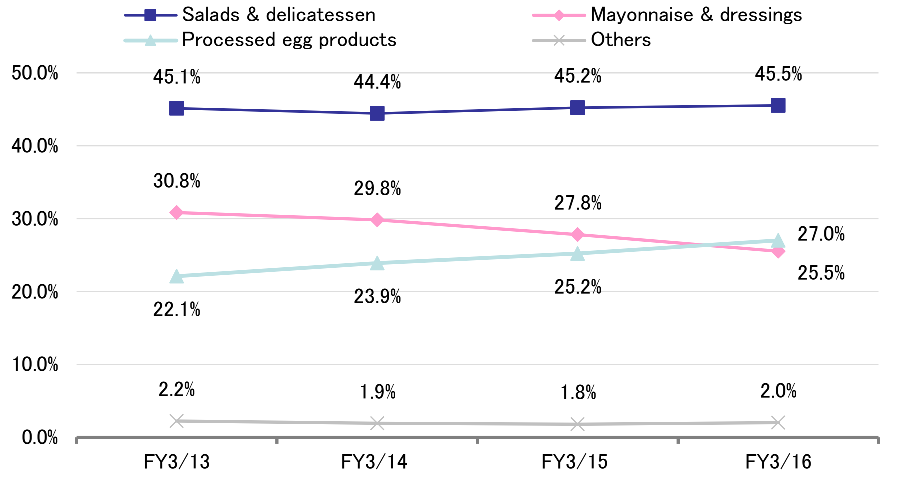
Steadily recruiting new customers in the restaurant industry thanks to favorable assessment of quality at the Shizuoka Fujisan Factory

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

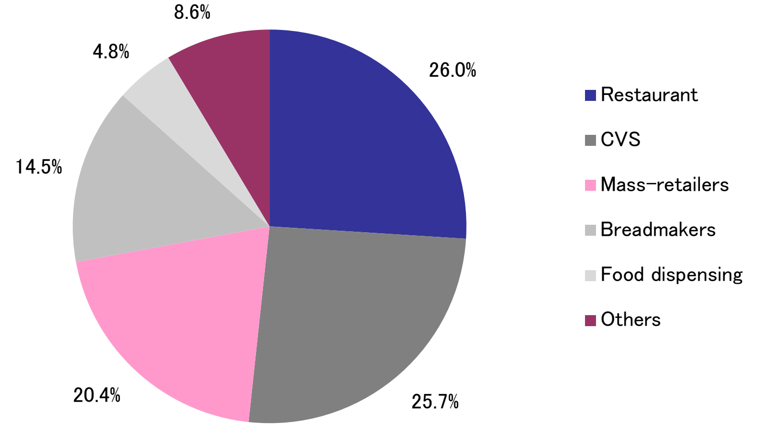
Looking at the consolidated sales contribution by product in FY3/16, salads and delicatessen items were the highest with 45.5%, followed by processed egg products with 27.0% and mayonnaise and dressings with 25.5%. Looking at trends in recent years, salads and delicatessen products and processed egg products have been trending upward while mayonnaise and dressings have been flat. Processed egg products overtook mayonnaise and dressings in FY3/16 for the first time. We may cite as the reason for this that, due to expansion in the home meal replacement market (HMR), demand is expanding for processed egg products for lunch boxes, bakery products, and sandwiches aimed at CVS. Also, from a production perspective, the commencement of operations from FY3/14 at the Shizuoka Fujisan Factory, and promotion of increased production capacity and steady recruitment of new customers, including conveyor-belt sushi chains, thanks to favorable assessment of quality at this factory, were significant drivers of stronger sales.

Sales Contribution by Product (Consolidated)



Looking at the consolidated sales composition by business category (customer industry type), we see that three industry segments represent more than 70% of the total, with the Food services industry being 26.0%, CVS 25.7% and mass-retailers 20.4%. Looking at the trends for the past few years we see that contributions by CVS and mass-retailers are in an uptrend. Expansion in the HMR is thought to be the cause, against a background of more “solitary meals” with a rise in single-person households and “simplification” of cooking at home due to changes such as a shift to nuclear family structures and greater participation by women in society.

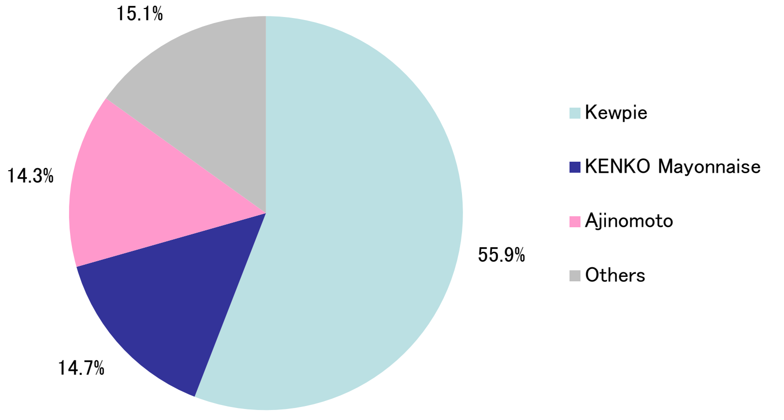
Sales Contribution by Business Category (Consolidated, FY3/16)



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

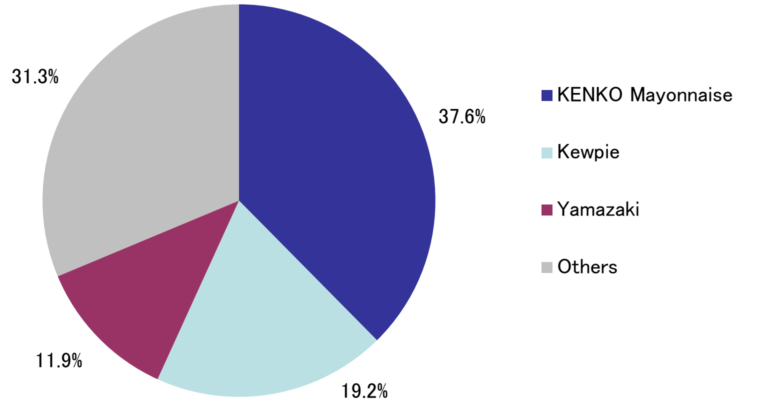
Meanwhile, the Company, the pioneer of “long-life salads,” has established an industry-leading market share of over 37% in long-life salads.

Mayonnaise/Dressing Market Share (2014)



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

Long-Life Salad Market Share (2014)



Source: FUJI Keizai “Foodstuff Marketing Handbook”

Built a nationwide production system for stable supply of high-quality products

(2) Company Strengths

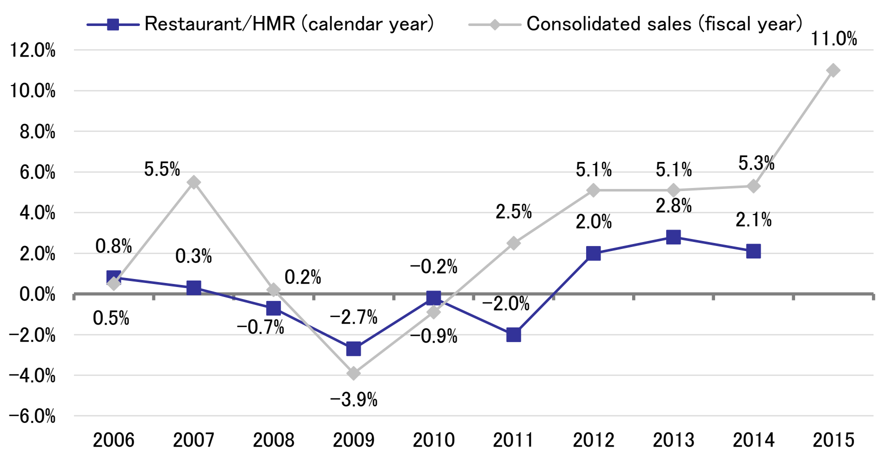
The Company’s strength are: 1) its nationwide production system that supplies high-quality products on a stable basis, and 2) its collective strength of integrated production, development and sales, namely product development capabilities that meet customer needs as well as its meticulous sales response capabilities.

High quality means not only good taste; safety and security are also important elements. Further, for the Company, which is focused on commercial-use sales, 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 fields by business format, with the sales, product development, production and menu development teams acting in concert. The number of product items that the Company develops annually exceeds 1,800, meaning it develops five new items every day. Since 2011, the Company’s sales growth rate has continued to outpace the restaurant and HMR markets thanks to the fruits of these continued efforts, including an increase of over 10% in FY3/16.

Broad Product Line-Up

Source: Company briefing materials

Growth Rate of Restaurant/HMR Market and Company Consolidated Sales



Source: Restaurant/HMR by market data from Foodservice Industry Research Institute
*FY2015 values for the restaurant/HMR market not announced yet

(3) Production Structures, Group Subsidiaries

Currently, the Company's nationwide production system comprises 7 factories operated by the parent company and 9 factories operated by 7 consolidated subsidiaries. Subsidiary production bases are closely linked to their operating areas because they are the production bases for delicatessen-related products for daily delivery to supermarkets. 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 2016, there were 17 shops, mainly opened in department stores and shopping malls in greater Tokyo and Kansai areas.

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) of mayonnaise and sauces in Autumn 2013. This factory has obtained Halal certification, and apart from home and commercial-use sales of these products locally, it is engaged in the sale of liquid eggs. Demand, in particular from Japanese-affiliated companies is so high that it has to proceed with expansion of its production capacity. 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, such as hotels and restaurants.

Because its overseas businesses operate as 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 Café Co., Ltd.	100.0	Operation of shops specializing in salads
(Equity-method affiliates)		
PT. Intan Kenkomayo Indonesia	49.0	Mayonnaise, dressings and sauces production and sales

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

■ Results Trends

Small packaged long-life salads taking hold as private-label items

(1) Review of FY3/16 Results

Consolidated FY3/16 results, which were announced on May 10, showed solid performance with sales up 11.0% y-o-y at ¥66,933mn, operating profit up 14.5% y-o-y at ¥3,436mn, recurring profit up 23.4% y-o-y at ¥3,426mn and net profit attributable to parent shareholders up 27.0% y-o-y at ¥2,085mn, exceeding guidance revised upward on February 8. The Company set record highs for a fourth straight year in sales, a second consecutive year in operating profit, the first time in six years in recurring profit, and the first time in nine years in net profit.

Consolidated FY3/16 Results

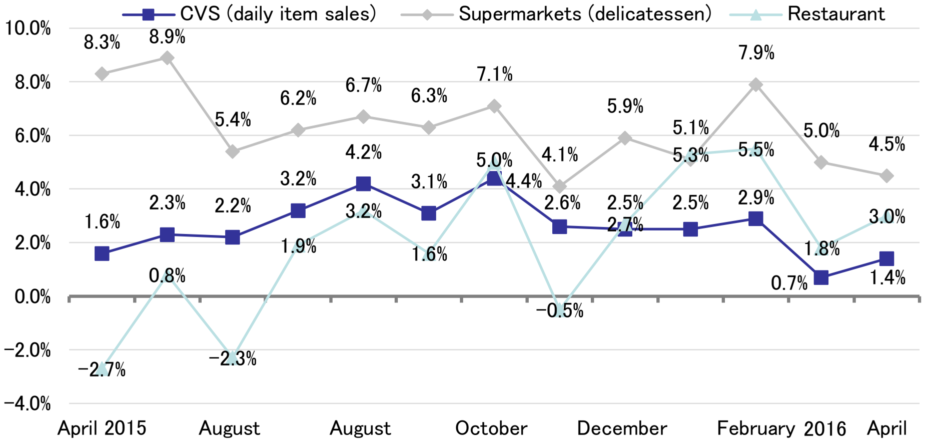
(¥mn)

	FY3/15		FY3/16					
	Actual	% Sales	Initial plan	Revised plan	Actual	% Sales	% previous year	vs. Period-start plan
Sales	60,327	-	63,200	66,000	66,933	-	+11.0%	+5.9%
Cost of goods sold	44,608	73.9%	-	-	49,689	74.2%	+11.4%	-
SG&A expenses	12,717	21.1%	-	-	13,807	20.6%	+8.6%	-
Operating profit	3,001	5.0%	3,050	3,320	3,436	5.1%	+14.5%	+12.7%
(Equity-method affiliate investment income)	-246	-	-	-	-81	-	-	-
Recurring profit	2,776	4.6%	3,000	3,300	3,426	5.1%	+23.4%	+14.2%
Extraordinary profit	17	-	-	-	-660	-	-	-
Net profit (attributable to parent shareholders)	1,642	2.7%	1,770	1,930	2,085	3.1%	+27.0%	+17.8%

*Updated guidance from February 2016

Looking at restaurant, CVS and supermarket industry trends, which form the Company's major target markets, while Izakaya (Japanese-Style restaurant-bar)'s continue to struggle, family restaurants and other outlets performed well, due also to the impact of inbound demand. Fast-food outlets moved to a recovery trend in sales from the second half of 2015 and these markets were generally upbeat throughout the fiscal year. Further, in respect of sales of daily items for CVS also, on an existing store basis, sales performed soundly up 2-4% year-on-year. This is due to the proliferation of "solitary meals" with an increase in single-person households and greater participation by women in society that is resulting in expanding demand for lunch-boxes, sandwiches, salads and other items. Given that the statistics only announce existing store data, we feel on a total store basis the rise would be 5% or more. For the same reasons, this suggests that the pace of delicatessen items sales at supermarkets also continue to rise 5-8% year-on-year, and underlying expansion in the HMR market continues along with the restaurant market.

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



Source: Restaurants (Japan Food Service Association), supermarkets (Japan Supermarket Association), CVS (Jana Franchise Association); CVS data shows in existing store basis

While the fact that the industry environment itself is also sound forms a backdrop to the Company's solid results, we think the strength reflects continuous initiatives in proposing new products and menus that meet customer needs too. In particular, demand exists for development of menus that can be easily prepared and maintain good taste and healthiness amid labor shortages in the restaurant industry. The Company's sales growth rate exceeds that of the industry overall and we may cite, as major reasons for this performance, new customer acquisition and the promotion of expansion in the share of business it enjoys with existing customers as a result of engaging in new product proposals that meet customer needs.

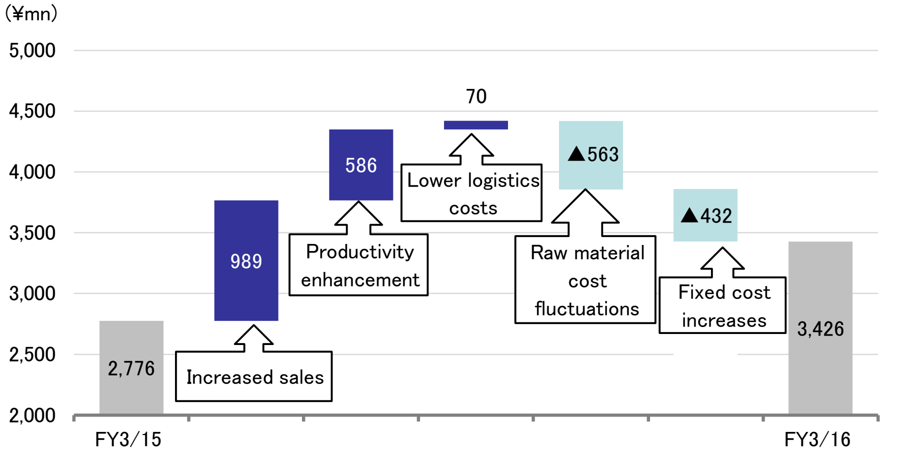
Looking at the Company's sales by business category, apart from CVS, which at about 30% up year-on-year, grew the most, major business categories had higher revenues including restaurants and mass-retailers. In the CVS industry, positive factors contributing to robust sales were a steady pace of new adoptions of the Company's processed egg products in lunch boxes, sandwiches, and other products and hits with small packaged long-life salads that remain fresh for an extended period and are priced affordably in the ¥100-120 range. Moreover, in the restaurant industry, amidst a worsening in staff shortages, the need for "wanting to provide delicious meals that are easy to prepare" is rising, with the ability to make product proposals that match this need leading to increased sales. In the Izakaya industry also, that continues to struggle, the Company is expanding its share of business, focusing on salads, and with increased sales year-on-year is arguably performing well. In the family restaurant industry, sales of various salads for use in salad bars were vibrant.

Looking at factors behind fluctuations in recurring profit, ¥989mn from increased sales, ¥586mn from efficiency enhancements, underpinned by higher utilization rates at the Shizuoka Fujisan Factory, and ¥70mn in logistic cost savings owing to lower crude oil prices were factors tending to increase earnings, while on the other hand, ¥563mn in raw material cost fluctuations, mainly due to the impact of soaring egg prices, and ¥432mn in higher fixed costs due to reductions in entrenched overheads and other costs, including personnel costs and IT investment, were factors tending to lower earnings.

Equity-method investment income under non-operating income posted an ¥81mn loss (vs. a ¥246mn loss in the previous year). The main source of the decline was removal of the equity-method investment loss from China from 2Q owing to the sales of all shares in Chinese affiliates in 1Q. Equity-method income from the Indonesian affiliate was a ¥19mn loss, which was down from the previous year's ¥69mn loss. Although results missed guidance because of the impact from temporary suspension of mayonnaise sales during the period (it had restored sales now), the loss modestly narrowed from the year-ago level.

For extraordinary income, the Company recorded a ¥205mn gain from selling shares in affiliates in China under profit, but also booked losses of ¥595mn for fixed-asset disposal costs and ¥283mn for impairment costs related to a domestic factory.

Factors for Fluctuations in Recurring Profit (FY3/16)



Making progress in acquisition of major conveyor-belt sushi chain customers for processed egg products

(2) Trends by Business Segment

a) Seasoning/Processed Food Business

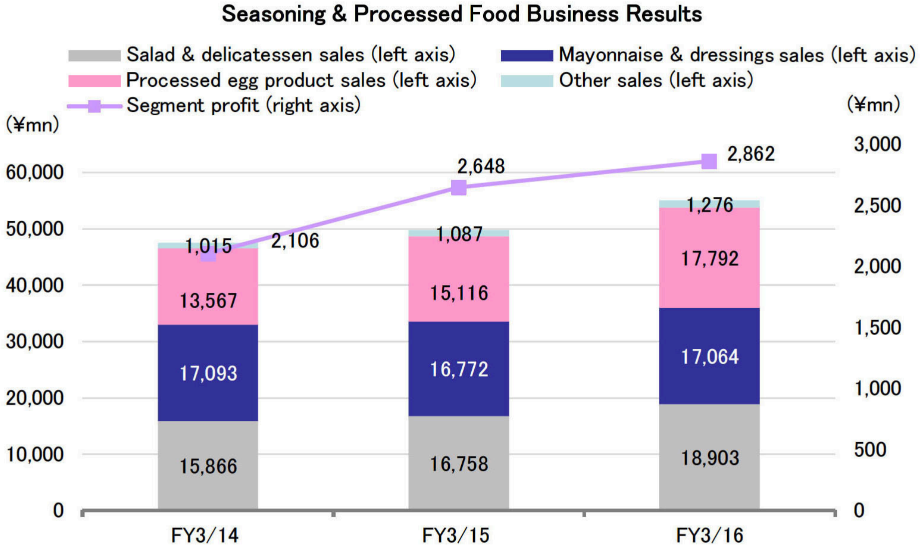
Sales in the seasoning and processed food business rose 10.7% y-o-y to ¥55,035mn and segment profit increased 8.1% y-o-y to ¥2,862mn.

Looking at sales trends by item, salads and delicatessen items climbed 12.8% y-o-y to ¥18,903mn (sales volumes rose 9.4%), mayonnaise and dressings rose 1.7% y-o-y to ¥17,064mn (sales volumes rose 4.2%), processed egg products increased 17.7% y-o-y to ¥17,792mn (sales volumes rose 15.5%). Looking at pricing per unit volume, only mayonnaise and dressings declined due to the impact of increased weighting in bulk size commercial-use products sales.

In salads and delicatessen items, small packaged long-life salads grew significantly by approximately 2.5 times year-on-year, mainly driven by CVS business. Sales of potato salad, vermicelli salad, and burdock salad in 1kg packages rose sharply. Further, items utilizing ingredients in basic products such as tuna salad, corn, and onions, have had new take-up for mainly restaurants, CVS and bread makers, which is also a factor behind increased revenues.

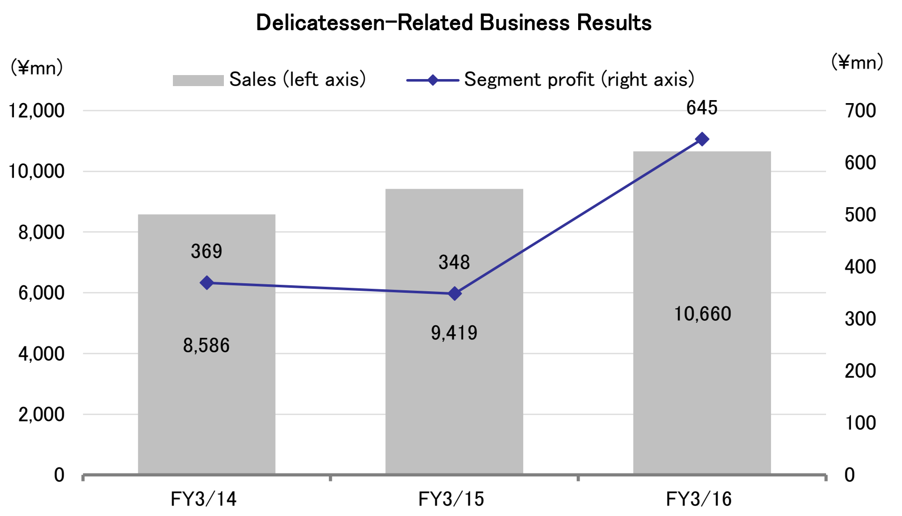
In mayonnaise and dressings, while sales only rose slightly by 1.7%, this reflected the impact of a large decline by mayonnaise and sauces to a major fast food chain, a key customer, in the first half of the year. However, overall sales increased for the first time in two periods thanks to gains in sales of other products and to other customers, such as new adoptions of mayonnaise and tartar sauce for use in delicatessen bakery products at CVS and growing sales of 1kg mayonnaise products to mass-retailers.

In processed egg products, primary sources of upbeat sales were new adoptions of Atsuyaki (thick omelet) for lunchboxes and sushi rolls and thin omelets for doria and other dishes, increased sales of egg salads for sandwiches and delicatessen bakery products and Kinshi-tamago, thin omelet cut into string-like strips, for noodles mainly at CVS, and steep sales gains for Atsuyaki and Dashimaki (rolled omelet with broth) tamago for conveyor-belt sushi chains driven by new customer acquisitions.



b) Delicatessen-Related Business

Delicatessen-related business sales rose 13.2% y-o-y to ¥10,660mn, with segment profits up 85.4% y-o-y to ¥645mn. Both sales and profits increased at double-digit growth rates. Sales increases came from new take-up of basic products at supermarkets, such as potato salad, macaroni salad and pasta products using seasoned cod roe and eggs, stronger seasonal product sales, and a steep rise in cut vegetables, which are limited to the Hokkaido region. Considering that delicatessen sales in the supermarket industry grew more than 6%, this suggests that the Company's market share is expanding steadily. It is perceived that having optimal potatoes for its potato salad, grown in cooperation with, and supplied by, contracted farmers, allows it to differentiate itself in terms of flavor and quality, leading to expansion in market share. From a profit perspective, the positive effect of higher sales and promotion of productivity enhancement at the various subsidiaries resulted in a significant profit gain.

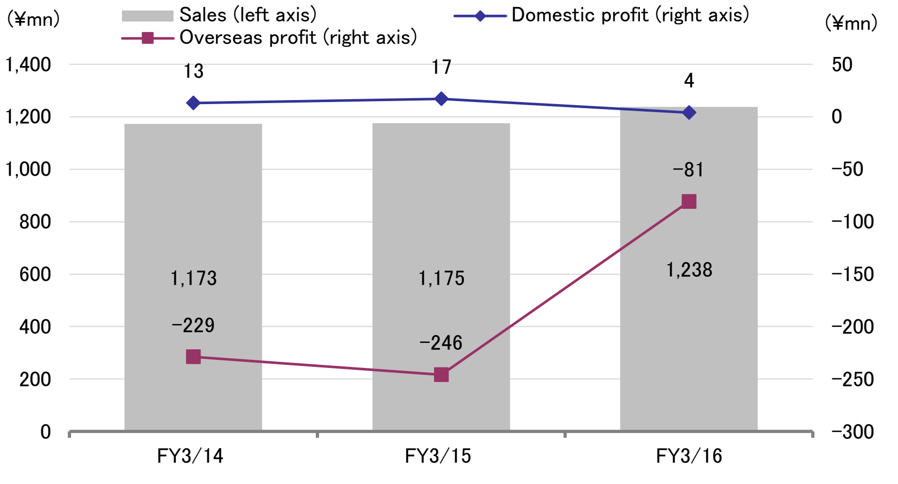


c) Other Businesses

Other businesses, in addition to revenue from the Company's specialty sales shops Salad Cafe, operated by its consolidated subsidiary Salad Cafe Inc., include in profits equity in net income (losses) of affiliates from overseas operations. Sales rose 5.4% y-o-y to ¥1,238m, with a segment loss of ¥77mn (compared to a segment loss of ¥229mn for the same period a year earlier).

Although at 17 Salad Cafe store numbers were the same as those a year earlier, sales performed soundly with heightened health consciousness. From a profit perspective, it maintains a modest profit, though the profit was slightly lower because of an increase in new store opening costs, including Salad Cafe Lumine Tachikawa in April 2015 and WaSaRa Kintetsu Abeno Harukas in March 2016, a new brand that delivers "Japanese-style salads" with emphasis on Japanese ingredients and tastes. On the other hand, in respect of overseas business, as a result of the disposal of Chinese affiliates in 1Q, equity in net losses in affiliates declined.

Other Business Results



Simultaneous improvements in financial standing and earnings

(3) Financial Conditions

Looking at the financial condition at the end of March 2016, total assets rose ¥2,857mn since the end of the previous year to ¥42,306mn. Within current assets, cash and deposits grew by ¥2,634mn and notes and accounts receivable increased ¥1,083mn, while unpaid income declined by ¥847mn. Further, within fixed assets, investments and other assets declined ¥607mn primarily due to the disposal of shares in affiliates.

Total liabilities declined ¥1,513mn from the end of the previous period to ¥22,994mn. While interest bearing debt fell by ¥967mn, notes and accounts payables climbed by ¥1,151mn, equipment-related payment promissory notes rose by ¥772mn, and other reserves increased by ¥580mn. Further, net assets rose ¥1,343mn from the end of the previous period to ¥19,311mn as a result of increases in retained earnings.

Looking at management indicators, the shareholders' equity ratio rose 0.1% from the end of the previous period to 45.6%, steadily approaching the mid-term management plan target of 50%. The interest-bearing debt ratio is also in a downtrend accompanying stronger earnings after a temporary expansion as capital investment funds for the Shizuoka Fujisan Factor in FY3/14, so arguably the financial condition has further improved. Additionally, for profitability, operating margin, ROA, and ROE improved for a second straight period, and these trends show progress in strengthening earnings capabilities too.

FISCO

KENKO Mayonnaise Co., Ltd.

2915 Tokyo Stock Exchange First Section

1-Aug.-16

Consolidated Balance Sheet

(¥mn)

	FY3/13	FY3/14	FY3/15	FY3/16	Change
Current assets	18,403	18,095	18,704	21,836	+3,132
(cash and deposits)	5,919	3,884	4,778	7,412	+2,634
Fixed assets	15,595	21,590	20,744	20,469	-274
Total assets	33,998	39,686	39,448	42,306	+2,857
Current liabilities	14,249	14,860	14,422	16,313	1,891
Fixed liabilities	4,948	9,015	7,058	6,680	-378
(interest-bearing debt)	5,526	9,943	8,584	7,617	-967
Total Liabilities	19,197	23,876	21,481	22,994	+1,513
Total net assets	14,801	15,810	17,967	19,311	+1,343
(Safety)					
Current ratio	129.2%	121.8%	129.7%	133.9%	
Equity ratio	43.5%	39.8%	45.5%	45.6%	
Interest-bearing debt ratio	37.3%	62.9%	47.8%	39.4%	
(Profitability)					
Return on assets (ROA)	8.0%	6.1%	7.0%	8.4%	
Return on equity (ROE)	10.0%	8.3%	9.6%	11.2%	
Operating margin	5.1%	4.2%	5.0%	5.1%	

Future Outlook

Aiming to increase sales for a sixth straight year and set all-time high earnings consecutively in FY3/17

(1) Outlook for FY3/17 Results

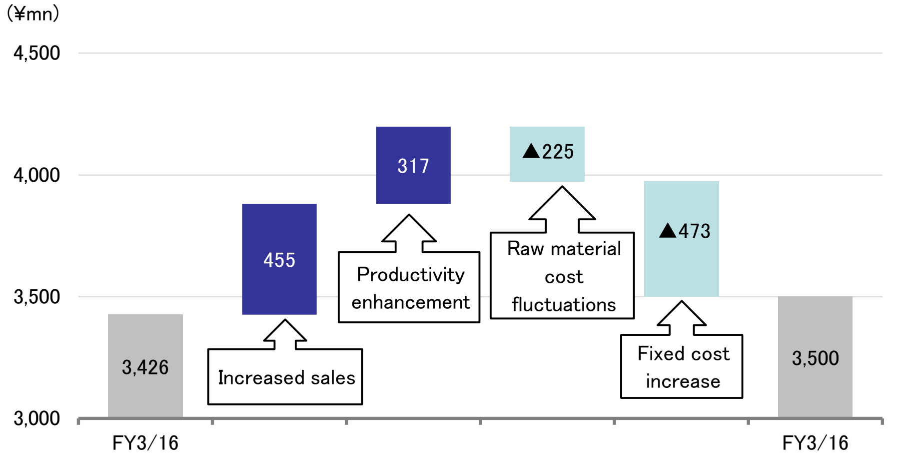
In FY3/17 consolidated guidance, the Company targets higher sales for a sixth straight year and consecutive all-time high earnings, with sales up 4.6% y-o-y to ¥70,000mn, operating profit up 0.4% y-o-y to ¥3,450mn, recurring profit up 2.1% y-o-y to ¥3,500mn, and net profit attributable to parent shareholders up 2.1% y-o-y to ¥2,130mn. The factors behind fluctuations in recurring profit include ¥455mn from the impact of greater revenues and ¥317mn from enhanced production efficiency as factors boosting earnings, and ¥225mn in increased raw material costs and ¥473mn in increased fixed costs as factors reducing earnings. However, we think this is a conservative plan in light of current upbeat sales that are continuing the trend from last year and modestly lower pricing in the egg market, compared to the previous year, during April and May for ingredients. We expect the Company to beat guidance as long as market conditions do not significantly change.

FY3/16 Consolidated Results Outlook

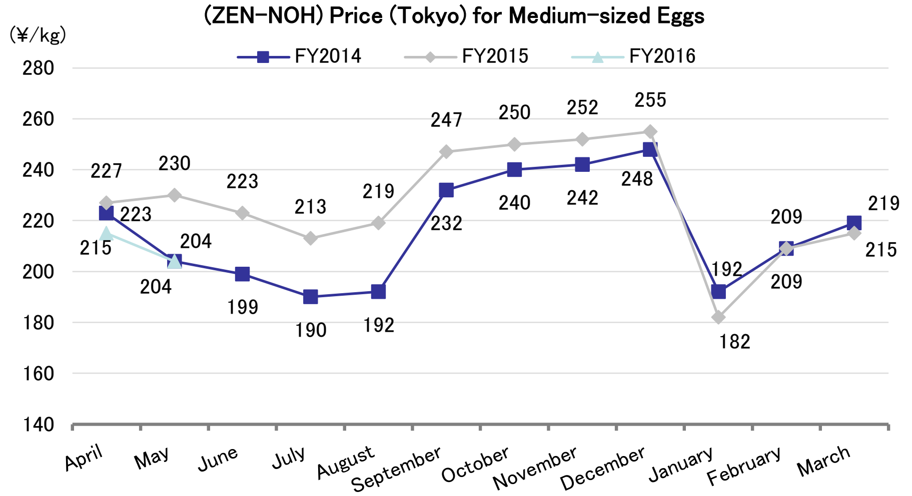
(¥mn)

	FY3/16		FY3/17			
	Actual results	% previous year	1H plan	y-o-y	Full-year plan	% previous year
Sales	66,933	+11.0%	35,250	+6.0%	70,000	+4.6%
Operating profit	3,436	+14.5%	1,820	-0.3%	3,450	+0.4%
Recurring profit	3,426	+23.4%	1,800	+0.4%	3,500	+2.1%
Net profit attributable to parent shareholders	2,085	+27.0%	1,150	-24.5%	2,130	+2.1%

Factors for Fluctuations in Recurring Profit (FY3/17)



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



Source: ja.z-tamago.Co.,Ltd.

(2) Segment Sales Outlook

The outlook for full-year sales by reported segment calls for 4.3% y-o-y growth in seasonings and processed foods to ¥57,379mn. Key sales strategies, just as in FY3/16, are pursuing strategic measures tailored to specific industries and formats and expanding product formats to meet market needs and enhancing the product lineup.

For salads and delicatessen products, the Company intends to expand sales of small packaged long-life salads receiving strong inquiries from mass-retailers and CVS. It projects an 18% y-o-y rise in FY3/17, but we see a possibility of an even larger gain because of campaign measures being implemented at CVS. It also plans to strengthen the WASAI BANSAI ® series of Japanese-style delicatessen products. While it added three items to bring the series to six items in FY3/16, the Company is also promoting commercialization of small packages in the 500g size. It will continue to develop new products too, such as the release in March 2016 of “Minced Meat” as a new product for a new sales channel.

For mayonnaise and dressings, it plans to develop products with longer freshness periods and establish a presence in overseas markets. The Company intends to broaden product scope in the new World Traveler Dressings series launched in FY3/16 in the domestic market and develop new products with healthy features and functionality.

The Company submitted an application to the Japan Anniversary Association to designate August 24 of each year as “Dressings Day” and announced that it received official approval as an anniversary. It selected August 24 through wordplay. Yasai, the Japanese word for vegetables, is written with three characters that also correspond to the numbers 8, 3 and 1, respectively. Eight also represents August, the eighth month of the year. Multiplying the three numbers denoting vegetables, that is eight multiplied by three, multiplied by one, is equal to 24, explaining the August 24 date. Furthermore, there is more wordplay, taken from kakeru, which is the Japanese word for multiply, but also to pour over something, such as pouring dressing over vegetables. Connected to this, August 31 is Vegetable Day. Viewed on a calendar, August 24 is immediately above August 31, evoking the image of pouring dressing over Vegetable Day, giving greater weight to the August 24 date. The Company plans to hold its own event and a joint event for the industry on August 24 of this year with a goal of stimulating the dressings market, and we will be monitoring this activities as an initiative that seeks to boost dressing sales.

For processed egg products, the Company plans to expand sales channels to not only CVS and restaurants but also mass-retailers. Its Sozaitei® series, which includes Atsuyaki and Dashimaki eggs, has a strong reputation for taste and quality, and the Company intends to develop products that meet needs.

The Company expects to continue increasing sales in the delicatessen-related business with a gain of 6.5% y-o-y to ¥11,356mn, receiving a tailwind from expansion of delicatessen product demand. It also projects sales on par with last fiscal year in other businesses at a 2.2% gain to ¥1,265mn. Further, it expects a profit at the Indonesia affiliate in FY3/17 thanks to higher sales of mayonnaise and liquid eggs.

Sales by Segment

(¥mn)

	FY3/14	FY3/15	FY3/16	FY3/17E	Growth rate
Seasonings & Processed foods	47,541	49,733	55,035	57,379	4.3%
Salads & Delicatessen	15,867	16,758	18,903	19,577	3.6%
Mayonnaise & Dressings	17,093	16,772	17,064	17,974	5.3%
Processed Egg products	13,567	15,116	17,792	18,541	4.2%
Others	1,015	1,087	1,276	1,287	0.9%
Side-Dish-Related Business	8,586	9,419	10,660	11,356	6.5%
Other Business	1,173	1,175	1,238	1,265	2.2%
Total	57,301	60,327	66,933	70,000	4.6%

Budgeting capital investments of up to ¥2,000mn in FY3/17

(3) Capital Investments Plan

The Company is steadily bolstering production capacity in order to meet vibrant demand. For dressings, it added a new line at the Nishi-Nihon Factory with the aim of bringing some outsourced processes in-house and also improving taste and quality, lengthening the Shelf Life, and lowering costs. It is designing the line to flexibly deal with container changes too. Operations started in the new line in June 2016.

The Company also reinforced the production line for long-life salads that handles multi-format output at the Gotenba Factory in April 2016. It strengthened the production line for small-sized potato salads in the 100g range at the Yamanashi Salad Factory in January 2016. For processed egg products, it added to freezer equipment at the Shizuoka Fujisan Factory in February 2016 and reinforced the scrambled egg line in February 2016. These measures seek to accommodate growing demand at hotels for the rising number of foreign tourists visiting Japan. The Company expects these capital investments to boost annual sales by about ¥3,000mn per year.

FISCO

KENKO Mayonnaise Co., Ltd.

2915 Tokyo Stock Exchange First Section

1-Aug.-16

Production Site Reinforcement Plan Through FY3/18

<Mayonnaise & Dressings Business>	<Salads & Delicatessen Business>
• Dressings line reinforcement Nishi-Nihon Factory No.2 line (started operating in June 2016) Improve taste and quality, extend the freshness period, and change containers Flexible support for various formats (multi-filling)	• Long-life salad line reinforcement Gotenba Factory new line (started operating in April 2016) Solidify infrastructure and respond to multi-product and multi-format production

<Potato Business>	<Egg Business>
• Small potato salad line reinforcement Yamanashi Salad Factory (started operating in January 2016) Strengthen output of 100g potato salads	• Processed egg product equipment reinforcement Shizuoka Fujisan Factory (started operating in February 2016) Added to freezer and scrambled egg facilities

Source: Company materials from the earnings briefing

The Company plans to spend modestly increase capital investments from FY3/16's ¥1,700mn to ¥1,800-2,000mn in FY3/17. However, it intends to continue increasing output of salads, processed egg products, and other items as needed by demand trends and plans to expand output capacity at the delicatessen products plant operated by the Saitama-based consolidated subsidiary too in FY3/18. The Company is preparing to implement a large-scale capital investment plan from FY3/19. It spent roughly ¥4,500mn on the Shizuoka Fujisan Factory completed in FY3/14 that has been driving advances by the processed egg business since FY3/15, but still has space at the plant site and room to expand facilities.

(4) Progress with the Three-Year Mid-Term Management Plan

The Company has started a new three-year Mid-term Management Plan, "KENKO Five Code 2015-2017" from fiscal 2015. In terms of specific management indicators, it aims for consolidated sales of ¥75bn, a consolidated RP margin of 5%, and a shareholders' equity ratio of 50% and to maintain an ROE of 8% or above in FY3/18. We think the Company had an upbeat start in FY3/16 with results exceeding the period-start plan.

KENKO Five Code 2015-2017

	FY3/15	FY3/16	FY3/17E	FY3/18 goals
Consolidated sales	60,327	66,933	70,000	75,000
Consolidated recurring margin	4.6%	5.1%	5.0%	5.0%
Shareholders' equity ratio	45.5%	45.6%	-	50.0%
ROE	9.6%	11.2%	-	At least 8%

The market environment, amidst a shift in the style of meals at home in the direction of individuality and simplicity, due to the rise of single member households, evolution in the nuclear family and greater participation by women in society, is likely to continue providing a tailwind for the Company. Also, personnel shortages in the restaurant industry and delicatessen product sales operations at mass-retailers are spurring interest in product and menu proposals that help simplify cooking. We expect the Company's meticulous sales activities by industry and format to expand transaction shares at existing customers and contribute to acquisitions of new customers.

Under the mid-term management plan, initially an increased sales contribution from M&A was expected, however, judging by the current momentum, even in the absence of M&A, the Company is on track to be able to achieve ¥75bn in net sales. That said, the Company continues to consider M&A, with target companies being those which may be expected to offer synergies with existing operations domestically.

Further, within business strategies aimed at achieving the mid-term management plan, the Company is tackling the following three major initiatives – "establishing our position as the Leading Company in Salads," "further evolving of Salad Cuisine," and "strengthening the management platform to proactively promote expansion into global markets." In order to establish its position as the Leading Company in Salads, the Company's policy is to expand the scope of sales in its various existing businesses. To further evolve Salad Cuisine, it intends to strengthen information provision through the media and branding and promote Salad Cuisine cooking school and shops. As a new initiative in FY3/16, it opened the Jiyuan-Tashinamidokoro eat-in space that provides dishes with a specific ingredient theme as a collaboration with Mitsukoshi <3099> and Kagawa Nutrition University on the foodstuffs floor of Mitsukoshi Nihonbashi Store. The Company hopes to revitalize salad preparation through these efforts.

FISCO

KENKO Mayonnaise Co., Ltd.

2915 Tokyo Stock Exchange First Section

1-Aug.-16

As part of strengthening the management platform to proactively promote expansion into global markets, the Company has newly established a research office in Vancouver, Canada in July 2015. The Company aims to provide new food culture information and undertake product development as a market player, based on information collected at this office location. Further, the Company will also promote strengthening of Halal certified products in the importing business. It commenced imports of frozen foods from November 2015 and is developing sales channels in Japan. For export business, the Company is selling mainly mayonnaise and dressings in 35 countries and regions as of March 2016. It is striving to raise awareness by actively participating in local exhibitions, and sales are primarily growing for household use. We expect growing demand from restaurant operators, including support from the rising number of Japanese restaurant firms opening stores in overseas markets. The Company plans to expand business scale by extending the freshness life and increasing the number of export items. It targets ¥1,000mn in sales in FY3/18, the final fiscal year of the mid-term business plan.

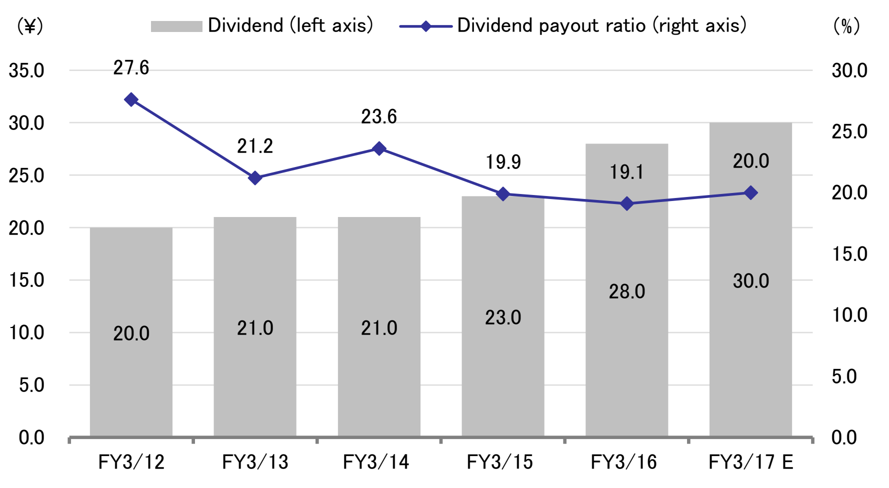
Shareholder Returns Policy

Plans to raise dividends for a third straight year in FY3/17

The Company's shareholder returns are cash dividend payments and special gifts exclusive to shareholders. On the basis of a dividend payout ratio of 20% on a consolidated basis, and taking into consideration the continuity of dividends, its policy is to raise dividends in line with corporate growth and advances and increased earnings. In FY3/17, the Company plans to pay a dividend of ¥30, a ¥2 increase year-on-year (representing a dividend payout ratio of 20.0%), a third straight hike. However, if the dividend payout ratio falls below 20% as a result of net profit attributable to parent shareholders exceeding forecasts, we may expect a further increase in dividends.

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.

Dividend Per Share and Dividend Payout Ratio



FISCO

KENKO Mayonnaise Co., Ltd.

2915 Tokyo Stock Exchange First Section

1-Aug.-16

Consolidated Income Statement

(¥mn, %)

	FY3/13	FY3/14	FY3/15	FY3/16	FY3/17E
Sales	54,533	57,301	60,327	66,933	70,000
(y-o-y)	5.1	5.1	5.3	11.0	4.6
Cost of goods sold	39,628	42,530	44,608	49,689	
(% sales)	72.7	74.2	73.9	74.2	
SG&A expenses	12,126	12,342	12,717	13,807	
(% sales)	22.2	21.5	21.1	20.6	
Operating profit	2,778	2,428	3,001	3,436	3,450
(y-o-y)	29.6	-12.6	23.6	14.5	0.4
(% sales)	5.1	4.2	5.0	5.1	4.9
Non-operating profit	100	148	154	158	
Non-operating expenses	303	318	378	168	
(Equity in net income (losses) of affiliate)	-216	-229	-246	-81	
Recurring profit	2,574	2,258	2,776	3,426	3,500
(y-o-y)	24.1	-12.3	22.9	23.4	2.1
(% sales)	4.7	3.9	4.6	5.1	5.0
Extraordinary profit	2	1	97	225	
Extraordinary losses	188	45	80	885	
Income before income tax	2,388	2,215	2,793	2,767	
(y-o-y)	20.0	-7.2	26.1	-0.9	
(% sales)	4.4	3.9	4.6	4.1	
Corporate income tax, etc.	979	949	1,151	681	
Net profit	1,409	1,265	1,642	2,085	2,130
(y-o-y)	36.8	-10.2	29.8	27.0	2.1
(% sales)	2.6	2.2	2.7	3.1	3.0
Number of shares outstanding (thousands)	14,211	14,211	14,211	14,211	14,211
Net profit per share (¥)	99.16	89.08	115.57	146.76	149.89
Dividend per share (¥)	21.00	21.00	23.00	28.00	30.00
Net assets per share (¥)	1041.54	1112.55	1264.38	1358.94	-

Disclaimer

FISCO Ltd. (the terms “FISCO”, “we”, mean FISCO Ltd.) has legal agreements with the Tokyo Stock Exchange, the Osaka Exchange,and Nikkei Inc. as to the usage of stock price and index information. The trademark and value of the “JASDAQ INDEX” are the intellectual properties of the Tokyo Stock Exchange, and therefore all rights to them belong to the Tokyo Stock Exchange.

This report is based on information that we believe to be reliable, but we do not confirm or guarantee its accuracy, timeliness,or completeness, or the value of the securities issued by companies cited in this report. Regardless of purpose,investors should decide how to use this report and take full responsibility for such use. We shall not be liable for any result of its use. We provide this report solely for the purpose of information, not to induce investment or any other action.

This report was prepared at the request of its subject company using information provided by the company in interviews, but the entire content of the report, including suppositions and conclusions, is the result of our analysis. The content of this report is based on information that was current at the time the report was produced, but this information and the content of this report are subject to change without prior notice.

The final selection of investments and determination of appropriate prices for investment transactions are decisions for the recipients of this report.

FISCO Ltd.