

# **Annual Report**

## **2013**

*December 1, 2012 to November 30, 2013*

**Kewpie Corporation**

The information contained in this report is derived from Kewpie Corporation's (the "Company") Annual Securities Report in Japanese filed with the Commissioner of the Financial Services Agency on February 26, 2014 in accordance with the Financial Instruments and Exchange Law, and has been translated into English for the convenience of readers outside Japan.

|                                   |  |
|-----------------------------------|--|
| Corporate Name:                   | KEWPIE KABUSHIKI-KAISHA  |
| English Corporate Name:           | Kewpie Corporation   |
| Name and Title of Representative: | Minesaburo Miyake<br>President and Representative Director                         |
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# I. Outline of the Company

## 1. Principal Management Indexes

(1) Consolidated principal management indexes for the five years ended November 30, 2013

| Period ended   |                   | Nov. 2009         | Nov. 2010          | Nov. 2011          | Nov. 2012          | Nov. 2013          |
|--|-------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| Net sales  | (millions of yen) | 452,239           | 471,010            | 486,435            | 504,997            | 530,549            |
| Ordinary income  | (millions of yen) | 18,414            | 22,762             | 21,912             | 24,467             | 23,749             |
| Net income   | (millions of yen) | 9,036             | 10,613             | 9,449              | 12,291             | 12,567             |
| Comprehensive income   | (millions of yen) | —                 | —                  | 9,656              | 15,935             | 19,256             |
| Total net assets   | (millions of yen) | 170,804           | 180,901            | 185,293            | 195,928            | 210,285            |
| Total assets   | (millions of yen) | 275,650           | 287,957            | 275,790            | 306,515            | 334,655            |
| Net assets per share   | (yen)             | 978.33            | 1,029.26           | 1,068.67           | 1,141.68           | 1,230.32           |
| Net income per share   | (yen)             | 59.56             | 69.97              | 62.63              | 82.09              | 83.94              |
| Net income per share – diluted   | (yen)             | —                 | —                  | —                  | —                  | —                  |
| Equity ratio   | (%)               | 53.8              | 54.2               | 58.0               | 55.8               | 55.0               |
| Return on equity   | (%)               | 6.2               | 7.0                | 6.0                | 7.4                | 7.1                |
| Price earnings ratio   | (times)           | 16.7              | 14.6               | 16.9               | 14.6               | 17.3               |
| Cash flows from operating activities   | (millions of yen) | 31,301            | 25,731             | 23,405             | 33,246             | 27,369             |
| Cash flows from investing activities   | (millions of yen) | (11,548)          | (15,120)           | (12,166)           | (24,434)           | (21,897)           |
| Cash flows from financing activities   | (millions of yen) | (18,462)          | (5,381)            | (19,583)           | 7,022              | (2,307)            |
| Cash and cash equivalents at the end of the fiscal year                                      | (millions of yen) | 27,831            | 33,121             | 24,509             | 40,387             | 43,963             |
| Number of regular full-time employees, and average number of temporary employees in brackets |                   | 10,507<br>[8,455] | 11,732<br>[10,923] | 12,028<br>[10,830] | 12,425<br>[11,154] | 12,598<br>[11,316] |

(Notes) 1. Consumption taxes are not included in net sales.

2. Net income per share – diluted is not presented for the period ended November 30, 2009 and the period ended November 30, 2013 because of no issue of potential shares.

3. Net income per share – diluted is not presented since the period ended November 30, 2010 to the period ended November 30, 2012 because of no issue of potential shares with dilutive effects.

## (2) Non-consolidated principal management indexes for the five years ended November 30, 2013

| Period ended   | Nov. 2009      | Nov. 2010      | Nov. 2011      | Nov. 2012      | Nov. 2013      |
|--|----------------|----------------|----------------|----------------|----------------|
| Net sales (millions of yen)  | 226,336        | 223,911        | 223,467        | 230,554        | 236,213        |
| Ordinary income (millions of yen)  | 10,237         | 13,752         | 12,226         | 12,163         | 11,023         |
| Net income (millions of yen)   | 5,326          | 7,758          | 5,954          | 8,290          | 6,978          |
| Paid-in capital (millions of yen)  | 24,104         | 24,104         | 24,104         | 24,104         | 24,104         |
| Total number of issued shares  | 155,464,515    | 155,464,515    | 153,000,000    | 153,000,000    | 153,000,000    |
| Total net assets (millions of yen)   | 120,971        | 126,009        | 127,108        | 134,016        | 139,767        |
| Total assets (millions of yen)   | 190,876        | 195,668        | 182,206        | 207,351        | 222,219        |
| Net assets per share (yen)   | 797.18         | 830.40         | 848.85         | 894.99         | 933.42         |
| Annual dividends per share, and interim dividends per share in brackets (yen)                | 17.0<br>[7.5]  | 18.0<br>[8.0]  | 18.0<br>[9.0]  | 20.0<br>[9.5]  | 22.0<br>[11.0] |
| Net income per share (yen)   | 35.09          | 51.13          | 39.46          | 55.37          | 46.61          |
| Net income per share – diluted (yen)   | —              | —              | —              | —              | —              |
| Equity ratio (%)   | 63.4           | 64.4           | 69.8           | 64.6           | 62.9           |
| Return on equity (%)   | 4.5            | 6.3            | 4.7            | 6.3            | 5.1            |
| Price earnings ratio (times)   | 28.4           | 19.9           | 26.8           | 21.7           | 31.2           |
| Dividend payout ratio (%)  | 48.4           | 35.2           | 45.6           | 36.1           | 47.2           |
| Number of regular full-time employees, and average number of temporary employees in brackets | 2,585<br>[891] | 2,600<br>[842] | 2,585<br>[793] | 2,599<br>[760] | 2,580<br>[799] |

(Notes) 1. Consumption taxes are not included in net sales.

2. Net income per share – diluted is not presented because of no issue of potential shares.

3. The annual dividends per share for the period ended November 30, 2009 include a dividend of ¥2 to commemorate the 90th anniversary of establishment.

## 2. Nature of Business

The Kewpie Group (the “Group”) consists of the Company, sixty-five consolidated subsidiaries, eleven affiliated companies, and one other associated company. The Group’s principal businesses are manufacturing, wholesaling, transportation and warehousing of food products.

The business categories of the Group and the position of the Company and these associated companies in the relevant businesses are summarized below.

The business categories shown below are the same categories as the reported segments.

| Business category          | Principal companies  | Major handling items / services  |
|----------------------------|--|--|
| Condiments products        | Kewpie Corporation<br>Q&B Foods, Inc.<br>Beijing Kewpie Foods Co., Ltd.<br>Hangzhou Kewpie Foods Co., Ltd. | Mayonnaise and dressings   |
|                            | Kewpie Jyozo Co., Ltd.   | Vinegar  |
| Egg products               | Kewpie Egg Corporation<br>Zen-noh Kewpie Egg-station Co., Ltd.   | Liquid egg, frozen egg, and dried egg  |
|                            | Kewpie Corporation<br>Kanae Foods Co., Ltd.  | Egg spread, thick omelet, and shredded egg   |
|                            | Henningsen Foods, Inc.   | Dried egg  |
| Delicatessen products      | Kewpie Corporation<br>Deria Foods Co., Ltd.<br>Potato Delica Co., Ltd.<br>Shunsai Deli Co., Ltd.           | Salads and delicatessen foods  |
|                            | Gourmet Delica Co., Ltd.   | Boxed lunches and rice balls   |
|                            | Salad Club, Inc.   | Packaged salads  |
| Processed foods            | Kewpie Corporation<br>Aohata Corporation<br>Co-op Foods Co., Ltd.  | Bottled and/or canned foods including jams, pasta sauces, and sweet corn, baby foods, and nursing care foods |
| Fine chemical products     | Kewpie Corporation   | Hyaluronic acid and EPA  |
| Distribution system        | K.R.S. Corporation   | Transportation and warehousing of food products  |
|                            | S.Y. Promotion Co., Ltd.<br>K. Tis Corporation   | Transportation of food products  |
| Common business operations | San-ei Provisions Co., Ltd.  | Sale of food products  |

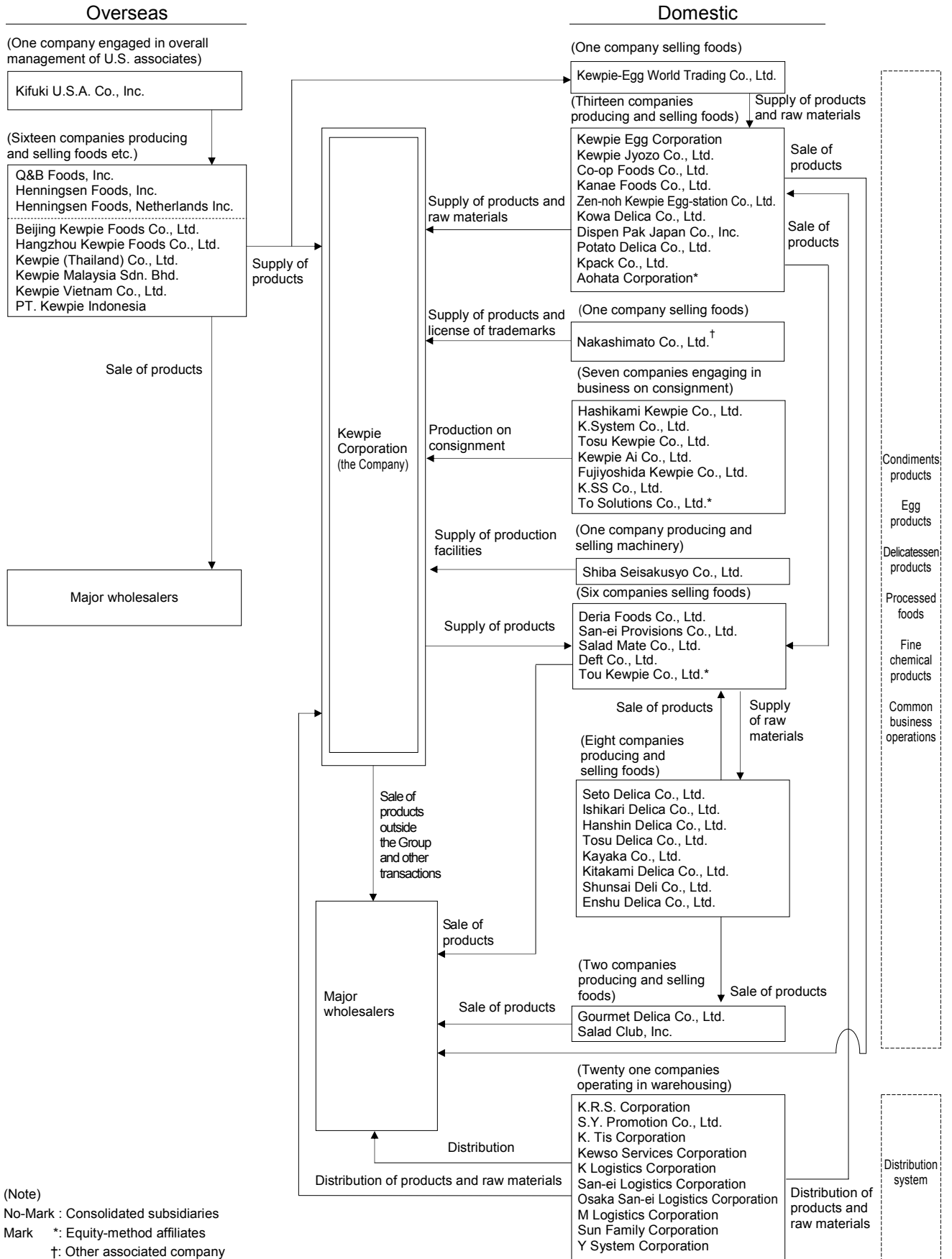
The Group Business Network chart on Page 4 shows the relationships of the business activities of Group companies.

K.R.S. Corporation, a consolidated subsidiary, is listed on the first section of the Tokyo Stock Exchange (TSE), while Aohata Corporation, an equity-method affiliate, is listed on the second section of the TSE.

With the aim of accelerating business operations and improving profitability, the business categories were changed in the fiscal year ended November 30, 2013.

- The former Condiments and processed foods business was divided into Condiments products business and Processed foods business.
- The former Health function products business was divided. Fine chemical products unit was newly established as a single business and Healthcare unit was transferred to Processed foods business.

### (Group Business Network)



### 3. Outline of Associated Companies

#### (1) Parent company

Not applicable.

#### (2) Consolidated subsidiaries

| Trade name                                | Address                             | Paid-in capital/<br>equity investment | Business lines  | Percentage of our voting rights (Note 2) | Relationship with the Company                                       |   |  |                                 |
|---|-------------------------------------|---------------------------------------|---|--|---|---|--|---------------------------------|
|   |                                     |                                       |   |  | Interlocking directors (D) or audit & supervisory board members (A) | Finance from the Company  | Operating transactions   | Lease transactions              |
| Kewpie Egg Corporation (Notes 1 & 4)      | Chofu-shi, Tokyo                    | 350 million yen                       | Production and sale of liquid and frozen egg  | 88.0                                     | D or A<br>Employees 2<br>8  | None  | Purchase of products and raw materials, etc.   | Leases of offices and factories |
| Deria Foods Co., Ltd.                     | Fuchu-shi, Tokyo                    | 50 million yen                        | Sale of salads and delicatessen foods   | 100.0                                    | D or A<br>Employees 2<br>4  | 163 million yen   | Sale of products   | Leases of offices               |
| Kewpie Jyozo Co., Ltd.                    | Fuchu-shi, Tokyo                    | 450 million yen                       | Production and sale of vinegar  | 88.0                                     | D or A<br>Employees 2<br>3  | None  | Purchase of raw materials  | Leases of offices               |
| K.R.S. Corporation (Notes 1, 3, 4, 5 & 6) | Chofu-shi, Tokyo                    | 4,063 million yen                     | Warehousing and transportation  | 44.8 (0.3) [5.8]                         | D or A<br>Employee 2<br>1   | None  | Consignment of storage and transportation of products and raw materials of Group companies | Leases of land and warehouses   |
| San-ei Provisions Co., Ltd.               | Chofu-shi, Tokyo                    | 57 million yen                        | Sale of products for commercial use   | 54.4                                     | Employees 5   | None  | Sale of products and purchase of raw materials   | Leases of offices               |
| Co-op Foods Co., Ltd.                     | Chofu-shi, Tokyo                    | 250 million yen                       | Production and sale of bottled, canned and/or retort pouch foods                          | 100.0                                    | D or A<br>Employees 2<br>4  | None  | Purchase of products   | Leases of offices               |
| Kanae Foods Co., Ltd. (Note 1)            | Chofu-shi, Tokyo                    | 50 million yen                        | Production and sale of processed egg, including egg spread, thick omelet and shredded egg | 88.0                                     | D or A<br>Employees 2<br>4  | None  | Purchase of products   | Leases of offices and factories |
| Zen-noh Kewpie Egg-station Co., Ltd.      | Goka-machi, Sashima-gun, Ibaraki    | 105 million yen                       | Production and sale of dried egg and liquid egg   | 51.4                                     | D or A<br>Employees 2<br>3  | 282 million yen   | Purchase of products and raw materials   | Leases of factories             |
| Q&B Foods, Inc.                           | California, USA                     | 4,800 thousand U.S. dollars           | Production and sale of mayonnaise and dressings   | 100.0 (100.0)                            | D or A<br>Employees 2<br>2  | None  | Purchase of products   | None                            |
| Kifuki U.S.A. Co., Inc.                   | Delaware, USA                       | 7.17 U.S. dollars                     | Investment in and management of U.S. associates   | 100.0                                    | D or A 3  | None  | Overall management of U.S. associates  | None                            |
| Henningsen Foods, Inc.                    | Nebraska, USA                       | 1.92 thousand U.S. dollars            | Production and sale of egg products and dried meats                                       | 100.0 (100.0)                            | D or A<br>Employee 2<br>1   | None  | Purchase of products   | None                            |
| Gourmet Delica Co., Ltd.                  | Tokorozawa-shi, Saitama             | 98 million yen                        | Production and sale of delicatessen foods   | 100.0                                    | D or A<br>Employees 2<br>9  | 603 million yen   | Sale of raw materials  | None                            |
| Hashikami Kewpie Co., Ltd.                | Hashikami-cho, Sannohe-gun, Aomori  | 10 million yen                        | Production and processing of foods; outsourced work                                       | 100.0                                    | Employees 2   | None  | Consignment of production  | Leases of factories             |
| Henningsen Foods, Netherlands Inc.        | Delaware, USA                       | 2 thousand U.S. dollars               | Investment in associates in the Netherlands   | 100.0 (100.0)                            | None  | None  | None   | None                            |
| Kowa Delica Co., Ltd.                     | Kamisu-shi, Ibaraki                 | 10 million yen                        | Production of canned foods  | 100.0                                    | Employees 4   | 288 million yen   | Purchase of products   | None                            |
| Dispen Pak Japan Co., Inc.                | Minami-Ashigara-shi, Kanagawa       | 140 million yen                       | Production and sale of foods, and subdividing and packing work                            | 51.0                                     | D or A<br>Employees 2<br>3  | None  | Purchase of products   | Leases of factories             |
| Shiba Seisakusyo Co., Ltd.                | Kawasaki-ku, Kawasaki-shi, Kanagawa | 10 million yen                        | Production of machinery and equipment   | 100.0                                    | Employees 4   | 64 million yen  | Purchase of machinery and equipment  | None                            |
| Salad Mate Co., Ltd.                      | Shinjuku-ku, Tokyo                  | 10 million yen                        | Sale of condiments and processed foods  | 100.0                                    | Employees 2   | None  | Sale of products   | None                            |
| Potato Delica Co., Ltd.                   | Azumino-shi, Nagano                 | 50 million yen                        | Production of frozen and chilled foods  | 100.0 (0.9)                              | D or A<br>Employees 1<br>5  | 347 million yen   | Purchase of products   | Leases of factories             |
| Deft Co., Ltd.                            | Shibuya-ku, Tokyo                   | 10 million yen                        | Sale of condiments, frozen and processed foods  | 100.0                                    | Employees 5   | None  | Sale of products   | Leases of offices               |
| K.System Co., Ltd.                        | Machida-shi, Tokyo                  | 50 million yen                        | Consigned clerical work   | 80.0                                     | Employees 6   | None  | Consignment of clerical work   | Leases of offices               |
| Kpack Co., Ltd.                           | Goka-machi, Sashima-gun, Ibaraki    | 30 million yen                        | Production and sale of condiments   | 100.0                                    | Employees 6   | None  | Purchase of products   | Leases of offices               |
| Tosu Kewpie Co., Ltd.                     | Tosu-shi, Saga                      | 10 million yen                        | Production and processing of foods; outsourced work                                       | 100.0                                    | Employees 2   | None  | Consignment of production  | Leases of factories             |
| Hangzhou Kewpie Foods Co., Ltd.           | Hangzhou, Zhejiang Province, China  | 140 million yuan                      | Production and sale of foods  | 62.9 (3.6)                               | D or A<br>Employees 1<br>4  | 153 million yen<br>Liabilities for guarantee<br>153 million yen | None   | None                            |



**6 Outline of the Company**

| Trade name                           | Address                          | Paid-in capital/<br>equity investment | Business lines  | Percentage of our voting rights (Note 2) | Relationship with the Company                                       |  |  |                              |
|--------------------------------------|----------------------------------|---------------------------------------|---|--|---|--|--|------------------------------|
|                                      |                                  |                                       |   |  | Interlocking directors (D) or audit & supervisory board members (A) | Finance from the Company                 | Operating transactions                 | Lease transactions           |
| S.Y. Promotion Co., Ltd.             | Koto-ku, Tokyo                   | 200 million yen                       | Transportation  | 88.4 (51.0)                              | Employee 1  | None                                     | Consignment of transportation services | None                         |
| Seto Delica Co., Ltd.                | Seto-shi, Aichi                  | 30 million yen                        | Production and sale of delicatessen foods   | 100.0 (100.0)                            | Employees 4   | 402 million yen                          | Sale of raw materials                  | None                         |
| Ishikari Delica Co., Ltd.            | Teine-ku, Sapporo-shi, Hokkaido  | 30 million yen                        | Production and sale of delicatessen foods   | 100.0 (100.0)                            | Employees 3   | 33 million yen                           | Sale of raw materials                  | None                         |
| Hanshin Delica Co., Ltd.             | Itami-shi, Hyogo                 | 10 million yen                        | Production and sale of delicatessen foods   | 100.0 (100.0)                            | Employees 5   | None                                     | Sale of raw materials                  | Leases of factories          |
| Salad Club, Inc.                     | Fuchu-shi, Tokyo                 | 300 million yen                       | Processing and sale of fresh vegetables   | 51.0                                     | D or A Employees 2<br>3   | None                                     | Sale of raw materials                  | Leases of factories          |
| K. Tis Corporation                   | Inagi-shi, Tokyo                 | 82 million yen                        | Warehousing and transportation  | 100.0 (100.0)                            | None  | None                                     | None                                   | None                         |
| Beijing Kewpie Foods Co., Ltd.       | Huairou District, Beijing, China | 42 million yuan                       | Production and sale of foods  | 65.0                                     | D or A Employees 1<br>4   | 122 million yen                          | None                                   | None                         |
| Tosu Delica Co., Ltd.                | Tosu-shi, Saga                   | 10 million yen                        | Production and sale of delicatessen foods   | 100.0 (100.0)                            | Employees 5   | None                                     | Sale of raw materials                  | Leases of factories          |
| Kayaka Co., Ltd.                     | Ayabe-shi, Kyoto                 | 30 million yen                        | Processing and sale of fresh vegetables   | 100.0 (100.0)                            | Employees 5   | 185 million yen                          | Sale of raw materials                  | Leases of factories          |
| Kewpie Ai Co., Ltd.                  | Machida-shi, Tokyo               | 30 million yen                        | Consigned clerical work   | 100.0                                    | Employees 5   | None                                     | Consignment of clerical work           | Leases of offices            |
| Kitakami Delica Co., Ltd.            | Kitakami-shi, Iwate              | 20 million yen                        | Production and sale of delicatessen foods   | 100.0 (100.0)                            | Employees 6   | 384 million yen                          | Sale of raw materials                  | None                         |
| Fujiyoshida Kewpie Co., Ltd.         | Fujiyoshida-shi, Yamanashi       | 10 million yen                        | Production and processing of foods; outsourced work   | 100.0                                    | Employees 2   | None                                     | Consignment of production              | Leases of factories          |
| K.SS Co., Ltd.                       | Shibuya-ku, Tokyo                | 10 million yen                        | Planning, production and services for sales promotion                                       | 100.0                                    | Employees 4   | None                                     | Consignment of sales                   | Leases of offices            |
| Kewso Services Corporation           | Chofu-shi, Tokyo                 | 30 million yen                        | Sale of equipment for cars  | 100.0 (100.0)                            | None  | None                                     | Rental of cars for factories           | Rental of cars for factories |
| K Logistics Corporation              | Toyokawa-shi, Aichi              | 30 million yen                        | Transportation  | 70.0 (70.0)                              | None  | None                                     | None                                   | None                         |
| San-ei Logistics Corporation         | Akishima-shi, Tokyo              | 38 million yen                        | Transportation  | 100.0 (100.0)                            | None  | None                                     | None                                   | None                         |
| Kewpie (Thailand) Co., Ltd. (Note 5) | Bangkok, Thailand                | 260 million baht                      | Production and sale of condiment sauce, powdered condiments and bottled and/or canned foods | 44.0                                     | D or A Employees 4<br>4   | Liabilities for guarantee 59 million yen | Purchase of products                   | None                         |
| Shunsai Deli Co., Ltd.               | Akishima-shi, Tokyo              | 20 million yen                        | Production and sale of delicatessen foods   | 100.0 (100.0)                            | Employees 7   | 1,542 million yen                        | Sale of raw materials                  | Leases of factories          |
| Osaka San-ei Logistics Corporation   | Hirakata-shi, Osaka              | 66 million yen                        | Transportation  | 90.0 (90.0)                              | None  | None                                     | None                                   | None                         |
| M Logistics Corporation              | Yoshikawa-shi, Saitama           | 33 million yen                        | Transportation  | 90.0 (90.0)                              | None  | None                                     | None                                   | None                         |
| Sun Family Corporation               | Yoshikawa-shi, Saitama           | 66 million yen                        | Transportation  | 90.0 (90.0)                              | None  | None                                     | None                                   | None                         |
| Y System Corporation                 | Hirakata-shi, Osaka              | 20 million yen                        | Transportation  | 100.0 (100.0)                            | None  | None                                     | None                                   | None                         |
| Kewpie Malaysia Sdn. Bhd.            | Malacca, Malaysia                | 57 million ringgit                    | Production and sale of condiments   | 94.0                                     | D or A Employees 1<br>4   | 819 million yen                          | None                                   | None                         |
| Kewpie Vietnam Co., Ltd.             | Binh Duong, Vietnam              | 230.0 billion dong                    | Production and sale of condiments   | 90.0                                     | D or A Employees 1<br>3   | 65 million yen                           | None                                   | None                         |
| Enshu Delica Co., Ltd.               | Mori-machi, Shuchi-gun, Shizuoka | 20 million yen                        | Processing and sale of fresh vegetables   | 100.0                                    | Employees 5   | 690 million yen                          | Purchase of products                   | Leases of land               |
| PT. Kewpie Indonesia                 | West Java, Indonesia             | 176.4 billion rupiah                  | Production and sale of condiments   | 60.0 (5.0)                               | D or A Employees 1<br>2   | None                                     | None                                   | None                         |
| Kewpie-Egg World Trading Co., Ltd.   | Chofu-shi, Tokyo                 | 100 million yen                       | Sale of egg and processed egg   | 100.0 (51.0)                             | D or A Employees 2<br>2   | 192 million yen                          | None                                   | Leases on offices            |

(Notes) 1. Kewpie Egg Corporation, K.R.S. Corporation and Kanae Foods Co., Ltd. are classified under Japanese tax law as *tokutei kogaisha*, a special category of subsidiary.

2. The figures in parentheses under "Percentage of our voting rights" indicate the proportion of indirect ownership and are included in the respective figures above.

3. The company files its own annual securities report to the Commissioner of the Financial Services Agency.

4. Net sales registered by Kewpie Egg Corporation (excluding sales from intra-group transactions) exceed 10% of the Company's consolidated net sales. Its major profit/loss information is as follows:

|                      |                 |
|----------------------|-----------------|
| (1) Net sales        | ¥69,845 million |
| (2) Ordinary income  | ¥3,441 million  |
| (3) Net income       | ¥2,120 million  |
| (4) Total net assets | ¥15,574 million |
| (5) Total assets     | ¥27,981 million |

Net sales registered by K.R.S. Corporation (excluding sales from intra-group transactions) exceed 10% of the Company's consolidated net sales. However, specific details regarding its major profit/loss information are not published here as K.R.S. Corporation files its own annual securities report to the Commissioner of the Financial Services Agency.

- K.R.S. Corporation and Kewpie (Thailand) Co., Ltd. are treated as subsidiaries, even though the voting rights held by the Company as a percentage of total voting rights are 50% or less, in view of the effective control exerted over their management.
- In the "Percentage of our voting rights" column, the figures shown in square brackets indicate the percentage of voting rights of closely related persons or persons whose consents are obtained, which are excluded from the respective figures above.

### (3) Equity-method affiliates

| Trade name                       | Address                     | Paid-in capital/<br>equity investment | Business lines   | Percentage of our voting rights<br>(Note 2) | Relationship with the Company                                       |                          |                                       |                            |
|----------------------------------|-----------------------------|---------------------------------------|--|---|---|--------------------------|---------------------------------------|----------------------------|
|                                  |                             |                                       |  |   | Interlocking directors (D) or audit & supervisory board members (A) | Finance from the Company | Operating transactions                | Lease transactions         |
| Summit Oil Mill Co., Ltd.        | Mihama-ku, Chiba-shi, Chiba | 97 million yen                        | Production of vegetable oil  | 49.0  | D or A Employee 1 1   | None                     | Purchase of raw materials             | None                       |
| Aohata Corporation (Notes 1 & 3) | Takehara-shi, Hiroshima     | 644 million yen                       | Production and sale of canned foods  | 16.2 (0.4)                                  | D or A 3  | None                     | Purchase of products                  | Leases of offices          |
| Kunimi Nosankako Co., Ltd.       | Kunisaki-shi, Oita          | 80 million yen                        | Production and sale of frozen and chilled foods                                      | 20.1  | Employees 2   | 295 million yen          | Purchase of products                  | None                       |
| Henningsen Van Den Burg B.V.     | Waalwijk, the Netherlands   | 5,127 thousand euro                   | Production and sale of dried egg   | 50.0 (50.0)                                 | None  | None                     | Purchase of products                  | None                       |
| To Solutions Co., Ltd.           | Shinjuku-ku, Tokyo          | 90 million yen                        | Planning, development, sale, maintenance and operational support of computer systems | 20.0  | Employee 1  | None                     | Consignment of calculation work, etc. | Rental of office equipment |
| Tou Kewpie Co., Ltd.             | Chofu-shi, Tokyo            | 10 million yen                        | Mail-order business  | 40.0  | Employees 3   | None                     | Sale of products, etc.                | Leases of offices          |

- (Notes) 1. Although the proportion of shares held by the Company is less than 20%, the Company exercises substantial influence; thus the company is included in the scope of equity-method affiliate.
2. The figures in parentheses under "Percentage of our voting rights" indicate the proportion of indirect ownership and are included in the respective figures above.
3. The company files its own annual securities report to the Commissioner of the Financial Services Agency.

### (4) Other associated company

| Trade name            | Address           | Paid-in capital/<br>equity investment | Business lines          | Percentage of their voting rights<br>(Note) | Relationship with the Company                                       |         |                            |                    |
|-----------------------|-------------------|---------------------------------------|-------------------------|---|---|---------|----------------------------|--------------------|
|                       |                   |                                       |                         |   | Interlocking directors (D) or audit & supervisory board members (A) | Finance | Operating transactions     | Lease transactions |
| Nakashimato Co., Ltd. | Shibuya-ku, Tokyo | 50 million yen                        | Sale of processed foods | 20.9 (7.9)                                  | D or A 3  | None    | Purchase of products, etc. | Rental of offices  |

- (Note) The figure in parentheses under "Percentage of their voting rights" indicates the proportion of indirect ownership by Nakashimato and is included in the respective figure above.

## 4. Employees

### (1) The Company and its consolidated subsidiaries

(As of November 30, 2013)

| Number of employees |          |
|---------------------|----------|
| 12,598              | (11,316) |

- (Note) The employee figure indicates registered regular employees and long-term special contract employees, excluding the Group employees dispatched outside the Group but including workers from outside employed within the Group on dispatch. The figure in parentheses indicates the annual average number of short-term contract non-regular employees and workers hired on a daily, weekly or seasonal basis, and is excluded from the figure above.

### (2) The labor union

Formed on July 14, 1962, the Kewpie labor union is the main labor union of the Group.

The union has no affiliation with any larger entity, and it maintains friendly relations with the Company.

## **II. Business Operations**

### **1. General**

#### (1) Business performance (consolidated)

##### ◇ General

The Japanese economy in the fiscal year ended November 30, 2013 was characterized by ongoing yen depreciation and high stock prices on the back of hope regarding economic recovery by new government policies, leading to improved business results, particularly for exporters. There were also improvements in the income and employment environments and a recovery in personal consumption.

In the food industry, customer needs for simple and convenient products continued to increase, while there was growth in demand for vegetable-related products reflecting heightened health consciousness. On the other hand, there was continued upward pressure from rising costs reflecting higher raw material prices, partly due to yen depreciation, and increasing energy costs.

Conditions continued to be severe in the food distribution industry, mainly due to sluggish growth in commission fees from fiercer cost competition between distribution companies, in addition to higher light oil prices.

##### ◇ Status of the Group (consisting of the Company and its consolidated subsidiaries)

The Group is making a group-wide effort to further boost corporate value through four management policies, which stem from the aim of making the most of our unique capabilities and an ability to create new products, markets and demand, in the three-year Medium-term Business Plan starting from the fiscal year ended November 30, 2013. The policies consist of strengthening our management base, innovation in Japan, developing overseas business in earnest, and laying a foundation for the future. These policies are designed to cultivate motivation to take up challenges in the Group overall and pursue sustainable domestic growth and dramatic overseas growth.

##### • Net sales

The Condiments products business and the Delicatessen products business, etc. had strong sales, and as a result consolidated net sales rose by ¥25,552 million (5.1%) year on year to ¥530,549 million.

##### • Profit

Primarily reflecting the impact of rises in prices of our principle materials, such as edible oils, hen's egg market and light oil, operating income decreased by ¥966 million (4.1%) year on year to ¥22,402 million and ordinary income decreased by ¥718 million (2.9%) year on year to ¥23,749 million. Even so, net income increased by ¥276 million (2.2%) year on year to ¥12,567 million as a result of a decrease in income taxes, mainly due to a reduction in the tax rate.

## ◇ Business overview by segment

## [Breakdown of net sales]

(Millions of yen)

|                            | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) | Change (amount) | Change (ratio) |
|----------------------------|---|--|-----------------|----------------|
| Condiments products        | 138,552   | 145,367  | 6,815           | 4.9%           |
| Egg products               | 85,573  | 91,158   | 5,585           | 6.5%           |
| Delicatessen products      | 91,570  | 97,983   | 6,413           | 7.0%           |
| Processed foods            | 59,061  | 58,431   | (630)           | (1.1)%         |
| Fine chemical products     | 8,341   | 9,676  | 1,335           | 16.0%          |
| Distribution system        | 115,697   | 120,320  | 4,623           | 4.0%           |
| Common business operations | 6,201   | 7,612  | 1,411           | 22.8%          |
| Total                      | 504,997   | 530,549  | 25,552          | 5.1%           |

## [Breakdown of operating income]

(Millions of yen)

|                            | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) | Change (amount) | Change (ratio) |
|----------------------------|---|--|-----------------|----------------|
| Condiments products        | 11,473  | 11,519   | 46              | 0.4%           |
| Egg products               | 4,888   | 3,414  | (1,474)         | (30.2)%        |
| Delicatessen products      | 3,075   | 3,460  | 385             | 12.5%          |
| Processed foods            | (1,030)   | (896)  | 134             | —              |
| Fine chemical products     | 973   | 909  | (64)            | (6.6)%         |
| Distribution system        | 3,218   | 3,208  | (10)            | (0.3)%         |
| Common business operations | 766   | 781  | 15              | 2.0%           |
| Adjustments                | 3   | 5  | 2               | 66.7%          |
| Total                      | 23,368  | 22,402   | (966)           | (4.1)%         |

## Condiments products

- Sales of dressings grew through menu proposals to expand the salad field and overseas operations developed steadily, leading to increased sales.
- Price revisions and overseas growth absorbed edible oil price rises.

## Egg products

- Sales increased on the back of growth in sales of liquid egg, processed egg products and others for ready-made foods, while a rise in the market price for hen's eggs also had a beneficial impact.
- Profits declined due to a rise in the market price for hen's eggs in Japan and a continued rise in prices of imported raw materials for dried egg.

## Delicatessen products

- Thanks to proposition-making sales efforts driving an increase in demand and strengthening of the production structure, growth in sales of cut vegetables and delicatessen foods led to increased sales.
- Although there was an increase in expenses in association with a new factory coming into operation, profits increased as a result of cost reductions and the impact of the increase in sales.

## Processed foods

- Sales decreased due to intensified competition in the pasta sauce market and an elimination of unprofitable products.
- Profits increased mainly reflecting a review of the sales composition of items.

## Fine chemical products

- Sales increased due to growth in EPA for medical use and egg yolk lecithin.
- Profit decreased due to a decline in sales volume of hyaluronic acid for medical use.

## Distribution system

- Further progress in the acquisition of new business in customized logistics, etc. led to an increase in sales.
- Despite an increase in the acquisition of new business, profits were about level with the previous year mainly due to start-up loss and a rise in fuel unit costs.

Common business operations

- Sales and profits both increased mainly due to sales of production equipment to food manufacturers.

(2) Cash flows

Cash and cash equivalents at the end of the current fiscal year amounted to ¥43,963 million, which represents an increase of ¥3,576 million from the end of the previous fiscal year.

Status of cash flows

- Net cash provided by operating activities came to ¥27,369 million for the current fiscal year, down from ¥33,246 million for the previous fiscal year. This was the result of income before income taxes and minority interests of ¥22,405 million, depreciation and amortization of ¥14,572 million and an increase in notes and accounts payable — trade of ¥8,760 million, offsetting an increase in notes and accounts receivable — trade of ¥10,162 million and income taxes paid of ¥12,068 million.
- Net cash used in investing activities amounted to ¥21,897 million, compared with ¥24,434 million used in the previous fiscal year. This was the result of purchases of tangible fixed assets of ¥25,450 million, offsetting ¥3,000 million provided by proceeds from withdrawal of time deposits.
- Net cash used in financing activities amounted to ¥2,307 million, compared with ¥7,022 million provided in the previous fiscal year. This was the result of net increase in long-term loans payable of ¥2,652 million, offsetting repayment of lease obligations of ¥1,120 million and dividend payments of ¥3,219 million.

(Note) Amounts shown in “II. Business Operations” are exclusive of consumption taxes.

## 2. Tasks Ahead

(Basic policy on the Medium-term Business Plan and main strategies)

### (1) Basic policy on the Medium-term Business Plan

The Group has set out four management policies, which stem from the aim of making the most of our unique capabilities and an ability to create new products, markets and demand, in the three-year Medium-term Business Plan starting from the fiscal year ended November 30, 2013. The policies consist of strengthening our management base, innovation in Japan, developing overseas business in earnest, and laying a foundation for the future. These policies are designed to cultivate motivation to take up challenges in the Group overall and pursue sustainable domestic growth and dramatic overseas growth.

To these ends, we will make a group-wide effort to boost our corporate value.

### (2) Main strategies in Japan and overseas

| In Japan   | Overseas   |
|--|--|
| <p>[Increase competitiveness and expand market share]</p> <ul style="list-style-type: none"> <li>• Further cultivate core fields</li> <li>• Develop new sales channels</li> <li>• Acquire new technologies and create added value</li> </ul> | <p>[Harness quality assurance and proposal capabilities developed in Japan]</p> <ul style="list-style-type: none"> <li>• Expand the mayonnaise market in Asia</li> <li>• Further cultivate existing areas while developing new areas</li> <li>• Expand product domains that employ Group resources including know-how cultivated in Japan</li> </ul> |

### (3) Main strategies by business category

| Business category      | Main strategies  |
|------------------------|--|
| Condiments products    | <ul style="list-style-type: none"> <li>• Create salad condiments demand by expanding the salad domain and applications</li> <li>• Expand the mayonnaise market in Asia through development activities that are fully tailored to each area's distinctive attributes</li> </ul>   |
| Egg products           | <ul style="list-style-type: none"> <li>• Cultivate the food service market by developing and expanding the use of value-added products</li> <li>• Reduce business costs by pursuing optimal production</li> </ul>  |
| Delicatessen products  | <ul style="list-style-type: none"> <li>• Expand the three fields of salads and delicatessen foods, cut vegetables, and cooked rice for convenience stores by drawing on the Group's technological and business expansion capabilities</li> <li>• Take up the challenge of entering new fields including online and delivery sales</li> </ul> |
| Processed foods        | <ul style="list-style-type: none"> <li>• Rebuild the earnings platform through optimization of production structure and refinement of categories</li> <li>• Strengthen the ability to develop products and cultivate sales channels by adopting a selection and concentration approach toward each category</li> </ul>                       |
| Fine chemical products | <ul style="list-style-type: none"> <li>• Enhance the added value of hyaluronic acid by creating new functions and expand areas of use</li> <li>• Expand potential in the medical field and provide new value</li> </ul>  |

| Business category   | Main strategies   |
|---------------------|---|
| Distribution system | <ul style="list-style-type: none"><li data-bbox="549 286 1374 353">• Optimize transportation and delivery operations by rebuilding the business structure</li><li data-bbox="549 353 1374 421">• Improve distribution services through such efforts as developing distribution networks</li></ul> |

(Fundamental policy on control of the Company)

(1) Fundamental policy on what the person(s) should be like to control the determination of the financial and business policies of the Company

The Company considers that in the event that its shares are to be purchased for the purpose of a large purchase, it should be left to final judgment of the shareholders whether or not the Company will agree thereto, and does not deny any import or effect of vitalization of its corporate activities through a change in the controlling interest.

However, for the management of the Company and the Group, it is essential to have a good understanding of a broad range of know-how and accumulated experience, as well as the relationships fostered with its stakeholders, including customers, trading partners and employees. Without such good understanding, it would be impossible to properly judge the share-holder value that may be raised in the future. We, who are responsible for management as entrusted by the shareholders, have focused our efforts on IR activities to get the fair value of the shares of the Company understood by the shareholders and investors. However, in the event of a sudden large purchase of the shares, for the shareholders who are required to properly judge whether the price for the acquisition offered by the purchaser is adequate or not in a short period, we consider it vital to be provided with adequate and sufficient information from both the purchaser and the Board of Directors of the Company. Additionally, for the shareholders in considering whether or not to continue holding the shares of the Company, we believe that such information as the impact of the acquisition on the Company, the details of the management policy and business plans and past investing activities of the purchaser when the purchaser proposes to participate in the management of the Company and the opinion of the Board of Directors as to the acquisition will be important for making a decision.

In consideration of these factors, we have judged that any prospective purchaser of the shares of the Company for the purpose of a large purchase should be required to provide with the Board of Directors in advance such necessary and sufficient information as to allow the shareholders to consider the acquisition in accordance with some reasonable rules prescribed by the Company and publicized in advance, and to commence the acquisition only after the lapse of a specified evaluation period for the Board of Directors.

In fact, some large purchase may cause permanent damage to the Company and materially injure its corporate value and the common interests of its shareholders. We, responsible for the management of the Company, recognize that we are naturally responsible for protecting against such large purchase the fundamental philosophy and brands of the Company and the interests of its shareholders and other stakeholders.

To fulfill such responsibility, the Board of Directors recognizes that with regard to any purchase of shares for the purpose of a large purchase (or any proposed purchase), it is necessary to carefully investigate and judge the effect of such purchase (or such proposed purchase) that may have on the corporate value of the Company and the common interests of its shareholders, in consideration of the nature of business, future business plans and past investing activities of the purchaser, etc.

Hence, we believe that to protect the corporate value of the Company and the common interests of its shareholders, it is necessary for the Board of Directors to take measures it considers adequate in accordance with some reasonable rules prescribed by the Company and disclosed in advance.

(The aforementioned fundamental policy on what the person(s) should be like to control the determination of the financial and business policies of the Company will be referred to as the "Fundamental Policy" hereinafter.)

(2) Special measures to facilitate the implementation of the Company's Fundamental Policy

A. Special measures to facilitate the implementation of the Company's Fundamental Policy

To encourage many investors to invest in the Company on a continued, long-term basis, it has implemented the following measures to facilitate the enhancement of its corporate value and the common interests of its shareholders:



a) Institution of the Group's Medium-term Business Plan

The Group has instituted the three-year Medium-term Business Plan starting from the fiscal year ended November 30, 2013 to further enhance its corporate value.

In the Medium-term Business Plan, the Group has set out four management policies, which stem from the aim of making the most of our unique capabilities and an ability to create new products, markets and demand: strengthening our management base, innovation in Japan, developing overseas business in earnest, and laying a foundation for the future. These policies are designed to cultivate motivation to take up challenges in the Group overall and pursue sustainable domestic growth and dramatic overseas growth.

To put the Medium-term Business Plan into action, the Group will make proactive business and capital investments to strengthen revenue-generating base and enhance asset efficiency at each business, with the policies of the plan at the core of these efforts. We believe that doing so will help to further enhance its corporate value and the common interests of its shareholders.

b) Streamlining of corporate governance

To continuously increase its corporate value and the common interests of its shareholders through efficient and sound management, the Group regards the streamlining of its organizations, schemes and systems of management and timely and proper implementation of necessary measures as one of the most important management challenges.

To more clearly define the management responsibility for each fiscal year and establish a management structure that can respond to changes in the business environments with agility, the Company sets the term of office of directors to one year. Additionally, to further strengthen its audit system, the Company employs five audit & supervisory board members, including three outside audit & supervisory board members.

B. Assessment of the measures noted in above (2) A. by the Board of Directors of the Company and reasons for the assessment

The Board of Directors of the Company assesses the measures as follows. The measures noted in above (2) A. a) and b) increase the Group's corporate value and the common interests of its shareholders and consequently decrease the risk of appearance of any Large Purchaser who may materially injure the Company's corporate value and the common interests of its shareholders. So, the measures live up to the Fundamental Policy. In addition, it is clear that the measures do not injure the common interests of the shareholders and is not contemplated to maintain the positions of directors or audit & supervisory board members of the Company because such measures naturally increase the Group's corporate value.

(3) Measures to prevent the determination of the financial and business policies of the Company from being controlled by any inadequate person in consideration of the Fundamental Policy (a defense plan against large purchase actions of the shares of the Company (takeover defense plan))

A. Measures by the defense plan against large purchase actions of the shares of the Company (takeover defense plan)

The Company decided by the resolution at a meeting of the Board of Directors of the Company held on January 24, 2014 to continue to adopt the defense plan against large purchase actions (hereinafter referred to as the "Defense Plan") as measures to prevent the determination of the financial and business policies of the Company from being controlled by any person considered inadequate as described by the Fundamental Policy; subject to approval of the 101st Ordinary General Meeting of Shareholders on February 25, 2014. The continuous adoption of the Defense Plan was approved at the 101st Ordinary General Meeting of Shareholders.

The outline of the Defense Plan is as follows:

a) Coverage of purchase actions

The Defense Plan covers a purchase of shares and other securities of the Company to make the ratio of voting rights of any specified shareholder group 20% or more, or a purchase of

shares and other securities of the Company resulting in making the ratio of voting rights of any specified shareholder group 20% or more (whether by market trading, by takeover bid (TOB) or otherwise; however any purchase action agreed to by the Board of Directors in advance will not be covered by the Defense Plan).

b) Particulars of the Large Purchase Rules

The Company will institute Large Purchase Rules under which any Large Purchaser can commence a large purchase action only after (i) Large Purchaser provides the Board of Directors of the Company with necessary and sufficient information on the large purchase action in advance and (ii) in principle, 60 days (in case of purchase of all shares of the Company by TOB for cash (in yen) only) or 90 days (in other cases of large purchases), which is the period for the Board of Directors of the Company to evaluate, examine, negotiate, form opinions, make alternative plans, determine whether it is necessary to confirm shareholders' intention and determine whether to take counter measures (hereinafter referred to as "Directors' Evaluation Period"), pass.

With regard to the Large Purchase Rules, the Company will (iii) establish an Independent Committee to ensure the Defense Plan to be implemented properly and prevent arbitrary judgments by the Board of Directors as far as possible and (iv) follow procedures for confirming the intention of the shareholders as the necessity arises from the perspective of respecting their intention. The Independent Committee shall consist of at least three members, who shall be appointed from among outside experts independent of the management responsible for execution of business of the Company, outside directors of the Company and outside audit & supervisory board members of the Company, to enable them to make fair and indifferent judgments. To confirm the intention of the shareholders, a resolution shall be adopted at a General Meeting of Shareholders under the Corporation Law of Japan. In the event that such General Meeting of Shareholders is held, the Board of Directors shall, pursuant to the resolution adopted thereat, trigger, or not trigger, the Defense Measure against the proposed large purchase action as the case may be. The date of the General Meeting of Shareholders shall be fixed within the initially fixed Directors' Evaluation Period, in principle. However, in any unavoidable circumstance where it takes time procedurally to convene a General Meeting of Shareholders or otherwise, the Board of Directors may extend the Directors' Evaluation Period for 30 days upon recommendation from the Independent Committee.

c) Defense Measure when a large purchase action is taken

(i) In case the Large Purchaser observes the Large Purchase Rules

In case the Large Purchaser observes the Large Purchase Rules, the Board of Directors will not trigger the Defense Measure against the large purchase action, in principle. Whether or not to agree to the purchase proposal by the Large Purchaser will be left to the judgment of the respective shareholders.

However, if the Large Purchaser is considered not to seriously aim for reasonable management but the large purchase actions by the Large Purchaser is considered to cause permanent damage to the Company, whereby materially injuring its corporate value and the common interests of its shareholders, the Board of Directors may exceptionally implement any appropriate measure to protect the interests of its shareholders.

(ii) In case the Large Purchaser does not observe the Large Purchase Rules

In case the Large Purchaser does not observe the Large Purchase Rules, in order to protect the corporate value of the Company and the common interests of its shareholders, the Board of Directors will trigger the Defense Measure, including the issuance of stock acquisition rights, as authorized by the Corporation Law and other laws or ordinances and the Articles of Incorporation of the Company, against the large purchase action by taking into consideration the necessity and adequacy thereof. The Board of Directors will determine whether or not the Large Purchaser observes the Large

Purchase Rules and whether or not it is appropriate to trigger the Defense Measure, by reference to the opinions of third-party experts and by respecting recommendations from the Independent Committee to the maximum extent possible.

- (iii) Defense Measure

The Company will adopt a concrete measure that the Board of Directors assesses as the most appropriate at the time among measures, including an allocation of stock acquisition rights without compensation, which are authorized by the Corporation Law and the Articles of Incorporation of the Company by taking into consideration the necessity and adequacy thereof. In the case that the Company makes an allocation of stock acquisition rights without compensation, the Company will set conditions that, for example, the exercise of the stock acquisition rights by the Large Purchaser is rejected.
- (iv) Cessation of the triggering of the Defense Measure

Even after the determination to trigger the Defense Measure, in the event that the Large Purchaser revokes or alters the large purchase action or otherwise the Board of Directors judges it inappropriate to trigger the Defense Measure, it may alter or cease the triggering of the Defense Measure by respecting recommendations from the Independent Committee to the maximum extent possible.
- d) Impacts on the shareholders and investors
  - (i) Impact of the Large Purchase Rules on the shareholders and investors

We believe that the institution of the Large Purchase Rules, which are intended to help the shareholders and investors make appropriate investment judgments, will benefit the shareholders of the Company and investors.
  - (ii) Impact on the shareholders and investors when the Defense Measure is triggered

In case the Large Purchaser does not observe the Large Purchase Rules, the Board of Directors may trigger the Defense Measure, as authorized by the Corporation Law and other laws or ordinances and the Articles of Incorporation of the Company, to protect the corporate value of the Company and the common interests of its shareholders. However, under the scheme of the Defense Measure, it is not assumed that the shareholders (excluding the Large Purchaser against which the Defense Measure is triggered) of the Company will incur any specific loss on their legal rights or economic interests. In the event that the Board of Directors ceases to issue stock acquisition rights or acquire the issued stock acquisition rights without compensation, the stock value per share will not be diluted. Hence, any shareholder or investor who trades in the shares, assuming that the stock value of the Company will be diluted on or after the ex-date relating to the free allocation of stock acquisition rights may incur an unexpected loss due to stock price movements.
  - (iii) Procedures to be followed by the shareholders when the Defense Measure is triggered

In the event that the Board of Directors of the Company determines to make a free allocation of stock acquisition rights as a vehicle for the Defense Measure, stock acquisition rights shall be allocated without compensation to shareholders recorded in the shareholder registry of the Company as of the record date for the allocation of the stock acquisition rights without compensation for which the Company gave public notice. Accordingly, for the shareholders to receive an allocation of stock acquisition rights, they must be recorded in the final shareholder registry as of the record date. For further details of the methods of allocation, the exercise of stock acquisition rights and the acquisition thereof by the Company, information will be disclosed or notified to the shareholders after the determination of the Board of Directors with regard to the Defense Measure.
- e) Effective period of the Defense Plan

The Defense Plan shall expire at the close of the 104th Ordinary General Meeting of Shareholders to be held no later than February 28, 2017.

B. Assessment of the Defense Plan noted in above (3) A. by the Board of Directors and reasons for the assessment

a) The Defense Plan's compliance with the Fundamental Policy

The Defense Plan stipulates the particulars of the Large Purchase Rules, the defense plan in case of a large purchase action, the establishment of an Independent Committee and the impacts on the shareholders and investors.

The Defense Plan requires any Large Purchaser to provide the Board of Directors with necessary and sufficient information on a large purchase action in advance and commence the large purchase action only after the lapse of the Directors' Evaluation Period and specifies that the Board of Directors may trigger any defense measure against the Large Purchaser not observing the Large Purchase Rules.

The Defense Plan also stipulates that even in the event that the Large Purchaser observes the Large Purchase Rules, if its large purchase action is considered by the Board of Directors to materially injure the corporate value of the Company and the common interests of its shareholders, the Board of Directors may trigger against the Large Purchaser any defense measure considered appropriate to protect the corporate value of the Company and the common interests of its shareholders.

Hence, we believe the Defense Plan complies with the Fundamental Policy.

b) The Defense Plan's non-injuring of the common interests of the shareholders of the Company

As described in above (1) "Fundamental policy on what the person(s) should be like to control the determination of the financial and business policies of the Company," the Fundamental Policy is based on respect for the common interests of its shareholders. The Defense Plan, which is designed according to the philosophy of the Fundamental Policy, is intended to afford the opportunities to the shareholders of the Company to receive information necessary for them to judge whether or not to agree to a large purchase action, have the Board of Directors put forward its opinion thereon and have any alternative proposal offered to them. The Defense Plan will allow the shareholders of the Company and investors to make appropriate investment judgments. Thus, we believe that the Defense Plan will not injure the common interests of the shareholders of the Company but rather benefit their interests.

In addition, the effectuation and extension of the Defense Plan is subject to the approval of the shareholders. The Defense Plan has no dead-hand clause (a clause that prevents canceling a takeover defense measure if any member of the Board of Directors that adopted the measure is replaced) or slow-hand clause (a clause that prevents canceling a takeover defense measure for a specified period even if a majority of the members of the Board of Directors that adopted the measure are replaced) and consequently, the shareholders of the Company can abolish the Defense Plan whenever they wish to do. Thus, we believe that the Defense Plan gives assurance that the common interests of the shareholders of the Company will not be injured.

c) The fact that the Defense Plan is not intended to maintain the position of the directors or audit & supervisory board members of the Company

Based on the principle of leaving the final judgment to the shareholders of the Company as to whether or not to agree to a large purchase action, the Defense Plan allows the Board of Directors to request compliance with the Large Purchase Rules and trigger a defense measure to the extent necessary to protect the corporate value of the Company and the common interests of its shareholders. The Defense Plan discloses the conditions on the triggering of defense measures by the Board of Directors in advance and in details and any defense measure by the Board of Directors shall be triggered in accordance with the provisions of the Defense Plan. The Board of Directors cannot effectuate or extend the Defense Plan by itself, but subject to the approval of the shareholders of the Company.

In addition, in triggering a defense measure, the Board of Directors shall seek advice from third-party experts whenever necessary against a large purchase action or otherwise and

consult with the Independent Committee consisting of the members independent of the management responsible for execution of business and respect recommendations from the Independent Committee to the maximum extent possible. Furthermore, the Board of Directors can follow procedures for confirming the intention of the shareholders as the necessity arises from the perspective of respecting their intention. The Defense Plan contains procedures to ensure the proper operation thereof by the Board of Directors.

Thus, we believe that the Defense Plan clearly is not contemplated to maintain the position of the directors or audit & supervisory board members of the Company.

### **3. Operational Risks**

Among the various factors relating to the business operations and financial information of the Group described in the Annual Securities Report that may exert a significant effect on the decisions of investors are the following matters.

The Group, recognizing the risks inherent in the Group's business, takes all reasonable measures to inhibit or avoid the occurrence of risks. An overview of the risks involved is given below, but this is not intended to be an exhaustive list of all risks attendant on the Group's business operations.

Forward-looking statements included in this section are based on the Group's judgment of information available as of the balance sheet date.

#### **(1) Market trends in the condiments for salads**

Production and sale of condiments for salads is a core business of the Group and it has the highest degree of contribution to both sales and profits of the Group.

Consequently, in the event of a shrinkage in the domestic market for condiments for salads as a result of a decline in demand, or in the event that the market share of the Company's products falls sharply owing to competition with other manufacturers' products, the business performance and financial position of the Group would be severely impacted. In short-term, the volume of consumption of condiments for salads is affected by fluctuations in the prices of vegetables.

In view of these risks, the Group is working to decrease its reliance on condiments by developing and expanding the scale of its other business fields.

In the Condiments products business, while putting efforts into proposing new occasions for eating and menus, and developing and updating products to suit consumer preferences such as responding to health needs, we continued to cut costs through initiatives involving collaboration between business units. In these ways, we aim to stimulate the market and uncover new areas of latent demand, and at the same time strengthen our competitiveness. We are also planning to expand our business in China and Southeast Asia, which have good prospects for future growth.

## (2) Fluctuations in the prices of principal ingredients

The principal ingredients from which the products of the Group are made consist of hen's eggs and edible oils.

Our procurement of eggs is conducted under the combination of annual fixed-volume contracts with major egg producers, fixed-price contracts and supplementary spot contract purchases on the open market. Since we have long-established relationships of trust with major producers of edible oils, we do not buy oil through spot purchases, but under long-term contracts such as forward trading. In the case of both eggs and oil, we take all reasonable measures to ensure that we have the necessary volume, at a reasonable cost.

In the Egg products business, we also make constant effort to improve our response to fluctuations in the eggs market prices by increasing the correlation between our product prices and market prices.

We cannot, however, rule out the possibility of sharp rises in market prices, and in such an event, there is a possibility that the business performance and financial position of the Group would be adversely affected.

Fluctuations in the market prices of eggs are attributable to changes in the number of eggs laid, which, in turn, depends on the number of egg-laying hens as well as changes in demand due to varying household buying patterns. In the case of edible oils, price changes are caused by fluctuations in the market prices of soybeans and/or rapeseed, movements on the foreign exchange market, and changes in the balance of supply and demand.

## (3) Product safety and other hygiene and health related concerns

Insistence on the highest product quality has been the most fundamental concern of the Group since its establishment. In line with this, we rigorously and systematically pursue investment in product quality assurance systems through the use of HACCP (hazard analysis and critical control point) systems, acquisition of ISO 9001, trans-group quality monitoring, product quality assurance and traceability systems that make use of data processing systems used in factory automation, self-monitoring by group companies, and strict control of procured ingredients focused on insistence on meeting our safety and hygiene standards.

Simultaneously, we place great importance on ensuring a high level of awareness regarding product quality among our employees. To this end, the Group helps employees acquire necessary knowledge and technology and instills them a focus on policy by offering them training opportunities such as on-the-job training and training sessions. Accordingly, the Group takes appropriate measures to provide safe and high-quality products, which is the foundation of the persistent business development.

Notwithstanding the above, the management of the Group recognizes that there exists the risk of the occurrence — by reason either of accident or of intent — of incidents causing damage to the health of consumers, such as the insertion of foreign matter into the Group's products, and false or mistaken indications on product labels, among other possibilities. In addition, the Group's products may be affected by problems of a wider social scale and thus beyond the control of the Group. In such cases, the business performance and financial position of the Group would unavoidably be subject to an adverse impact of major proportions.

## (4) Social turmoil from contingencies such as natural disasters or diseases in areas of operation

The Group has business operations in Japan and overseas areas including the US, China and Southeast Asia. The following contingencies, such as natural disasters or diseases, should they occur, could cause worse-than-expected social turmoil, resulting in such problems as damage to manufacturing or distribution facilities, etc. or difficulties in obtaining raw materials, energy or the human resources necessary for operations. This could result in a deterioration in the Group's production and sales capabilities, significantly affecting the Group's business performance and financial position.

- Large-scale natural disasters such as severe earthquakes or torrential rainfall
- Epidemics of highly virulent, infectious diseases
- Large-scale incidents not caused by natural disasters, such as sustained, wide-ranging electric power cuts
- Political problems such as terrorism or disputes

#### (5) Relationship with K.R.S. Corporation, a consolidated subsidiary

Net sales of the Group's Distribution system business for the current fiscal year amounted to ¥120,320 million (22.7% of total net sales), and operating income came to ¥3,208 million (14.3% of total operating income). This growth was mostly attributed to K.R.S. Corporation and its subsidiaries.

The Company currently holds 44.8% of the total voting rights of K.R.S. Corporation (this figure includes voting rights attendant on shares held indirectly; inclusive of voting rights held by persons with a close relationship to the Company or persons whose consents are obtained, the total percentage is 50.6%). In the event of a decline in the percentage of the Company's voting rights in the future, or changes in the personal and/or the trading relationship between the two companies, K.R.S. Corporation may lose the status of consolidated subsidiary of the Company. It is estimated that such a development would have a significant effect on the business performance and financial position of the Group.

In order that the Group continues to grow in the future, the management of the Company recognizes that it is necessary to secure an efficient and competitive foods distribution system service, as high-quality storage and delivery of food products is a key element in realizing the safety and reliability that forms the basis of the Group's business.

That being so, it is a firm part of the management policy of the Company to maintain the status of K.R.S. Corporation as a consolidated subsidiary, in which capability we are confident that it will contribute to raising the corporate value of the Group as a whole.

## 4. Material Contracts

There are no material contracts to report for the reporting period.

## 5. Research and Development

The Group dedicates itself to producing and selling products setting a high value on good taste, kindness, and uniqueness at reasonable prices. In line with this corporate stance, we carry out extensive Research and Development (R&D) in all of our separate lines of business — "Condiments products," "Egg products," "Delicatessen products," "Processed foods" and "Fine chemical products."

R&D is carried out through cooperation among the Company's R&D Division and Production Technology Department, and the R&D units of consolidated subsidiaries at home and abroad, including Deria Foods Co., Ltd., Kewpie Jyozo Co., Ltd., Co-op Foods Co., Ltd., and Salad Club, Inc., all of which are based in Japan, and overseas facilities including Henningsen Foods, Inc., Beijing Kewpie Foods Co., Ltd., Hangzhou Kewpie Foods Co., Ltd. and Kewpie (Thailand) Co., Ltd.

The Company's R&D Division, in particular, plays a central role in the Group's R&D activities with the aims of creating technologies, raw materials and ingredients full of originality, and using such technologies to impress customers through our products.

In order to pursue sustainable domestic growth and dramatic overseas growth, the R&D Division has a two-institute structure consisting of the "Institute of Product Development," which develops products in partnership with each business, and the "Institute of Technology," which further develops and carries out enhancements of technology, helps to boost product value with the creation of new technologies, and creates trail-blazing, long-term research themes for the future of the Group. Through the multi-disciplinary integration of each of the departments of the Institute of Technology and the

Institute of Product Development, and through the involvement of the laboratories in product development at each business on the technology side, the Group's R&D capabilities have been enhanced further to create products that exceed the expectations of customers. In addition, the Food Safety Department, which previously belonged to the Institute of Technology, was moved into the Quality Assurance Division in October 2013 to further enhance the Group's quality assurance structure, while the structure of the R&D Division was changed into one that concentrates on the creation of new technologies and products (categories).

In November, the base for R&D operations was moved to our *Sengawa Kewport* facility, which combines R&D functions and Group office functions, in order to make the most of Group-wide synergies and strengthen our ability to create added value.

Working in tandem with these R&D activities, the production technology units utilize the abundant and unique skills they have built up in production technology to develop facilities and equipment that will create products developed by research units with an emphasis on quality. They also make full use of their creative and unique on-site IT technologies to develop production lines and computer software that will raise the level of production efficiency of the Group and enhance its quality assurance systems.

Total research and development expenses for the Group for the current fiscal year amounted to ¥3,660 million.

The following is a summary of the research and development activities by the reported segments.

(1) Condiments products, Egg products, Delicatessen products, Processed foods, and Fine chemical products

During the current fiscal year, presentations were made and essays were submitted and published regarding new technologies created in our R&D activities as shown in the table below.

<Presentations>

| Title  | Annual Meeting  | Collaborator  |
|--|---|---|
| Study of nutrition improvement, such as when a certain period adding "Nutrition powder mix in cooking" for dysphagia hospitalized patients who use soft diet | Japan Society of Metabolism and Clinical Nutrition            | Medical Corporation Koryukai Tamakyuryo Hospital<br>Central Foods Co., Ltd. |
| The effect of egg-yolk lecithin in a liquid diet for long-term care on the diarrhea improvement  | Japanese Society for Parenteral and Enteral Nutrition (JSPEN) | Saiseikai Fukuoka General Hospital  |
| Evaluation of the stable enteral nutrient prepared using egg-yolk lecithin (I): Stability in artificial gastric juice and intestinal juice                   | The Pharmaceutical Society of Japan                           | Meiji Pharmaceutical University   |
| Solubilization of poorly water soluble drugs using egg yolk lecithin   | The Academy of Pharmaceutical Science and Technology, Japan   |   |
| Oral administration of hyaluronic acid improves the skin condition in UV-irradiated hairless mice  | International Society of Hyaluronan Sciences                  | Tokyo University of Agriculture and Technology, Faculty of Agriculture      |
| Effects of conversion of ovalbumin to s-ovalbumin during the storage on the gelation property of egg white   | IFT Annual Meeting & Food Expo                                |   |
| The Relation between Hen Breed and the Quality of Shell Eggs   | IFT Annual Meeting & Food Expo                                | Gunma Prefectural Livestock Experiment Station                              |
| Influence on the transportation condition of the quality of raw vegetables for ready-to-eat salad products   | IFT Annual Meeting & Food Expo                                |   |



| Title   | Annual Meeting  | Collaborator  |
|---|---|---|
| Removal of contaminated egg yolk from egg white using microbubble flotation                               | Japan Society for Food Engineering                          | Keio University, Faculty of Science and Technology        |
| Effect of egg yolk lecithin on the taste and smoothness of pudding  | Japan Society of Cookery Science                            | Nagoya Women's University                                 |
| The effect of peptides from egg white on the quality of tuna meat   | Japanese Society of Food Chemistry                          | School of Marine Science and Technology, Tokai University |
| Impact of egg white replacement on the properties of O/W emulsion   | The Japanese Society for Food Science and Technology        |   |
| Examination of Salmonella rapid detection system for using in egg breaking facilities (The second report) | Japanese Society of Food Microbiology                       |   |
| The effect of egg-yolk lecithin in a liquid diet on the diarrhea during enteral nutrition therapy         | Japan Digestive Disease Week                                | Saiseikai Fukuoka General Hospital                        |
| Heat resistance and growth of microorganisms adjusting the water activity in the glucose and salt         | Japan Canners Association<br>The 62nd Technology Convention |   |
| Verification of paired comparisons method with different procedures                                       | Japanese Society for Sensory Evaluation                     |   |
| Evaluation of Salmonella rapid detection system for using in egg breaking facilities                      | Japanese Society for Food Hygiene and Safety                |   |

## &lt;Essays&gt;

| Title   | Journal of publication  | Collaborator  |
|---|---|---|
| Hen egg yolk and skinned krill as possible foods for rearing leptocephalus larvae of <i>Anguilla japonica</i> Temminck & Schlegel | Aquaculture Research  | Irago Institute Co., Ltd., Atmosphere and Ocean Research Institute, The University of Tokyo |
| Function of the low-molecular-weight hyaluronic acid  | Functional cosmetics and drug delivery                          |   |
| Penetration to the corneum and continuous use effect of the hyaluronan derivative having the effect of barrier function recovery  | Fragrance Journal<br>No. 5, 2013                                |   |
| Orally Administrated Hyaluronic Acid protects against UV-induced Skin Aging in Hairless mice                                      | Japanese Pharmacology & Therapeutics, 2013, 41 (8), 773-778     | Tokyo University of Agriculture and Technology, Faculty of Agriculture                      |
| Orally Administrated Hyaluronic Acid improves Photoaged Skin in Hairless mice   | Japanese Pharmacology & Therapeutics, 2013, 41 (7), 697-704     | Tokyo University of Agriculture and Technology, Faculty of Agriculture                      |
| Role of N-terminal Amphiphilic Region of Ovalbumin on Heat-induced Aggregation and Gelation                                       | Journal of Agricultural and Food Chemistry 2013, 61, 8668-8675  | Graduate School of Agriculture, Kyoto University  |
| Development of dietary supplements for the elderly using the new egg white peptide  | Journal of the Japan Dietetic Association                       |   |
| The active utilization eggs for nutrition improvement of the elderly  | A Technical Journal on Food Chemistry & Chemicals Vol. 29 No. 6 |   |

The “Egg Science Research Group” was launched in February 2013 with the aim of stimulating academic and industrial activity in the area of hen’s eggs through collaboration among industry, government and academia. The study group held its first symposium in May 2013 under the theme of “The Future Diet We Create with Eggs.” The Company’s R&D Division took an active part in providing support for this initiative.

<Condiments products>

We implemented product renewals for *Light <1/4 calories> Mayonnaise Type*, for which calories have been cut by 75% with the Company’s unique microemulsion manufacturing technique, and *Defe*, a cholesterol-lowering product that is approved as a food for specified health uses, with the aim of making the products healthier and tastier. In the area of dressings, we worked to bring greater variety to the ways in which dressings are consumed with launches of products including *Butter Milk Ranch Dressing* and *Onion French Dressing* as propositions for new tastes, and *Non-Oil Dressing Salt with Sesame* and *Non-Oil Dressing Sesame and Potherbs* in non-oil dressings with full flavor of their ingredients. In the *Tasty Salad Dressing* series of products with deep, rich flavors, we launched *Kurozu Vinegar and Onion*, which contains plenty of onion. To offer customers a new way to enjoy vegetables, we launched three flavors of dip sauce (bagna càuda, cheddar cheese and sour cream onion) as a new series of dips for vegetable sticks. Furthermore, *Butter Milk Ranch Dressing*, which is distinctive for its creaminess and full, milky flavor, won the 17th Commercial Processed Foods Hit-Product Award sponsored by Japan Food Journal Co., Ltd.

<Egg products>

We launched *Liquid Whole Egg (for Cooking) ML* as a liquid egg product offering new functions. The product enjoyed a high reputation as a type of pasteurized liquid egg which can be used for making egg-drop soup regardless of its low viscosity, which was previously thought difficult. We also launched *Frozen Whole Egg (for Cooking) LV* as a product developed from *Frozen Whole Egg HV No. 3*, which is for commercial use.

Because food prepared with eggs continues to be popular in the market, we took vigorous actions in accordance with demands for such products, helping to increase sales. Specifically, we renewed *Sauce Hollandaise*, launched cooking ingredients such as *Quiche Base (H)* for the simple preparation of quiches and *Egg Cooking Base (mirepoix) FC* for the simple preparation of various egg-based foods, and launched processed foods such as *Spanish Omelet*.

In the area of household use egg-based processed foods, in which we hadn’t previously taken a particularly active approach, we renewed a cholesterol-free thick omelet product we launched in the previous year and continued the development of household use products including egg salad.

In addition, we vigorously developed further ways of using a fermented egg white product (product name: *Lacty-Egg*), which was developed to get added value from egg white, and used it to improve the quality of ingredients in the Company’s dressings and the quality of confectionary.

## &lt;Delicatessen products&gt;

In the Delicatessen products business, we engaged in product development with the Company's R&D Division and other partners including consolidated subsidiaries Deria Foods Co., Ltd. and Salad Club, Inc.

We tried out new types of products in the area of delicatessen products to respond to the businesses of internet retail and home delivery, which have been growing in recent years due to the aging of the population and increased use of the internet, by developing salad-related products with longer shelf lives. Enabling the delivery of such products well before their use-by dates in this way helped us to develop new customers. We also built a platform for further development in the area of chilled cooked rice, which we started selling in the previous year, by registering the trademark for *Summer rice meals* and making it into a sub-brand.

In cut vegetables (packaged salads), we launched large-volume types for family use. *10 Ingredient Salad: Lettuce and Paprika Mega Pack* was released in a 280g pack and *Homemade Gochiso Salads Series Family Pack* was released in 210g to 230g packs. We also launched *Stick Salad for Livening up the Dining Table* to bring color to dining tables on special occasions as a proposition for a new occasion for eating.

## &lt;Processed foods&gt;

In the area of household use processed foods, we newly launched four items in the *Pasta Cafe* series, a series of products offering the professional appearance and texture of menu items that would be found in a stylish cafe. In the field of nursing care food (universal design food), we launched three items in each of the *Melty Dessert* series and the *Grated Fruit* series, which provide elderly people with their favorite fruits. In baby foods, we launched 16 items in *Happy Recipe*, a new series of retort pouch foods.

In commercial use processed foods, we launched *Mocchiri Nobiru Cheese Sauce (Aligot Style)*, which can be used to offer customers new occasions for eating and fresh combinations with a new texture, and *Egg-Flavored Sauce for Rice*, which can be used to bring delicious egg flavoring in a safe and reassuring way to hospital food and others. We also expanded our lineup in the category of commercial use sauces by launching renewals of *Genovese Sauce*, *Creamy Tomato Sauce* and *Oil Sauce* in pasta sauces.

## &lt;Fine chemical products&gt;

In the Fine chemical products business, having positioned hyaluronic acid, egg components and EPA (eicosapentaenoic acid) as the three pillars of this business, we are pushing ahead with research and product development to exploit the possibilities of these ingredients to the fullest extent. In terms of new products, we released *Hyabest® (S) Nano*, a hyaluronic acid product for food. This product has a uniquely low molecular weight and excellent absorbability. Furthermore, using the excellent emulsifying capabilities of egg yolk lecithin, we developed a technology for dissolving drugs with low solubility in the medical field and a way of improving the flavor and smoothness of puddings, and gave presentations on both developments. We also published an article describing new functions for orally ingested hyaluronic acid as a measure against skin aging and in pharmacokinetics.

At consolidated subsidiary Kewpie Jyozo Co., Ltd., product launches included the vinegar drink for commercial use series *Vinegar Drink Citrus Mix Flavor*, two products in commercial use jelly-type condiments, *Jelly Sauce (Perilla & Grains Vinegar)* and *Jelly Sauce (Lemon Vinegar & Pepper)*, and *Lemon Vinegar* for commercial use. Having already started using vinegar in the agricultural field, Kewpie Jyozo Co., Ltd. is evaluating the potential of *Youkatsu-Su* (spraying fertilizer on leaf surface) containing eggshell dissolved in vinegar by using them in vegetable and rice cultivation.

In the Southeast Asia area, bread-related condiments for household use were launched as new products in Malaysia and Vietnam. In Vietnam, a new mayonnaise-type sauce product that goes

well with Vietnamese food, and a new half-fat product which has half the fat content of the Company's regular product were also launched. Furthermore, three items in a series of household use dressings were launched in the North America area.

As a result of the above, research and development expenses for the Group in the current fiscal year amounted to ¥3,660 million.

(2) Common business operations and Distribution system

There is nothing to be reported regarding the R&D of these segments for the reporting period.

## 6. Financial Position, Operating Results and Cash Flows

Forward-looking statements included in this section are based on information available to the Group's management as of the balance sheet date.

### (1) Summary of significant accounting policies and estimates

The consolidated financial statements of the Group have been prepared in accordance with generally accepted accounting principles in Japan, and necessarily include amounts based on estimates and assumptions by management regarding term-end balances of assets and liabilities, as well as income and expenses for the reporting period.

The Group has continuously estimated, judged and assumed based on a number of factors that are considered to be reasonable under the past business results and surrounding conditions. Because of uncertainty unique to estimates, actual results could differ from these estimates.

The significant accounting policies adopted for the consolidated financial statements are described in V. Financial Information. We consider the following significant accounting policies to have a material effect on our estimates.

#### a) Allowances for doubtful accounts

To provide for a possible bad-debt loss, the Group provides the expected uncollectible amount as allowances for doubtful accounts. The said amount is calculated by using credit-loss prediction ratios based on historical data for general accounts receivable, and by reference to the individual collectability for special receivables, such as those in danger of being uncollectible. If our customers' ability to pay falls due to financial deterioration in the future, larger allowance or bad-debt loss will be recognized.

#### b) Impairment losses on investment securities

Investment securities with readily determinable fair value are stated at fair value, while those without readily determinable fair value are stated at cost. Based on reasonable criteria, the Company recognizes impairment losses on investment securities, taking into consideration declines in prices of equity shares and the deterioration of the business performance of companies in which the Group has invested.

The Group has appropriately posted impairment losses on investment securities. However, because of the above criteria, posting of additional impairment losses would be necessary if fall in market or deterioration of the Group's investment destination cause further losses or defaults to occur in the future.

#### c) Deferred tax assets

Deferred tax assets are reported in the amount deemed collectible based on reasonable assessment of future taxable income. Changes in estimated collectible amounts, however, could have an effect on earnings due to reversal of or additional provision to deferred tax assets.

### (2) Analysis of operating results

#### a) Sales

Net sales increased by ¥25,552 million (5.1%) year on year to ¥530,549 million on a consolidated basis.

Breaking this down into business segments, sales of the Condiments products business increased ¥6,815 million (4.9%) year on year to ¥145,367 million. This was mainly because of steady expansion in sales of dressings in the domestic market, as well as steady growth in operations in China and Southeast Asia. In the Delicatessen products business, sales increased ¥6,413 million (7.0%) year on year to ¥97,983 million, mainly due to steady sales expansion in cut vegetables (packaged salads) and delicatessen foods for supermarkets.

On the other hand, sales of the Processed foods business declined ¥630 million (1.1%) year on year to ¥58,431 million, mainly due to an elimination of unprofitable products to strengthen the earnings base.

## b) Operating income

Operating income decreased ¥966 million (4.1%) year on year to ¥22,402 million.

Breaking this down into business segments, operating income for the Condiments products business increased ¥46 million (0.4%) year on year to ¥11,519 million. This was because there were the effects of price revisions and overseas sales growth although the costs of raw materials such as edible oils and hen's eggs increased. For the Delicatessen products business, operating income increased ¥385 million (12.5%) year on year to ¥3,460 million. This reflected cost improvements and the effects of higher sales, despite other items such as expenses from a new delicatessen foods factory coming into operation.

On the other hand, operating income for the Egg products business declined ¥1,474 million (30.2%) year on year to ¥3,414 million as a result of the high market price for hen's eggs in Japan and a rise in prices of imported raw materials such as dried eggs. In the Fine chemical products business, operating income declined ¥64 million (6.6%) year on year to ¥909 million, mainly due to a decrease in sales volume of hyaluronic acid for medical use.

## c) Ordinary income

Net non-operating income increased ¥248 million year on year to ¥1,347 million as a result of foreign exchange gains on valuation of loans receivable from overseas subsidiaries. Ordinary income decreased ¥718 million (2.9%) year on year to ¥23,749 million.

## d) Net income

Extraordinary gains/losses came to a loss of ¥1,344 million, mainly due to gains on negative goodwill from additional acquisitions of consolidated subsidiaries' shares and impairment loss from the transfer of the water business.

As a result of the above, income before income taxes and minority interests amounted to ¥22,405 million, a decrease of ¥949 million (4.1%) year on year. Income taxes amounted to ¥7,424 million, income taxes — deferred to ¥236 million and minority interests to ¥2,176 million. Consequently, net income rose ¥276 million (2.2%) year on year to ¥12,567 million.

Net income per share for the current fiscal year came to ¥83.94 (compared with ¥82.09 for the previous fiscal year), and return on equity (ROE) came to 7.1% (compared with 7.4% for the previous fiscal year).

(3) Financial condition

## a) Assets

Current assets increased by ¥13,417 million year on year to ¥146,435 million. This was mainly due to a ¥10,776 million increase in notes and accounts receivable — trade, a ¥925 million increase in purchased goods and products, and a ¥688 million increase in raw materials and supplies.

Fixed assets increased by ¥14,724 million year on year to ¥188,220 million mainly due to an ¥11,251 million increase in tangible fixed assets and a ¥3,485 million increase in investment securities.

As a result of the above, total assets increased by ¥28,140 million year on year to ¥334,655 million.

## b) Liabilities and net assets

Total liabilities increased by ¥13,782 million year on year to ¥124,369 million. This was mainly attributable to a ¥9,071 million increase in notes and accounts payable — trade, a ¥4,814 million increase in accounts payable — other, a ¥2,912 million increase in long-term loans payable, and a ¥3,967 million decrease in accrued income taxes.

The ending balance of interest-bearing debt increased by ¥2,697 million year on year to ¥25,882 million.

Net assets rose ¥14,357 million year on year to ¥210,285 million mainly due to a ¥9,348 million increase in earned surplus, a ¥2,125 million increase in unrealized holding gains (losses) on securities, and a ¥1,809 million increase in foreign currency translation adjustments.

As a result, the equity ratio fell 0.8 percentage points to 55.0%, and net assets per share rose ¥88.64 to ¥1,230.32.

c) Cash flow analysis

Further details regarding cash flow analysis during the current fiscal year is given in II. Business Operations, 1. General, (2) Cash flows.

Movements in the principal cash flow-related indicators of the Company, on a consolidated basis, are as follows.

|  | Fiscal year 2009 | Fiscal year 2010 | Fiscal year 2011 | Fiscal year 2012 | Fiscal year 2013 |
|--|------------------|------------------|------------------|------------------|------------------|
| Equity ratio (%)                                 | 53.8             | 54.2             | 58.0             | 55.8             | 55.0             |
| Equity ratio based on market value (%)           | 54.9             | 53.7             | 57.3             | 58.6             | 65.1             |
| Interest-bearing debt to cash flows ratio (year) | 0.8              | 0.9              | 0.5              | 0.7              | 0.9              |
| Interest coverage ratio (times)                  | 60.5             | 75.2             | 108.0            | 165.0            | 105.1            |

(Definition)

Equity ratio = Shareholders' equity / Total assets

Equity ratio based on market value = Total market value of the stock / Total assets

Interest-bearing debt to cash flows ratio = Interest-bearing debt / Cash flows

Interest coverage ratio = Cash flows / Interest paid

(Notes)

1. Each index is calculated based on consolidated financial figures.
2. Total market value of the stock is calculated by multiplying the final market price by the number of issued shares at the end of fiscal year (excluding treasury stock).
3. Interest-bearing debt includes all consolidated balance sheet-reported liabilities on which interest is paid.
4. Cash flows and Interest paid are the same figures as found under "Net cash provided by operating activities" and "Interest paid" reported in the Consolidated Statements of Cash Flows, respectively.

## III. Facilities and Equipment

### 1. Investments in Facilities and Equipment

As a result of continuous investments to augment, upgrade and streamline facilities, the Group invested a total of ¥27,122 million in facilities and equipment during the current fiscal year. These investments were part of the Company's efforts to preserve the environment and were made for the purpose of improving product safety, reducing production costs, and developing products that meet customers' needs.

Investments in facilities and equipment by segments were as follows:

| Segment                    | Amount of capital investment (millions of yen) | Main contents  |
|----------------------------|--|--|
| Condiments products        | 6,973  | Augmenting and streamlining facilities for production of mayonnaise, dressings                     |
| Egg products               | 5,573  | Augmenting and streamlining facilities for production of liquid egg, frozen egg, dried egg         |
| Delicatessen products      | 4,026  | Augmenting and streamlining facilities for production of salads, delicatessen foods                |
| Processed foods            | 2,057  | Augmenting and streamlining facilities for production of bottled, canned and/or retort pouch foods |
| Fine chemical products     | 1,408  | Augmenting and streamlining facilities for production of hyaluronic acid, EPA                      |
| Distribution system        | 6,054  | Warehouse facilities, vehicles   |
| Common business operations | 1,028  | Software   |

(Notes) 1. The amounts of capital investment include investment in intangible fixed assets and long-term prepaid expenses.  
2. Consumption taxes are not included in the above amounts.

There were no sales or removals of facilities and equipment that have a significant impact on production capacity.



## 2. Principal Facilities and Equipment

Investments in facilities and equipment, and the number of employees working at each site as of November 30, 2013 are as follows:

### (1) The Company

| Site   | Segment   | Facilities and equipment   | Book value (millions of yen) |                                   |                        |              |       |        | Number of employees |
|--|---|--|------------------------------|-----------------------------------|------------------------|--------------|-------|--------|---------------------|
|  |   |  | Buildings and structures     | Machinery, equipment and vehicles | Land (m <sup>2</sup> ) | Lease assets | Other | Total  |                     |
| Hashikami Factory<br>(Hashikami-cho,<br>Sannohe-gun,<br>Aomori)  | Condiments products<br>Egg products<br>Delicatessen products<br>Processed foods | For mayonnaise and dressings, frozen, chilled and retort foods       | 727                          | 386                               | 553<br>(46,365)        | —            | 25    | 1,691  | 1<br>(—)            |
| Goka Factory<br>(Goka-machi,<br>Sashima-gun,<br>Ibaraki)         | Condiments products<br>Processed foods<br>Fine chemical products                | For mayonnaise and dressings, fine chemical products                 | 6,278                        | 3,575                             | 3,661<br>(214,655)     | 49           | 114   | 13,680 | 315<br>(154)        |
| Nakagawara Factory<br>(Fuchu-shi, Tokyo)                         | Condiments products<br>Processed foods  | For mayonnaise and dressings, frozen and chilled foods, canned foods | 4,542                        | 1,444                             | 405<br>(43,484)        | 2            | 30    | 6,424  | 162<br>(101)        |
| Fujiyoshida Factory<br>(Fujiyoshida-shi,<br>Yamanashi)           | Condiments products<br>Processed foods  | For mayonnaise and retort foods                                      | 1,578                        | 366                               | 272<br>(59,399)        | —            | 4     | 2,221  | 2<br>(5)            |
| Koromo Factory<br>(Toyota-shi, Aichi)                            | Condiments products<br>Egg products   | For mayonnaise and dressings, egg products                           | 1,326                        | 1,345                             | 16<br>(37,876)         | 0            | 22    | 2,711  | 182<br>(159)        |
| Itami Factory<br>(Itami-shi, Hyogo)                              | Condiments products<br>Egg products<br>Processed foods                          | For mayonnaise and dressings, egg products, frozen and chilled foods | 2,411                        | 1,458                             | 2,337<br>(37,919)      | 1            | 36    | 6,244  | 163<br>(195)        |
| Izumisano Factory<br>(Izumisano-shi,<br>Osaka)                   | Condiments products<br>Processed foods  | For mayonnaise and dressings, and baby foods                         | 855                          | 425                               | 663<br>(18,576)        | 28           | 6     | 1,978  | 70<br>(85)          |
| Tosu Factory<br>(Tosu-shi, Saga)                                 | Condiments products<br>Processed foods  | For mayonnaise and dressings, and baby foods                         | 2,906                        | 782                               | 363<br>(53,958)        | —            | 20    | 4,073  | 1<br>(—)            |
| Complex of facilities<br>(Chofu-shi, Tokyo)                      | —   | For others   | 8,079                        | 264                               | 102<br>(16,571)        | 180          | 854   | 9,481  | 945<br>(52)         |
| Tokyo Branch and other 8 branches and 17 sales offices           | —   | For others   | 91<br>[17,900]               | 0                                 | —<br>(—)               | —            | 34    | 126    | 738<br>(28)         |
| Kobe Distribution Center<br>(Higashinada-ku,<br>Kobe-shi, Hyogo) | Distribution system   | For warehousing and distribution system                              | 1,002                        | 185                               | 6,987<br>(64,029)      | —            | 0     | 8,175  | 1<br>(20)           |

## (2) Domestic subsidiaries

| Trade name             | Site  | Segment               | Facilities and equipment                | Book value (millions of yen) |                                   |                        |              |       |        | Number of employees |
|------------------------|---|-----------------------|---|------------------------------|-----------------------------------|------------------------|--------------|-------|--------|---------------------|
|                        |   |                       |   | Buildings and structures     | Machinery, equipment and vehicles | Land (m <sup>2</sup> ) | Lease assets | Other | Total  |                     |
| Kewpie Egg Corporation | Niigata Factory (Chuo-ku, Niigata-shi, Niigata)             | Egg products          | For foods                               | 89                           | 69                                | 580<br>(4,648)         | —            | 1     | 739    | 34<br>(2)           |
|                        | Kurimoto Center (Katori-shi, Chiba)                         | Egg products          | For foods                               | 267                          | 125                               | 623<br>(10,511)        | —            | 1     | 1,019  | 56<br>(8)           |
|                        | Narita Factory (Shibayama-machi, Sambu-gun, Chiba)          | Egg products          | For foods                               | 306                          | 161                               | —<br>(—)               | —            | 1     | 469    | 45<br>(9)           |
|                        | Nishitama Factory (Mizuho-machi, Nishitama-gun, Tokyo)      | Egg products          | For foods                               | 5                            | 111                               | 579<br>(19,208)        | —            | 0     | 697    | 44<br>(4)           |
|                        | Miyoshi Factory (Miyoshi-machi, Iruma-gun, Saitama)         | Egg products          | For foods                               | 26                           | 574                               | —<br>(—)               | —            | 2     | 603    | 45<br>(2)           |
|                        | Nishinomiya Office (Nishinomiya-shi, Hyogo)                 | Egg products          | For foods                               | 161                          | 97                                | 346<br>(4,007)         | —            | 1     | 607    | 60<br>(1)           |
| Deria Foods Co., Ltd.  | Kitakami Delica Co., Ltd. (Kitakami-shi, Iwate)             | Delicatessen products | For foods                               | 510                          | 12                                | 194<br>(11,526)        | —            | 0     | 718    | 46<br>(222)         |
|                        | Shunsai Deli Co., Ltd. (Akishima-shi, Tokyo)                | Delicatessen products | For foods                               | 2,212                        | 103                               | —<br>(—)               | —            | 31    | 2,347  | 63<br>(290)         |
| Kewpie Jyozo Co., Ltd. | Goka Factory (Goka-machi, Sashima-gun, Ibaraki)             | Condiments products   | For foods                               | 562                          | 318                               | 1,802<br>(29,788)      | 3            | 31    | 2,718  | 110<br>(41)         |
|                        | Shiga Factory (Aisyo-cho, Echi-gun, Shiga)                  | Condiments products   | For foods                               | 803                          | 272                               | 88<br>(20,265)         | 3            | 18    | 1,186  | 52<br>(39)          |
| K.R.S. Corporation     | East Japan Branch Office (Goka-machi, Sashima-gun, Ibaraki) | Distribution system   | For warehousing and distribution system | 3,649                        | 475                               | 7,774<br>(149,010)     | 382          | 98    | 12,380 | 149<br>(79)         |
|                        | Central Japan Branch Office (Fuchu-shi, Tokyo)              | Distribution system   | For warehousing and distribution system | 332                          | 35                                | —<br>(—)               | 74           | 53    | 495    | 158<br>(90)         |
|                        | West Japan Branch Office (Itami-shi, Hyogo)                 | Distribution system   | For warehousing and distribution system | 1,010                        | 273                               | 1,499<br>(38,622)      | 36           | 32    | 2,852  | 158<br>(72)         |

**32 Facilities and Equipment**

| Trade name                           | Site  | Segment               | Facilities and equipment                | Book value (millions of yen) |                                   |                        |              |       |       | Number of employees |
|--------------------------------------|---|-----------------------|---|------------------------------|-----------------------------------|------------------------|--------------|-------|-------|---------------------|
|                                      |   |                       |   | Buildings and structures     | Machinery, equipment and vehicles | Land (m <sup>2</sup> ) | Lease assets | Other | Total |                     |
| Co-op Foods Co., Ltd.                | Tohoku Factory (Fukushima-shi, Fukushima)                       | Processed foods       | For foods                               | 978                          | 250                               | 109 (36,863)           | —            | 18    | 1,356 | 68 (136)            |
|                                      | Kyushu Factory (Minami-ku, Kumamoto-shi, Kumamoto)              | Processed foods       | For foods                               | 601                          | 273                               | 172 (35,418)           | —            | 9     | 1,056 | 68 (158)            |
| Kanae Foods Co., Ltd.                | Owari Factory (Kasugai-shi, Aichi)                              | Egg products          | For foods                               | 882                          | 369                               | 42 (486)               | —            | 2     | 1,297 | 32 (66)             |
|                                      | Kasugai Factory (Kasugai-shi, Aichi)                            | Egg products          | For foods                               | 197                          | 194                               | 796 (16,946)           | —            | 2     | 1,191 | 21 (39)             |
|                                      | Tsukuba Factory (Joso-shi, Ibaraki)                             | Egg products          | For foods                               | 742                          | 339                               | — (—)                  | —            | 4     | 1,086 | 56 (130)            |
|                                      | Itami Factory (Itami-shi, Hyogo)                                | Egg products          | For foods                               | 59                           | 193                               | 1,013 (22,084)         | —            | 4     | 1,272 | 60 (136)            |
| Zen-noh Kewpie Egg-station Co., Ltd. | Ibaraki Factory (Goka-machi, Sashima-gun, Ibaraki)              | Egg products          | For foods                               | 671                          | 618                               | — (—)                  | —            | 7     | 1,297 | 43 (61)             |
| Gourmet Delica Co., Ltd.             | Tokorozawa Factory (Tokorozawa-shi, Saitama)                    | Delicatessen products | For foods                               | 368                          | 186                               | — (—)                  | 183          | 13    | 752   | 86 (268)            |
|                                      | Soka Factory (Soka-shi, Saitama)                                | Delicatessen products | For foods                               | 602                          | 40                                | 992 (5,815)            | 83           | 3     | 1,722 | 40 (359)            |
| Kowa Delica Co., Ltd.                | Head Office and Factory (Kamisu-shi, Ibaraki)                   | Processed foods       | For foods                               | 416                          | 147                               | 99 (14,307)            | —            | 6     | 692   | 48 (130)            |
| Dispen Pak Japan Co., Inc.           | Minami-Ashigara Factory (Minami-Ashigara-shi, Kanagawa)         | Condiments products   | For foods                               | 312                          | 310                               | 836 (7,697)            | —            | 3     | 1,463 | 48 (50)             |
| Potato Delica Co., Ltd.              | Hotaka Factory (Azumino-shi, Nagano)                            | Delicatessen products | For foods                               | 109                          | 193                               | 480 (28,485)           | 158          | 5     | 948   | 113 (196)           |
| Kpack Co., Ltd.                      | Head Office and Goka Factory (Goka-machi, Sashima-gun, Ibaraki) | Condiments products   | For foods                               | 121                          | 615                               | — (—)                  | —            | 6     | 743   | 56 (130)            |
| S.Y. Promotion Co., Ltd.             | Kashima Office (Kamisu-shi, Ibaraki)                            | Distribution system   | For warehousing and distribution system | 100                          | 163                               | 521 (24,719)           | —            | 0     | 785   | 52 (3)              |
|                                      | Chiba Office (Ichihara-shi, Chiba)                              | Distribution system   | For warehousing and distribution system | 37                           | 163                               | 255 (8,964)            | —            | —     | 456   | 29 (3)              |
| K.Tis Corporation                    | Atsugi Office (Atsugi-shi, Kanagawa)                            | Distribution system   | For warehousing and distribution system | 56                           | 121                               | 478 (6,716)            | 95           | 1     | 752   | 138 (191)           |
|                                      | Itami Office (Itami-shi, Hyogo)                                 | Distribution system   | For warehousing and distribution system | 2                            | 91                                | 400 (3,254)            | 10           | 0     | 505   | 133 (49)            |

| Trade name                 | Site  | Segment               | Facilities and equipment                | Book value (millions of yen) |                                   |                        |              |       |       | Number of employees |
|----------------------------|---|-----------------------|---|------------------------------|-----------------------------------|------------------------|--------------|-------|-------|---------------------|
|                            |   |                       |   | Buildings and structures     | Machinery, equipment and vehicles | Land (m <sup>2</sup> ) | Lease assets | Other | Total |                     |
| Kewso Services Corporation | Head Office (Chofu-shi, Tokyo)                            | Distribution system   | For leasing                             | 7                            | 281                               | —<br>(—)               | 30           | 115   | 435   | 62<br>(9)           |
| Shunsai Deli Co., Ltd.     | Akishima Office and Ome Factory (Ome-shi, Tokyo)          | Delicatessen products | For foods                               | 548                          | 2                                 | 200<br>(4,761)         | —            | 0     | 751   | 11<br>(88)          |
| Sun Family Corporation     | Misato Office (Misato-shi, Saitama)                       | Distribution system   | For warehousing and distribution system | 337                          | 3                                 | —<br>(—)               | 75           | 3     | 419   | 52<br>(115)         |
| Enshu Delica Co., Ltd.     | Head Office and Factory (Mori-machi, Shuchigun, Shizuoka) | Delicatessen products | For foods                               | 531                          | 153                               | —<br>(—)               | —            | 8     | 693   | 34<br>(176)         |

### (3) Foreign subsidiaries

| Trade name                      | Site                               | Segment             | Facilities and equipment | Book value (millions of yen) |                                   |                        |              |       |       | Number of employees |
|---------------------------------|------------------------------------|---------------------|--------------------------|------------------------------|-----------------------------------|------------------------|--------------|-------|-------|---------------------|
|                                 |                                    |                     |                          | Buildings and structures     | Machinery, equipment and vehicles | Land (m <sup>2</sup> ) | Lease assets | Other | Total |                     |
| Henningsen Foods, Inc.          | Nebraska, USA                      | Egg products        | For foods                | 372                          | 264                               | 32<br>(45,165)         | —            | 177   | 846   | 191<br>(17)         |
| Hangzhou Kewpie Foods Co., Ltd. | Hangzhou, Zhejiang Province, China | Condiments products | For foods                | 556                          | 348                               | —<br>(—)               | —            | 4     | 909   | 254<br>(—)          |
| Beijing Kewpie Foods Co., Ltd.  | Huairou District, Beijing, China   | Condiments products | For foods                | 1,074                        | 394                               | —<br>(—)               | —            | 30    | 1,499 | 496<br>(43)         |
| Kewpie (Thailand) Co., Ltd.     | Bangkok, Thailand                  | Condiments products | For foods                | 332                          | 401                               | 122<br>(78,996)        | —            | 303   | 1,160 | 962<br>(—)          |
| Kewpie Malaysia Sdn. Bhd.       | Malacca, Malaysia                  | Condiments products | For foods                | 260                          | 327                               | —<br>(—)               | —            | 12    | 600   | 74<br>(—)           |
| Kewpie Vietnam Co., Ltd.        | Binh Duong, Vietnam                | Condiments products | For foods                | 365                          | 231                               | —<br>(—)               | —            | —     | 597   | 35<br>(—)           |

(Notes regarding above-mentioned (1) The Company, (2) Domestic subsidiaries and (3) Foreign subsidiaries)

1. "Other" listed under Book value includes tools, furniture and fixtures (construction in progress is excluded), and the amounts exclude consumption taxes.
2. The figures in brackets under Buildings and structures indicate the total area (m<sup>2</sup>) of leased properties.
3. Under Number of employees, the figures in parentheses indicate the number of temporary employees.
4. Other major rental facilities and equipment (including leases) are as follows:

| Trade name         | Segment             | Facilities and equipment  | Quantity | Rental or lease period (years) | Rental or lease fee (millions of yen) |
|--------------------|---------------------|---|----------|--------------------------------|---------------------------------------|
| K.R.S. Corporation | Distribution system | Peripheral equipment related to information system, assortment equipment and racking facilities | Lot      | 2 - 7                          | 359                                   |

## IV. The Company

### 1. Shares

#### (1) Number of authorized and issued shares

##### a) Authorized shares

| Class        | Number of authorized shares |
|--------------|-----------------------------|
| Common stock | 500,000,000                 |
| Total        | 500,000,000                 |

##### b) Issued shares

| Class        | Number of issued shares          |                                | Stock exchange                          | Remarks   |
|--------------|----------------------------------|--------------------------------|---|---|
|              | End of period<br>(Nov. 30, 2013) | Filing date<br>(Feb. 26, 2014) |   |   |
| Common stock | 153,000,000                      | 153,000,000                    | Tokyo Stock Exchange<br>(First Section) | <ul style="list-style-type: none"> <li>• Ordinary shares of the Company with no restrictions on shareholders' rights</li> <li>• Number of unit share: 100 shares</li> </ul> |
| Total        | 153,000,000                      | 153,000,000                    | —                                       | —   |

#### (2) Stock acquisition rights

Not applicable.

#### (3) Exercise of bonds with stock acquisition rights containing a clause for exercise price revision

Not applicable.

#### (4) Rights plan

Not applicable.

#### (5) Principal shareholders

(As of November 30, 2013)

| Trade name  | Address                                       | Number of the Company's shares held (A) (thousand) | Ratio of (A) to the total number of issued shares (%) |
|---|---|--|---|
| Nakashimato Co., Ltd.   | 4-13, Shibuya 1-chome, Shibuya-ku, Tokyo      | 19,371   | 12.66   |
| Tohka Co., Ltd.   | 4-13, Shibuya 1-chome, Shibuya-ku, Tokyo      | 11,872   | 7.76  |
| Japan Trustee Service Bank, Ltd.<br>Account in Trust                                    | 8-11, Harumi 1-chome, Chuo-ku, Tokyo          | 4,929  | 3.22  |
| Mizuho Trust & Banking Co., Ltd.<br>Retirement Benefit Trust<br>(for Mizuho Bank, Ltd.) | 8-12, Harumi 1-chome, Chuo-ku, Tokyo          | 4,827  | 3.15  |
| The Master Trust Bank of Japan, Ltd.<br>Account in Trust                                | 11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo | 4,412  | 2.88  |
| Kieikai Research Foundation   | 4-13, Shibuya 1-chome, Shibuya-ku, Tokyo      | 4,251  | 2.78  |
| Japan Trustee Service Bank, Ltd.<br>Account in Trust 9                                  | 8-11, Harumi 1-chome, Chuo-ku, Tokyo          | 4,023  | 2.63  |
| Kewpie Corporation  | 4-13, Shibuya 1-chome, Shibuya-ku, Tokyo      | 3,262  | 2.13  |
| Sumitomo Mitsui Banking Corporation   | 1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo    | 3,208  | 2.10  |
| Nippon Life Insurance Company   | 6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo    | 3,085  | 2.02  |
| Total   | —   | 63,244   | 41.34   |

(Note) The 4,827 thousand shares held by Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (for Mizuho Bank, Ltd.) are the trust assets entrusted by Mizuho Bank for its retirement benefit trust.

(6) Stock options  
Not applicable.

## 2. Acquisition of the Company's Treasury Stock

[Types of shares repurchased]

Common shares repurchased as defined by Article 155, Items 7 of the Corporation Law

(1) Repurchase of shares based on a resolution by the General Meeting of Shareholders

Not applicable.

(2) Repurchase of shares based on a resolution by the Board of Directors

Not applicable.

(3) Repurchase of shares not based on a resolution by the General Meeting of Shareholders or the Board of Directors

| Item  | Number of shares | Total price (yen) |
|---|------------------|-------------------|
| Shares repurchased during the current fiscal year | 2,297            | 3,233,781         |
| Shares repurchased during the specified period    | 586              | 848,017           |

(Note) "Shares repurchased during the specified period" does not include shares resulting from the repurchase of odd-lot shares between February 1, 2014 and the document filing date of the Annual Securities Report.

(4) Disposal of repurchased shares and balance of treasury stock

| Item   | Current fiscal year |                            | Specified period |                            |
|--|---------------------|----------------------------|------------------|----------------------------|
|  | Number of shares    | Total disposal value (yen) | Number of shares | Total disposal value (yen) |
| Number of shares repurchased via solicitation  | —                   | —                          | —                | —                          |
| Number of repurchased shares retired   | —                   | —                          | —                | —                          |
| Repurchased shares transferred via a merger, share exchange or division of the company | —                   | —                          | —                | —                          |
| Other  | —                   | —                          | —                | —                          |
| Balance of treasury stock held   | 3,262,107           | —                          | 3,262,693        | —                          |

(Note) "Balance of treasury stock held" in "Specified period" does not include shares resulting from the repurchase of odd-lot shares between February 1, 2014 and the document filing date of the Annual Securities Report.

### **3. Dividend Policy**

Placing great importance on shareholder ROI (return on investment) and giving the top priority to dividend payment, the Company has consistently paid stable dividends, and has carried out its repurchase of shares as necessary.

The Articles of Incorporation of the Company stipulate that dividends from surplus can be paid based on the resolution by the Board of Directors in accordance with the provisions of Article 459, Paragraph 1 of the Corporation Law. Accordingly, the Company pays dividends twice a year, comprising of interim and year-end dividends.

Dividends are based primarily on a targeted consolidated dividends on equity (DOE) ratio, while the consolidated dividend payout ratio and the Company's future funding needs are also taken into consideration. The Company maintains a consolidated DOE of at least 1.8% in principle and targets a benchmark of at least 25% for the consolidated dividend payout ratio.

Based on these considerations, the Company decided to pay a ¥22 per share dividend for the current fiscal year (including an interim dividend of ¥11). As a result, the Company's consolidated DOE and consolidated dividend payout ratio came to 1.9% and 26.2% respectively for the current fiscal year.

As for internal reserves, the Company endeavors to adequately secure them to strengthen its financial position and provide an adequate supply of funds for future expansion. The Company will take a medium to long-term view and continue to allocate funds to the improvement of its facilities and equipment, research and development, and the further streamlining of operations in order to enhance its competitiveness.

As for return to shareholders, while giving the top priority to dividend payment, the Company intends to continue consistently paying a dividend, and plans to steadily increase the dividend per share over a long period of time.

In addition, the Company considers one method of providing return to shareholders is to repurchase and retire shares of the Company, and it will flexibly implement such measures while considering the stock price movements and the financial conditions.

The Company is a company subject to consolidated dividend regulations, meaning that it calculates the distributable amount for dividends on a consolidated basis.

### **4. Corporate Governance**

#### (1) Corporate governance

##### (a) Corporate governance structure

###### Basic policy

To maximize the Company's corporate value through efficient management, the Company has recognized the following as priority tasks: the reorganization of the management structure and system of the Company and the entire group; the appropriate execution of required measures; and sharing the benefits created by the successful conduct of its business with its shareholders, consumers, business partners, employees, and other stakeholders. These various measures, taken together, constitute good corporate governance, in the view of the management of the Group.

The Company fully recognizes that compliance is indispensable to its lasting development, and promotes the formulation of a compliance program and its implementation in order to enable all directors and employees of the Company to conduct business not only in full compliance with laws and regulations, but also with the highest ethical sense.



Overview of corporate governance structure

The Company utilizes the conventional management organization system, under which the decision making of the Board of Directors is monitored by audit & supervisory board members.

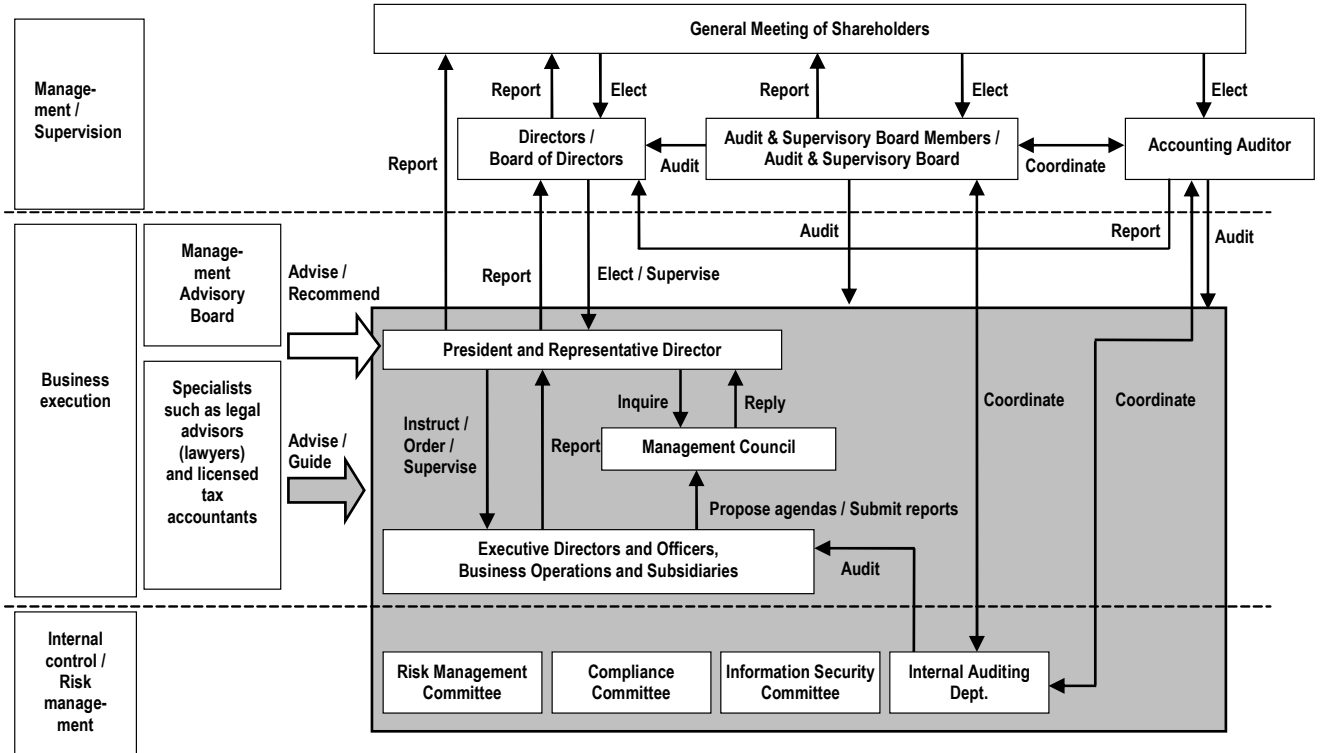
The Board of Directors of the Company, as its highest-level decision-making body, meets at least once every month. In addition, a Management Council, a body supporting the Board of Directors and President of the Company, has been set up for deliberation on important management issues in accordance with the Company’s basic management policies. To enable a speedy and effective response to changes in the business environment, the scope of matters requiring discussion by the Board of Directors, and the limits of decision-making authority delegated to Company officers depending on position are subject to constant review with the goal of ensuring swift decision making and execution of orders at the operational level.

The managements of the seven subsidiaries that form the core of the Group regularly participate in meetings of the Management Council. Participants in these meetings work to further advance Group management by such means as holding debates on Group policies.

There is also a Management Advisory Board composed of experts from outside the Company. This was set up with the goal of obtaining advice and recommendations so that the Group may boost the soundness, fairness and transparency of its management and thus better serve society and its customers.

At present, in the opinion of the management of the Company, no particular organizational problem exists with regard to management decision making, execution, or supervision, but the management will continue to examine and debate this matter at regular intervals so as to ensure that appropriate corporate governance is always conducted.

**The Group’s Corporate Governance Structure**



### Reason for adopting the Group's corporate governance structure

The Company places the establishment of the corporate governance structure etc. and the appropriate execution of required measures as one of the most important tasks of management.

The Company receives opinion and guidance from the one outside director and the three outside audit & supervisory board members concerning the overall management of the Company. They also serve the important role of monitoring the President and Representative Director and the executive directors, and the Company believes in ensuring that the monitoring and advising function provided to the management is sufficiently working, and that it is objective and neutral.

In addition, the directors' term of office is one year in order to clarify management responsibilities each fiscal year and establish a management structure that can respond swiftly to changes in the business environment.

### Progress made in establishing internal control system

The Company, through the Board of Directors, has passed the following resolutions concerning basic policy for building an internal control system.

#### A. Outline

The resolutions concerning the basic policy of the Company's internal control system were passed at the Board of Directors' meeting in accordance with Article 362, Paragraph 5 of the Corporation Law. The aforesaid resolutions provide the broad framework for articles and paragraphs required for the system establishment of an internal control system as provided by Article 100 of the Ordinance for Enforcement of the Corporation Law.

While the Company's objective for the internal control system based on the aforesaid resolutions is rapid implementation, the Company aims to review the system on a regular basis, or when otherwise required, for the purpose of improvement, and through such, aims to create an efficient and proper system for corporate operations.

#### B. System to ensure storage and management of information relating to the execution of duties of directors

- a) The director in charge of the Operation Promote Department shall implement operations for the proper preservation and management (including disposal) of documents and other information relating to the execution of duties of directors by using documents or electronic information created in accordance with document management rules, the regulations on the use of Company information, basic principles on the protection of personal information and manuals related to the storage and management of such information, and when required, the aforesaid director shall inspect the state of such operation and review the respective rules.
- b) At all times, the directors and the audit & supervisory board members shall be able to view these documents or electronic information.

#### C. System for rules relating to management of risks of loss and other rules

- a) The Company shall follow its risk management basic policy with respect to each individual risk, and continuously monitor the organization etc. associated with the risk. It shall centralize information related to all company risks in the Risk Management Committee headed by the Company's Representative Director. The Risk Management Committee shall evaluate, and manage the overall order of priority of the risks.
- b) The Internal Auditing Department shall audit the day-to-day risk management situation of the respective division or department of the Company or its subsidiaries in cooperation with the division or department's staff member charged with the auditing of matters relating to product quality and environmental protection, and, when reporting on a regular basis to the Risk Management Committee, Board of Directors and Audit & Supervisory Board, shall not

- only report on matters related to risk management, but also report on the progress of the establishment of the risk management system inside the Company.
- c) The Company shall create a crisis management manual based on its risk management basic policy. It shall first identify and categorize concrete risks and then establish information transmission and emergency response systems that provide a quick and proper response in times of emergency.
- D. System to ensure directors can efficiently execute their duties
- a) While providing group-wide targets to be shared by directors and employees and working to ensure group-wide permeation of such, the Company, aiming to achieve these management targets, shall strive to achieve an optimized organization through restructuring and the President and Representative Director shall appoint person in charge of such duties for each business unit by resolution of the Board of Directors. By delegating authority to the aforesaid persons in charge of such duties, it shall be possible to efficiently and quickly execute duties.
  - b) With regard to execution of duties based on resolution of the Board of Directors, the respective scope of responsibility and decision-related procedures shall be provided in a form stating decision-reporting procedures.
  - c) Measures deciding the forward course of management activities shall, in accordance with the basic policy on execution of duties that was resolved by the Board of Directors, be entrusted to scheduled or unscheduled discussions held in the Management Council that serves as an advisory body directed by the President and Representative Director, which shall make decisions and realize flexible execution of duties.
- E. System necessary to ensure the execution of duties by Company personnel complies with laws and regulations and the Articles of Incorporation of the Company
- a) The Company shall establish provisions relating to the compliance system and provide conduct guidelines to ensure directors and employees act in a way that complies with laws and regulations, the Articles of Incorporation of the Company and the motto and precepts of the Company. Moreover, to ensure the thoroughness of such compliance, the Company shall appoint a director in charge of compliance to supervise the Compliance Committee. Through doing this, the Company led by the Compliance Committee, while striving to establish a compliance system that extends laterally across the Company and keep abreast of problematic issues, shall create compliance manuals and train employees. The director in charge of compliance shall regularly report these activities to the Board of Directors and Audit & Supervisory Board.
  - b) Under the Compliance Committee, and serving as an internal reporting system for the protection of people reporting information in the public interest, a “helpline” shall be established where outside lawyers or third-party bodies etc. are the information recipients. Upon receiving a report or notice from an information recipient, the Compliance Committee shall investigate the substance of the report or notice and if a violation is apparent, it shall hold discussion with the unit responsible for the violation and decide upon measures that will prevent the reoccurrence of such a violation. In addition to releasing an internal company report that includes the result of disciplinary action, it shall carry out measures that will prevent the reoccurrence of such a violation within the Company.
- F. System necessary to ensure the properness of operations in the corporate group that is formed by the Company, its parent company and its subsidiaries
- a) To ensure the properness of operations in group companies, the following group management philosophy has been selected as the corporate image to be aspired to: “We aim to be the most trusted and familiar group to all customers.” Also, in addition to reaching common ethical behavior guidelines, consolidated management targets and business

- operation policy shall be shared as a corporate group at the Group Joint Management Council. With regard to execution of duties, management of subsidiary businesses shall be based on a “group-wide form stating decision-making and reporting procedures.”
- b) A Management Advisory Board has been set up as an advisory body to the President and Representative Director of the Company, who receives the board’s advice and recommendations for maintaining and improving the Group’s soundness, fairness and transparency, and reflects these in decision making.
  - c) Subsidiaries of the Company shall report to directors of the Company, on a monthly basis, on the risks involving results and business operations. Moreover, directors of the Company who have been dispatched as directors of a subsidiary shall report to the director or employee designated by the President and Representative Director of the Company regarding the status of discussions by the subsidiary’s Board of Directors and management on operational issues.
  - d) The committee members of Risk Management Committee of the Company shall include representation from its subsidiaries and this committee shall also manage the risks of its subsidiaries. Moreover, group companies shall also be included in the scope of activities of the Compliance Committee and the internal auditing unit, and have access to the helpline as well.
  - e) The Company and its subsidiaries shall, as a member of society, never become involved with anti-social forces that are a menace to social order and security, and shall resolutely refuse improper solicitation.
  - f) To construct a system necessary to ensure the properness of financial reporting, the Group shall establish various provisions related to financial reporting and aim to enhance internal controls related to financial reporting by conducting educational programs and promoting awareness of compliance of accounting standards and other related laws and regulations. Moreover, the Company’s unit in charge of finance reporting, in cooperation with the audit & supervisory board members of each group company, shall construct a scheme for regularly evaluating and improving the state of the design and operation of this system.
  - g) For K.R.S. Corporation, a subsidiary of the Company, a system necessary to ensure properness of operations shall be independently constructed due to it being listed on the First Section of the Tokyo Stock Exchange and it belonging to a different industry sector. However, it will still share with the rest of the Group the consolidated management targets and there shall be intensive information exchange relating to risk management and compliance.

#### G. Placement of employees to assist in audit & supervisory board member duties

The Internal Auditing Department executes internal auditing of matters requested by the audit & supervisory board members through deliberation with the Audit & Supervisory Board and reports the results of such audits to the Audit & Supervisory Board. Moreover, if the Audit & Supervisory Board requests to appoint an employee to assist in such duties, the Internal Auditing Department shall expeditiously comply with such a request.

#### H. Independence from the directors of employees who assist in audit & supervisory board member duties

Employees belonging to the Internal Auditing Department who receive a request from the audit & supervisory board members to carry out necessary internal auditing duties shall not receive instructions or orders that relate to such internal auditing from directors etc. except the director in charge of the Internal Auditing Department. Moreover, in order to ensure independence, when the Audit & Supervisory Board requests the placement of an employee to assist in auditing duties, that employee shall not receive instructions or orders from directors.

#### I. System for reporting to the audit & supervisory board members including system for

- directors and employees to report to the audit & supervisory board members
- a) Directors and employees shall report the information necessary to respond to respective audit & supervisory board member requests in accordance with the stipulation of the Audit & Supervisory Board.
  - b) The subjects of the information matters mentioned in the previous paragraph are mainly:
    - Content of agenda items for resolution at the General Meeting of Shareholders
    - Status of activities at units concerning the construction of the Company's internal control system
    - Status of activities of audit & supervisory board members, the Internal Auditing Department, and staff members in divisions or departments in charge of auditing matters of the Company's subsidiaries or affiliates
    - Material accounting policies and accounting standards of the Company and changes thereof
    - Details of announcements of operating results and operating forecasts, and details of material disclosure documents
    - Operation and details of reports of the internal reporting system
- J. Other system necessary to ensure auditing of audit & supervisory board members is effectively executed
- a) The Audit & Supervisory Board shall not only make the opportunity for hearings from executive directors and important employees, but also make the opportunity for regular exchange of opinions from the President and Representative Director and the accounting auditors.
  - b) Committees contributing to the internal control system such as the Risk Management Committee and the Compliance Committee, the Internal Auditing Department, and staff members in each division or department in charge of auditing duties shall respect the opinions of each audit & supervisory board member concerning the assurance of effectiveness of the auditing of audit & supervisory board members.

#### Risk management system

The Company's risk management basic policy has set specific, systematic procedures for risk management, under which each responsible unit exercises continuous oversight of each individual risk factor. In addition, the Company established a Risk Management Committee, chaired by the President and Representative Director, to address risk factors that affect the Company as a whole by evaluating and prioritizing risks to comprehensively manage risk. A crisis management manual has been prepared on the basis of the Company's risk management basic policy, to prepare for any foreseeable sudden risks to operations. In addition, in the event of a sudden incident or emergency, an Emergency Headquarters will be established immediately in accordance with the crisis management manual, to take action in order to deal swiftly and appropriately with the incident. The members of the Risk Management Committee include representatives from each of the Company's major subsidiaries. Furthermore, in order to manage operating risks at subsidiaries, each subsidiary reports on its management risks to the directors responsible for risk management, as needed.

In order to provide a solid legal compliance structure, the Company has established a Compliance Committee (chaired by the member of the Board of Directors responsible for compliance issue, with administrative work performed by members of the Internal Auditing Department), which is at the center of various compliance activities. The Committee chairman reports back to the Board of Directors and the Audit & Supervisory Board on the status of compliance activities. In addition to establishing and publically releasing a document entitled "Group Guidelines on Ethical Behavior," which explains to people both within and outside the Group the core values and activities expected of group companies, the Company also set up "helplines," that employees of Group companies can use to report information or seek guidance

(there are many ways to contact this helpline, from both within and outside the Company), and set up a Compliance Investigation Committee to investigate any suggestions of illegal activity. In order to ensure that all employees have been instructed in, and have a proper understanding of what compliance entails, the Company has been conducting a “Mind Up Program.” In the event of non-compliance, such cases are fully reported (up to and including action taken against employees or directors found to be at fault) to employees of the whole Company and other Group companies, and companywide efforts are being implemented to prevent any recurrence.

With regard to information security, the Company has established and in accordance with the regulations on the use of Company information, as well as basic principles on the protection of personal information, as well as preparing operations manuals related to the storage and management of such information. In addition, the Information Security Committee (headed by the General Manager of the Operation Promote Department or a person who is appointed by the General Manager of the Operation Promote Department, with administrative work performed by the Corporate Planning Department in charge) conducts training sessions to teach employees proper information management procedures, confirms that the specified procedures are being carried out, and reviews or revises each information management regulation. The directors and the audit & supervisory board members have continuous access right to documents and electronic information related to the deliberations and activities of directors.

#### Lawyers, accounting auditors, and other third parties

When the management of the Company requires advice on legal matters, they consult their legal advisors (lawyers). Moreover, directors are required to undergo courses of study in legal matters.

In addition, the Company’s auditing firm – Ernst & Young ShinNihon LLC – as part of its normal duties as an accounting auditor, provides the Company with advice relating to problems in the sphere of the Company’s accounts and general management. (The President of the Company regularly discusses such issues with accountants of Ernst & Young ShinNihon LLC). Neither Ernst & Young ShinNihon LLC as a corporate entity nor its accountants as individuals, have any particular interests in the Company that would cause conflict of interest in the performance of their contractual duties.

Auditing work for the Company during the reporting period was performed principally by the three certified public accountants listed below, assisted by twenty-eight other qualified persons, including seventeen CPAs and eleven other qualified persons.

| Names & titles of CPAs                                       | Auditing firm to which the CPA belongs |
|--|--|
| Hitoshi Sakurai<br>Designated and Limited Engagement Partner | Ernst & Young ShinNihon LLC            |
| Junya Abe<br>Designated and Limited Engagement Partner       | Ernst & Young ShinNihon LLC            |
| Masato Nakagawa<br>Designated and Limited Engagement Partner | Ernst & Young ShinNihon LLC            |

(Notes) 1. The number of successive years in which CPAs have covered the accounts of the Company has been omitted, as no CPAs have covered these accounts for more than seven years.

2. The auditing firm noted above takes measures so that its engagement partners do not participate in the accounting audits of the Company on a consecutive basis for over a certain number of years.

#### (b) Status of internal audits and audit & supervisory board member audits

The Audit & Supervisory Board determines the auditing policies as well as the division of responsibilities among audit & supervisory board members, and each audit & supervisory board member complies with the Board’s policy directives and sits in on meetings of the Board of Directors and other important management meetings. Audit & supervisory board members hear business reports from individual directors and peruse the documents employed in the process of reaching decisions on important matters. The audit & supervisory board members conduct on-site investigations at the Company’s Head Office and other important business places regarding business performance and financial position. The audit & supervisory board

members also request reports from the managements of the Company's subsidiaries on their business performance. When deemed necessary, the audit & supervisory board members visit subsidiaries to investigate the performance of their business and their financial position at first hand. The three standing audit & supervisory board members simultaneously act as audit & supervisory board members for the Company's main subsidiaries. Regular meetings are held between the Audit & Supervisory Board and the President of the Company, and extraordinary meetings may be held when necessary: these meetings are utilized to exchange opinions regarding proposals covering the whole range of the Company's business activities.

The Company has set up an Internal Auditing Department to act as its internal auditing unit with eight staff members. The staff of the Internal Auditing Department perform auditing – in line with the directives laid down in the auditing plan for each year, as well as in accordance with requests received from the President, the director in charge of the Internal Auditing Department or the audit & supervisory board members – to confirm that organized activities throughout the Group are being carried out properly and efficiently in conformity with the law, or in line with the Company's own internal regulations and the management's policies. If required, the Internal Auditing Department cooperates with the audit & supervisory board members as well as accounting auditors by exchanging information and other actions. Auditing activities are also conducted in cooperation with staff members of the Company who are in charge of the auditing of matters relating to labor, safety, product quality and environmental protection.

(c) Outside directors and outside audit & supervisory board members

The Company has one outside director and three outside audit & supervisory board members.

Outside director Mr. Ichiro Sakai has expertise as a lawyer and broad insight. Although Mr. Sakai is an outside director of Mazda Motor Corporation and the Company has a business relationship with that company involving leasing of commercial vehicles, it is a regular business relationship and there are no special interests between the two companies. Consequently, it has no impact on the independence of Mr. Sakai.

Outside audit & supervisory board member Mr. Shunichiro Ishiguro has long-standing experience as a manager responsible for the accounting unit of Nakashimato Co., Ltd., an "other associated company" of the Company and holds a suitable degree of knowledge concerning finance and accounting. In addition, Mr. Ishiguro is a director of Nakashimato Co., Ltd. Nakashimato Co., Ltd. is the largest shareholder of the Company and currently possesses 20.9% of total voting rights of the Company (12.9% of the voting rights are held directly). Three of the directors or audit & supervisory board members of the Company (including Mr. Ishiguro) concurrently hold the posts of director or audit & supervisory board member at Nakashimato Co., Ltd.

Outside audit & supervisory board member Mr. Kazunari Uchida has long-standing experience as a corporate management consultant and has a strong expertise on corporate management and broad insight. Mr. Uchida has no material interest in the Company.

Outside audit & supervisory board member Mr. Haruo Kasama has expertise as a lawyer and broad insight. Mr. Kasama has no material interest in the Company.

The Company has not determined criteria or policies on independence for the purpose of appointing outside directors and outside audit & supervisory board members. However, Mr. Ichiro Sakai, who is an outside director, and Mr. Kazunari Uchida and Mr. Haruo Kasama, who are outside audit & supervisory board members, have been registered at Tokyo Stock Exchange, Inc. as independent directors/auditors who do not carry the risk of having a conflict of interests with ordinary shareholders. This demonstrates the Company's efforts to secure outside directors and outside audit & supervisory board members that have a high degree of independence from an objective viewpoint. Furthermore, although outside audit & supervisory board member Mr. Shunichiro Ishiguro has not been registered as an independent auditor, he provides valuable suggestions and advice to the Company, largely based on his long-standing

experience as a manager responsible for the accounting unit of a business company. As such, the Company judges that the current structure is one under which management supervision functions adequately in terms of objectivity and neutrality from an outside perspective, which are considered important for corporate governance.

(d) Compensation of directors and audit & supervisory board members

(i) The total compensation of directors and audit & supervisory board members by type, total compensation by classification, and number of people receiving compensation

| Type of directors and audit & supervisory board members                                 | Total compensation (millions of yen) | Total compensation by classification (millions of yen) |         | Number of people receiving compensation |
|---|--------------------------------------|--|---------|---|
|   |                                      | Basic compensation                                     | Bonuses |   |
| Directors (excluding outside directors)   | 417                                  | 347  | 69      | 15                                      |
| Audit & supervisory board members (excluding outside audit & supervisory board members) | 25                                   | 25   | —       | 1                                       |
| Outside directors and outside audit & supervisory board members                         | 36                                   | 36   | —       | 3                                       |

(ii) Details and decision-making method of policy concerning compensation amounts of directors and audit & supervisory board members and calculation method thereof

The compensation paid to directors is in the form of monthly compensation and bonuses. The monthly compensation is decided separately according to each director's status and is limited within the scope of the compensation limit resolved by the General Meeting of Shareholders.

Concerning bonuses paid to directors, the total compensation amounts are deliberated as an agenda item at the General Meeting of Shareholders and the individual amounts are decided by the Board of Directors based on a reference amount decided by the director's status and then adjusted to reflect company performance and the director's individual achievements.

The compensation paid to audit & supervisory board members is in the form of monthly compensation only. The individual compensation amounts are decided through negotiation with the audit & supervisory board members within the scope of the compensation limit resolved by the General Meeting of Shareholders.

(e) Status of shareholdings

(i) Investment shares held for purposes other than pure investment

Number of issues: 125 issues

Total book value on the balance sheet: ¥14,992 million



- (ii) Holding classification, issue, number of shares, book value on the balance sheet, and purpose of shareholding for investment shares held for purposes other than pure investment

Previous fiscal year

Specified investment shares

| Issue                                    | Number of shares | Book value on the balance sheet (millions of yen) | Purpose of shareholding  |
|--|------------------|---|--|
| Saha Pathanapibul Public Co., Ltd.       | 16,072,583       | 2,336   | To strengthen business relationship                                |
| Nichirei Corporation                     | 3,109,000        | 1,389   | To strengthen trading relationship                                 |
| Kato Sangyo Co., Ltd.                    | 840,300          | 1,231   | To strengthen trading relationship                                 |
| Kirin Holdings Company, Limited          | 814,000          | 822   | To strengthen trading relationship                                 |
| Kikkoman Corporation                     | 374,000          | 436   | To strengthen trading relationship                                 |
| Ono Pharmaceutical Co., Ltd.             | 77,000           | 347   | To strengthen business relationship                                |
| Yoshinoya Holdings Co., Ltd.             | 2,894            | 304   | To strengthen trading relationship                                 |
| Seven & i Holdings Co., Ltd.             | 124,600          | 299   | To strengthen trading relationship                                 |
| Sumitomo Mitsui Financial Group, Inc.    | 112,483          | 298   | To maintain stable trading relationship with financial institution |
| Inageya Co., Ltd.                        | 301,219          | 294   | To strengthen trading relationship                                 |
| Taisho Pharmaceutical Holdings Co., Ltd. | 39,600           | 240   | To strengthen business relationship                                |
| Mizuho Financial Group, Inc.             | 1,807,200        | 238   | To maintain stable trading relationship with financial institution |
| Mitsubishi UFJ Financial Group, Inc.     | 569,300          | 214   | To maintain stable trading relationship with financial institution |
| Toho Co., Ltd.                           | 550,000          | 172   | To strengthen trading relationship                                 |
| Kentucky Fried Chicken Japan, Ltd.       | 67,000           | 137   | To strengthen trading relationship                                 |
| Yomeishu Seizo Co., Ltd.                 | 163,000          | 114   | To strengthen business relationship                                |
| Casio Computer Co., Ltd.                 | 181,000          | 111   | To strengthen business relationship                                |
| Nakamura Co., Ltd.                       | 266,503          | 105   | To strengthen trading relationship                                 |
| Kadoya Sesame Mills Incorporated         | 50,000           | 99  | To strengthen trading relationship                                 |
| Okuwa Co., Ltd.                          | 91,000           | 98  | To strengthen trading relationship                                 |
| Tokan Co., Ltd.                          | 57,405           | 94  | To strengthen trading relationship                                 |
| Harashin Narus Holdings Co., Ltd.        | 61,700           | 91  | To strengthen trading relationship                                 |
| Kagome Co., Ltd.                         | 54,200           | 89  | To strengthen trading relationship                                 |

## Stocks regarded as holding shares

| Issue                         | Number of shares | Book value on the balance sheet (millions of yen) | Purpose of shareholding         |
|-------------------------------|------------------|---|---------------------------------|
| Toyo Suisan Kaisha, Ltd.      | 728,000          | 1,645   | Power to exercise voting rights |
| Seven & i Holdings Co., Ltd.  | 485,000          | 1,164   | Power to exercise voting rights |
| Sumitomo Corporation          | 654,000          | 669   | Power to exercise voting rights |
| Mitsubishi Shokuhin Co., Ltd. | 299,000          | 613   | Power to exercise voting rights |
| Kyowa Hakko Kirin Co., Ltd.   | 475,000          | 399   | Power to exercise voting rights |
| Yamato Holdings Co., Ltd.     | 219,000          | 270   | Power to exercise voting rights |
| Aeon Co., Ltd.                | 220,000          | 202   | Power to exercise voting rights |

Current fiscal year  
Specified investment shares

| Issue  | Number of shares | Book value on the balance sheet (millions of yen) | Purpose of shareholding  |
|--|------------------|---|--|
| Saha Pathanapibul Public Co., Ltd.           | 16,072,583       | 2,275   | To strengthen business relationship                                |
| Nichirei Corporation                         | 3,109,000        | 1,685   | To strengthen trading relationship                                 |
| Kato Sangyo Co., Ltd.                        | 840,300          | 1,614   | To strengthen trading relationship                                 |
| Kirin Holdings Company, Limited              | 507,000          | 800   | To strengthen trading relationship                                 |
| Kikkoman Corporation                         | 374,000          | 734   | To strengthen trading relationship                                 |
| Ono Pharmaceutical Co., Ltd.                 | 77,000           | 597   | To strengthen business relationship                                |
| Sumitomo Mitsui Financial Group, Inc.        | 112,483          | 570   | To maintain stable trading relationship with financial institution |
| Seven & i Holdings Co., Ltd.                 | 124,600          | 469   | To strengthen trading relationship                                 |
| Mizuho Financial Group, Inc.                 | 1,807,200        | 388   | To maintain stable trading relationship with financial institution |
| Yoshinoya Holdings Co., Ltd.                 | 290,788          | 344   | To strengthen trading relationship                                 |
| Mitsubishi UFJ Financial Group, Inc.         | 495,500          | 326   | To maintain stable trading relationship with financial institution |
| Inageya Co., Ltd.                            | 302,791          | 299   | To strengthen trading relationship                                 |
| Taisho Pharmaceutical Holdings Co., Ltd.     | 39,600           | 278   | To strengthen business relationship                                |
| Casio Computer Co., Ltd.                     | 181,000          | 210   | To strengthen business relationship                                |
| Toho Co., Ltd.                               | 550,000          | 199   | To strengthen trading relationship                                 |
| Kentucky Fried Chicken Japan, Ltd.           | 67,000           | 140   | To strengthen trading relationship                                 |
| Kadoya Sesame Mills Incorporated             | 50,000           | 135   | To strengthen trading relationship                                 |
| Yomeishu Seizo Co., Ltd.                     | 163,000          | 132   | To strengthen business relationship                                |
| Takara Holdings Inc.                         | 125,000          | 125   | To strengthen business relationship                                |
| The Dai-ichi Life Insurance Company, Limited | 74,200           | 119   | To strengthen business relationship                                |
| Tokan Co., Ltd.                              | 57,792           | 111   | To strengthen trading relationship                                 |
| Sumitomo Mitsui Trust Holdings, Inc.         | 219,030          | 110   | To maintain stable trading relationship with financial institution |
| Nakamura Co., Ltd.                           | 271,127          | 107   | To strengthen trading relationship                                 |

## Stocks regarded as holding shares

| Issue                         | Number of shares | Book value on the balance sheet (millions of yen) | Purpose of shareholding         |
|-------------------------------|------------------|---|---------------------------------|
| Toyo Suisan Kaisha, Ltd.      | 728,000          | 2,172   | Power to exercise voting rights |
| Seven & i Holdings Co., Ltd.  | 485,000          | 1,828   | Power to exercise voting rights |
| Sumitomo Corporation          | 654,000          | 828   | Power to exercise voting rights |
| Mitsubishi Shokuhin Co., Ltd. | 299,000          | 799   | Power to exercise voting rights |
| Kyowa Hakko Kirin Co., Ltd.   | 475,000          | 566   | Power to exercise voting rights |
| Yamato Holdings Co., Ltd.     | 219,000          | 475   | Power to exercise voting rights |
| Aeon Co., Ltd.                | 220,000          | 303   | Power to exercise voting rights |

- (Notes)
1. Specified investment shares and stocks regarded as holding shares are not added together at the stage of selecting the top issues in terms of book value on the balance sheet.
  2. Stocks regarded as holding shares are put into a trust to cover retirement benefit obligations. The amounts presented in the "Book value on the balance sheet" column are obtained by multiplying the market value as of the end of the current fiscal year by the number of shares that confer the power to exercise voting rights. The information presented in the "Purpose of shareholding" column describes the power the Company holds with respect to such shares.

## (iii) Investment shares for pure investment purposes

Not applicable.

## (f) Overview of content of limited liability contract

In accordance with the provisions of Article 427, Paragraph 1 of the Corporation Law and Article 28 of the Articles of Incorporation, the Company and its outside director have entered into a limited liability contract. Also, in accordance with the provisions of Article 427, Paragraph 1 of the Corporation Law and Article 38 of the Articles of Incorporation, the Company and each of its outside audit & supervisory board members have entered into a limited liability contract. The amount of maximum liability stipulated in the contract is determined by each of the respective items under Article 425, Paragraph 1 of the Corporation Law.

## (g) Number of directors

The Articles of Incorporation of the Company stipulate that the number of Company's directors is limited to not more than 20 members.

## (h) Election and dismissal of directors

The Articles of Incorporation of the Company stipulate that election and dismissal of directors shall be made by the majority of the votes of the shareholders present at the meeting where the shareholders holding one third or more of the votes of the shareholders entitled to exercise their votes at such shareholders meeting are present, and prohibits the resolution of election of directors based on cumulative voting.

## (i) Agenda at the General Meeting of Shareholders that can be decided by the Board of Directors

## a) Dividends from surplus

As for matters listed in items of Article 459, Paragraph 1 of the Corporation Law regarding dividends from surplus, the Articles of Incorporation of the Company stipulate that the Board of Directors reserves the right to make a resolution unless otherwise provided for in laws and regulations. This is intended to realize mobile implementation of measures regarding dividend and capital policy.

## b) Repurchase of shares

For the purpose of executing the mobile capital policy, in accordance with the provisions of Article 165, Paragraph 2 of the Corporation Law, the Articles of Incorporation of the Company stipulate that the Company may repurchase shares on the open market upon resolution by the Board of Directors.

## (j) Exceptional agenda for resolutions at the General Meeting of Shareholders

As for exceptional agenda at the General Meeting of Shareholders provided for in Article 309, Paragraph 2 of the Corporation Law, the Articles of Incorporation of the Company stipulate that the resolutions of those General Meetings of Shareholders shall be made by two thirds or more of the votes of the shareholders present at the meeting where the shareholders holding one third or more of the votes of the shareholders entitled to exercise their votes at such shareholders meeting are present. This is intended to facilitate the operation of the General Meetings of Shareholders by relaxing the restrictions imposed by the required number of shareholders present.

(2) Compensation for auditing certificated public accountants

## (a) Details of compensation for auditing certificated public accountants

| Classification            | Previous fiscal year   |   | Current fiscal year  |   |
|---------------------------|--|---|--|---|
|                           | Compensation for audit or attestation services (millions of yen) | Compensation for non-audit services (millions of yen) | Compensation for audit or attestation services (millions of yen) | Compensation for non-audit services (millions of yen) |
| The Company               | 89   | 5   | 89   | 10  |
| Consolidated subsidiaries | 43   | 3   | 43   | 4   |
| Total                     | 132  | 8   | 132  | 14  |

## (b) Other important details on compensation

Compensation for audit and non-audit services paid to Ernst & Young, part of the same network as the auditing certificated public accountants of the Company, Ernst & Young ShinNihon LLC, by overseas consolidated subsidiaries was ¥25 million and ¥20 million, respectively, in the previous fiscal year, and ¥29 million and ¥9 million, respectively, in the current fiscal year.

## (c) Non-audit services performed by auditing certificated public accountants for the Company

For services other than those provided in Article 2, Paragraph 1 of the Certified Public Accountants Law, the Company entrusted to the auditing certificated public accountants advisory services regarding the transition etc. to the International Financial Reporting Standards (IFRS) in both the previous and the current fiscal year, and paid compensation to the auditing certificated public accountants for those services.

## (d) Policy for determining compensation for auditing

The compensation to auditing certificated public accountants of the Company is determined based on a verification of the scope, content and days, etc. of the audit plan of the auditing certificated public accountants and approved by the Audit & Supervisory Board in accordance with the provisions of the Corporation Law.

## **V. Financial Information**

### **1. Preparation of the consolidated financial statements**

The consolidated financial statements of the Company were prepared in accordance with the Regulations on Terminology, Forms and Preparation of the Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976).

### **2. Audit**

The audits were performed by Ernst & Young ShinNihon LLC on the consolidated financial statements for the consolidated fiscal year (from December 1, 2012 to November 30, 2013) in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law.

### **3. Special measures for ensuring appropriateness of consolidated financial statements**

The Company carries out special measures for ensuring appropriateness of consolidated financial statements. Specifically, for the purpose of both ensuring that the Company has an appropriate grasp of the contents of the accounting standards, and establishing a system by which it is possible to accurately respond to changes in accounting standards, the Company became a member of the Financial Accounting Standards Foundation, deepens its understanding of accounting standards and takes measures in response to new accounting standards.

## Consolidated Financial Statements

### (1) Consolidated financial statements

#### (a) Consolidated Balance Sheets

|                                       | (Millions of yen)                                 |  |
|---------------------------------------|---|--|
|                                       | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
| Assets                                |   |  |
| Current assets                        |   |  |
| Cash and deposits                     | 33,394  | 33,967   |
| Notes and accounts receivable — trade | 66,684  | 77,460   |
| Securities                            | 10,000  | 10,000   |
| Purchased goods and products          | 11,553  | 12,478   |
| Work in process                       | 1,163   | 950  |
| Raw materials and supplies            | 5,190   | 5,878  |
| Deferred tax assets                   | 2,266   | 2,142  |
| Other                                 | 2,918   | 3,801  |
| Allowances for doubtful accounts      | (152)   | (242)  |
| Total current assets                  | 133,018   | 146,435  |
| Fixed assets                          |   |  |
| Tangible fixed assets                 |   |  |
| Buildings and structures              | 130,277   | *4 138,035                                       |
| Accumulated depreciation              | (81,977)  | (82,213)   |
| Net book value                        | *2 48,300   | *2 55,822  |
| Machinery, equipment and vehicles     | *4 129,574  | *4 133,368                                       |
| Accumulated depreciation              | (106,641)   | (109,274)  |
| Net book value                        | 22,933  | 24,094   |
| Land                                  | *2 42,129   | *2 42,191  |
| Lease assets                          | 5,116   | 6,158  |
| Accumulated depreciation              | (1,659)   | (2,523)  |
| Net book value                        | 3,457   | 3,634  |
| Construction in progress              | 5,864   | 7,401  |
| Other                                 | *4 9,766  | *4 10,544  |
| Accumulated depreciation              | (7,874)   | (7,860)  |
| Net book value                        | 1,892   | 2,684  |
| Total tangible fixed assets           | 124,577   | 135,828  |
| Intangible fixed assets               |   |  |
| Computer software                     | 1,871   | 1,857  |
| Other                                 | 533   | 810  |
| Total intangible fixed assets         | 2,405   | 2,667  |
| Investments and other assets          |   |  |
| Investment securities                 | *1 20,051   | *1 23,536  |
| Long-term loans receivable            | 629   | 593  |
| Prepaid pension costs                 | 15,951  | 15,736   |
| Deferred tax assets                   | 1,320   | 1,355  |
| Other                                 | *1 9,141  | *1 9,078   |
| Allowances for doubtful accounts      | (580)   | (575)  |
| Total investments and other assets    | 46,514  | 49,724   |
| Total fixed assets                    | 173,496   | 188,220  |
| Total assets                          | 306,515   | 334,655  |

|   | (Millions of yen)                                 |  |
|---|---|--|
|   | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
| <b>Liabilities</b>                              |   |  |
| Current liabilities                             |   |  |
| Notes and accounts payable — trade              | 41,715  | 50,786   |
| Short-term loans payable                        | *2 8,197  | *2 8,312   |
| Accounts payable — other                        | 15,299  | 20,113   |
| Accrued expenses                                | 8,917   | 9,140  |
| Accrued income taxes                            | 6,692   | 2,725  |
| Deferred tax liabilities                        | 12  | 15   |
| Reserves for sales rebates                      | 995   | 912  |
| Reserves for bonuses                            | 1,005   | 1,117  |
| Reserves for directors' bonuses                 | 129   | 139  |
| Other   | 2,917   | 2,637  |
| Total current liabilities                       | 85,882  | 95,901   |
| Non-current liabilities                         |   |  |
| Bonds   | 10,000  | 10,000   |
| Long-term loans payable                         | *2 799  | *2 3,711   |
| Deferred tax liabilities                        | 6,338   | 7,469  |
| Reserves for retirement benefits                | 2,595   | 2,315  |
| Asset retirement obligations                    | 342   | 332  |
| Other   | 4,630   | 4,639  |
| Total non-current liabilities                   | 24,705  | 28,468   |
| Total liabilities                               | 110,587   | 124,369  |
| <b>Net Assets</b>                               |   |  |
| Shareholders' equity                            |   |  |
| Paid-in capital                                 | 24,104  | 24,104   |
| Capital surplus                                 | 29,434  | 29,434   |
| Earned surplus                                  | 123,143   | 132,491  |
| Treasury stock                                  | (3,389)   | (3,392)  |
| Total shareholders' equity                      | 173,292   | 182,638  |
| Accumulated other comprehensive income          |   |  |
| Unrealized holding gains (losses) on securities | 2,646   | 4,771  |
| Unrealized gains (losses) on hedges             | 7   | (4)  |
| Foreign currency translation adjustments        | (5,009)   | (3,200)  |
| Total accumulated other comprehensive income    | (2,355)   | 1,566  |
| Minority interests                              | 24,991  | 26,080   |
| Total net assets                                | 195,928   | 210,285  |
| Total liabilities and net assets                | 306,515   | 334,655  |



(b) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income  
Consolidated Statements of Income

(Millions of yen)

|   | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) |         | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |         |
|---|---|---------|--|---------|
| Net sales   |   | 504,997 |  | 530,549 |
| Cost of sales                                     | *1  | 379,932 | *1   | 402,283 |
| Gross profit                                      |   | 125,065 |  | 128,266 |
| Selling, general and administrative expenses      | *2, *3  | 101,696 | *2, *3   | 105,864 |
| Operating income                                  |   | 23,368  |  | 22,402  |
| Non-operating income                              |   |         |  |         |
| Interest income                                   |   | 155     |  | 156     |
| Dividends income                                  |   | 348     |  | 464     |
| Equity in earnings of affiliates                  |   | 206     |  | 111     |
| Reversal of allowances for doubtful accounts      |   | 157     |  | —       |
| Dividends income of insurance                     |   | 151     |  | 177     |
| Other   |   | 494     |  | 826     |
| Total non-operating income                        |   | 1,513   |  | 1,736   |
| Non-operating expenses                            |   |         |  |         |
| Interest expenses                                 |   | 222     |  | 259     |
| Bond issuance cost                                |   | 53      |  | —       |
| Other   |   | 139     |  | 130     |
| Total non-operating expenses                      |   | 414     |  | 389     |
| Ordinary income                                   |   | 24,467  |  | 23,749  |
| Extraordinary gains                               |   |         |  |         |
| Gains on sales of fixed assets                    | *4  | 69      | *4   | 321     |
| Gains on sales of investment securities           |   | 45      |  | 212     |
| Insurance income                                  | *5  | 645     |  | —       |
| Compensation income                               | *6  | 353     | *6   | 161     |
| Gains on negative goodwill                        | *7  | 368     | *7   | 1,200   |
| Other   |   | 17      |  | —       |
| Total extraordinary gains                         |   | 1,500   |  | 1,896   |
| Extraordinary losses                              |   |         |  |         |
| Losses on disposal of fixed assets                | *8  | 828     | *8   | 1,089   |
| Losses on impairment of fixed assets              | *9  | 1,643   | *9   | 1,114   |
| Losses on withdrawal from employees' pension fund |   | —       |  | 386     |
| Other   |   | 142     |  | 649     |
| Total extraordinary losses                        |   | 2,614   |  | 3,240   |
| Income before income taxes and minority interests |   | 23,354  |  | 22,405  |
| Income taxes                                      |   | 10,516  |  | 7,424   |
| Income taxes — deferred                           |   | (1,601) |  | 236     |
| Total income taxes                                |   | 8,915   |  | 7,660   |
| Income before minority interests                  |   | 14,438  |  | 14,744  |
| Minority interests                                |   | 2,147   |  | 2,176   |
| Net income  |   | 12,291  |  | 12,567  |

## Consolidated Statements of Comprehensive Income

(Millions of yen)

|  | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|--|---|--|
| Income before minority interests   | 14,438  | 14,744   |
| Other comprehensive income   |   |  |
| Unrealized holding gains (losses) on securities  | 1,486   | 2,232  |
| Unrealized gains (losses) on hedges  | 10  | (20)   |
| Foreign currency translation adjustments   | 1   | 2,294  |
| Share of other comprehensive income of affiliates accounted<br>for using equity method | (1)   | 5  |
| Total other comprehensive income   | * 1,496   | * 4,511  |
| Comprehensive income   | 15,935  | 19,256   |
| (Breakdown)  |   |  |
| Comprehensive income attributable to owners of the parent                              | 13,701  | 16,490   |
| Comprehensive income attributable to minority interests                                | 2,233   | 2,766  |

## (c) Consolidated Statements of Changes in Net Assets

(Millions of yen)

|   | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|---|---|--|
| Shareholders' equity                                |   |  |
| Paid-in capital                                     |   |  |
| Balance at the beginning of the current fiscal year | 24,104  | 24,104   |
| Changes of items during the fiscal year             |   |  |
| Total changes of items during the fiscal year       | —   | —  |
| Balance at the end of the current fiscal year       | 24,104  | 24,104   |
| Capital surplus                                     |   |  |
| Balance at the beginning of the current fiscal year | 29,434  | 29,434   |
| Changes of items during the fiscal year             |   |  |
| Total changes of items during the fiscal year       | —   | —  |
| Balance at the end of the current fiscal year       | 29,434  | 29,434   |
| Earned surplus                                      |   |  |
| Balance at the beginning of the current fiscal year | 113,622   | 123,143  |
| Changes of items during the fiscal year             |   |  |
| Dividends from surplus                              | (2,770)   | (3,219)  |
| Net income  | 12,291  | 12,567   |
| Total changes of items during the fiscal year       | 9,520   | 9,348  |
| Balance at the end of the current fiscal year       | 123,143   | 132,491  |
| Treasury stock                                      |   |  |
| Balance at the beginning of the current fiscal year | (3,386)   | (3,389)  |
| Changes of items during the fiscal year             |   |  |
| Repurchase of shares                                | (2)   | (3)  |
| Total changes of items during the fiscal year       | (2)   | (3)  |
| Balance at the end of the current fiscal year       | (3,389)   | (3,392)  |
| Total shareholders' equity                          |   |  |
| Balance at the beginning of the current fiscal year | 163,774   | 173,292  |
| Changes of items during the fiscal year             |   |  |
| Dividends from surplus                              | (2,770)   | (3,219)  |
| Net income  | 12,291  | 12,567   |
| Repurchase of shares                                | (2)   | (3)  |
| Total changes of items during the fiscal year       | 9,518   | 9,345  |
| Balance at the end of the current fiscal year       | 173,292   | 182,638  |

|  | (Millions of yen)   |  |
|--|---|--|
|  | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
| Accumulated other comprehensive income               |   |  |
| Unrealized holding gains (losses) on securities      |   |  |
| Balance at the beginning of the current fiscal year  | 1,210   | 2,646  |
| Changes of items during the fiscal year              |   |  |
| Net changes of items other than shareholders' equity | 1,436   | 2,124  |
| Total changes of items during the fiscal year        | 1,436   | 2,124  |
| Balance at the end of the current fiscal year        | 2,646   | 4,771  |
| Unrealized gains (losses) on hedges                  |   |  |
| Balance at the beginning of the current fiscal year  | (2)   | 7  |
| Changes of items during the fiscal year              |   |  |
| Net changes of items other than shareholders' equity | 10  | (11)   |
| Total changes of items during the fiscal year        | 10  | (11)   |
| Balance at the end of the current fiscal year        | 7   | (4)  |
| Foreign currency translation adjustments             |   |  |
| Balance at the beginning of the current fiscal year  | (4,973)   | (5,009)  |
| Changes of items during the fiscal year              |   |  |
| Net changes of items other than shareholders' equity | (35)  | 1,809  |
| Total changes of items during the fiscal year        | (35)  | 1,809  |
| Balance at the end of the current fiscal year        | (5,009)   | (3,200)  |
| Total accumulated other comprehensive income         |   |  |
| Balance at the beginning of the current fiscal year  | (3,766)   | (2,355)  |
| Changes of items during the fiscal year              |   |  |
| Net changes of items other than shareholders' equity | 1,410   | 3,922  |
| Total changes of items during the fiscal year        | 1,410   | 3,922  |
| Balance at the end of the current fiscal year        | (2,355)   | 1,566  |
| Minority interests                                   |   |  |
| Balance at the beginning of the current fiscal year  | 25,284  | 24,991   |
| Changes of items during the fiscal year              |   |  |
| Net changes of items other than shareholders' equity | (293)   | 1,089  |
| Total changes of items during the fiscal year        | (293)   | 1,089  |
| Balance at the end of the current fiscal year        | 24,991  | 26,080   |
| Total net assets                                     |   |  |
| Balance at the beginning of the current fiscal year  | 185,293   | 195,928  |
| Changes of items during the fiscal year              |   |  |
| Dividends from surplus                               | (2,770)   | (3,219)  |
| Net income   | 12,291  | 12,567   |
| Repurchase of shares                                 | (2)   | (3)  |
| Net changes of items other than shareholders' equity | 1,116   | 5,012  |
| Total changes of items during the fiscal year        | 10,634  | 14,357   |
| Balance at the end of the current fiscal year        | 195,928   | 210,285  |

## (d) Consolidated Statements of Cash Flows

(Millions of yen)

|  | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|--|---|--|
| Cash flows from operating activities                         |   |  |
| Income before income taxes and minority interests            | 23,354  | 22,405   |
| Depreciation and amortization                                | 14,089  | 14,572   |
| Losses on impairment of fixed assets                         | 1,643   | 1,114  |
| Amortization of goodwill                                     | 38  | 45   |
| Equity in losses (earnings) of affiliates                    | (206)   | (111)  |
| Losses (gains) on valuation of investment securities         | 8   | 8  |
| Gains on negative goodwill                                   | (368)   | (1,200)  |
| Increase (decrease) in reserves for retirement benefits      | 170   | (413)  |
| Decrease (increase) in prepaid pension costs                 | 793   | 189  |
| Increase (decrease) in reserves for sales rebates            | 52  | (83)   |
| Increase (decrease) in reserves for directors' bonuses       | 6   | 9  |
| Increase (decrease) in reserves for bonuses                  | (55)  | 113  |
| Increase (decrease) in allowances for doubtful accounts      | (270)   | 84   |
| Interest and dividends income                                | (503)   | (620)  |
| Interest expenses  | 222   | 259  |
| Losses (gains) on sales of investment securities             | (44)  | (2)  |
| Losses (gains) on sales and disposal of fixed assets         | 789   | 783  |
| Decrease (increase) in notes and accounts receivable — trade | (1,766)   | (10,162)   |
| Decrease (increase) in inventories                           | (1,003)   | (940)  |
| Increase (decrease) in notes and accounts payable — trade    | 2,307   | 8,760  |
| Increase (decrease) in accounts payable — other              | (199)   | 4,265  |
| Increase (decrease) in accrued consumption taxes             | 303   | 143  |
| Increase (decrease) in long-term accounts payable            | (19)  | (57)   |
| Other  | 425   | (111)  |
| Sub-total  | 39,765  | 39,051   |
| Interest and dividends income received                       | 575   | 647  |
| Interest paid  | (201)   | (260)  |
| Income taxes paid  | (6,894)   | (12,068)   |
| Net cash provided by (used in) operating activities          | 33,246  | 27,369   |

|  | (Millions of yen)   |  |
|--|---|--|
|  | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
| Cash flows from investing activities   |   |  |
| Purchases of tangible fixed assets   | (19,747)  | (25,450)   |
| Purchases of intangible fixed assets   | (752)   | (1,021)  |
| Purchases of investment securities   | (284)   | (714)  |
| Proceeds from sales of investment securities   | 107   | 659  |
| Proceeds from redemption of investment securities  | 2,000   | —  |
| Acquisition of subsidiaries' shares  | (1,859)   | (697)  |
| Proceeds from sales of subsidiaries' shares  | —   | 623  |
| Proceeds from sales of subsidiaries' shares resulting in<br>change in scope of consolidation | —   | 131  |
| Payments of loans receivable   | (181)   | (138)  |
| Collection of loans receivable   | 446   | 299  |
| Payments into time deposits  | (3,007)   | (3)  |
| Proceeds from withdrawal of time deposits  | 45  | 3,000  |
| Other  | (1,201)   | 1,415  |
| Net cash provided by (used in) investing activities  | (24,434)  | (21,897)   |
| Cash flows from financing activities   |   |  |
| Net increase (decrease) in short-term loans payable  | 883   | 310  |
| Repayment of lease obligations   | (903)   | (1,120)  |
| Proceeds from long-term loans payable  | 1,201   | 3,830  |
| Repayment of long-term loans payable   | (995)   | (1,177)  |
| Proceeds from issuance of bonds  | 9,946   | —  |
| Redemption of bonds  | —   | (500)  |
| Cash dividends paid  | (2,770)   | (3,219)  |
| Cash dividends paid to minority shareholders   | (337)   | (426)  |
| Repurchase of shares   | (2)   | (3)  |
| Net cash provided by (used in) financing activities  | 7,022   | (2,307)  |
| Effects of exchange rate changes on cash and cash equivalents                                | 43  | 411  |
| Increase (decrease) in cash and cash equivalents   | 15,877  | 3,576  |
| Cash and cash equivalents at the beginning of the fiscal year                                | 24,509  | 40,387   |
| Cash and cash equivalents at the end of the fiscal year                                      | * 40,387  | * 43,963   |

## Notes

## Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements

## 1. Consolidated subsidiaries

The Company has fifty-one consolidated subsidiaries and their names are omitted so as to be reported in "I. Outline of the Company 3. Outline of Associated Companies."

In the current fiscal year, the number of consolidated subsidiaries increased by two because PT. Kewpie Indonesia and Kewpie-Egg World Trading Co., Ltd. were newly established. On the other hand, the number of consolidated subsidiaries decreased by three because Gourmet Delica Co., Ltd. and Sai Delica Co., Ltd., consolidated subsidiaries, were merged into one company; Saika Co., Ltd., a former consolidated subsidiary, was merged into the Company; and shares in Fujisan Sensui Co., Ltd., a former consolidated subsidiary, were sold off.

There are fourteen unconsolidated subsidiaries, and the principal company is Asato Logistics Corporation. These companies are excluded from the consolidation, because their total assets, net sales, net income, and total amounts of earned surplus (based on the Company's ownership percentage) do not have a significant effect on the consolidated financial statements.

## 2. Application of the equity method

The equity method is applied to the investments in six companies of fourteen unconsolidated subsidiaries and eleven affiliated companies (20% to less than 50% owned) since the Company has significant effect over them. The name of companies accounted for by the equity method is omitted so as to be reported in "I. Outline of the Company 3. Outline of Associated Companies."

The investments in fourteen unconsolidated subsidiaries including Asato Logistics Corporation and in five affiliated companies including Tohoku Aohata Co., Ltd. not to be accounted for by the equity method are excluded from the scope of application of the equity method, because the amounts calculated by the application of the equity method do not have a significant effect on the consolidated financial statements.

## 3. Closing date of consolidated subsidiaries

The closing date of Kewpie (Thailand) Co., Ltd., Beijing Kewpie Foods Co., Ltd. and Hangzhou Kewpie Foods Co., Ltd. is December 31, and that of Kifuki U.S.A. Co., Inc., Q&B Foods, Inc., Henningsen Foods, Inc., Henningsen Foods, Netherlands Inc., Kewpie Malaysia Sdn. Bhd., Kewpie Vietnam Co., Ltd. and PT. Kewpie Indonesia is September 30.

Kewpie (Thailand) Co., Ltd., Beijing Kewpie Foods Co., Ltd. and Hangzhou Kewpie Foods Co., Ltd. are consolidated based on their temporary financial statements at September 30. Kifuki U.S.A. Co., Inc., Q&B Foods, Inc., Henningsen Foods, Inc., Henningsen Foods, Netherlands Inc., Kewpie Malaysia Sdn. Bhd., Kewpie Vietnam Co., Ltd. and PT. Kewpie Indonesia are consolidated based on the financial statements at their balance sheet date.

However, significant transactions of those subsidiaries for the period from October 1 to November 30 are reflected in the consolidated financial statements.

## 4. Accounting standards

## (1) Valuation basis and valuation methods for significant assets

## (a) Securities

1. Held-to-maturity bonds are stated at amortized cost. Discounts and premiums are amortized by the straight-line method.
2. Shares in subsidiaries and affiliates which are not accounted for under the equity method are stated at moving average cost.

3. Other securities with readily determinable fair value are stated at fair value based on market price at the closing date. Valuation differences comprise net assets as unrealized holding gains on securities. When sold, cost of sales is determined by the moving average method. Other securities without readily determinable fair value are stated at moving average cost.
- (b) Financial derivative instruments  
Financial derivative instruments are stated at fair value.  
Hedge accounting is adopted for financial derivative instruments which conform to requirements of hedge accounting.
- (c) Inventories  
Purchased goods and products, work in process, raw materials and supplies are principally stated at monthly moving average cost (a method whereby book values are written down based on a decline in the revenue expected to be generated from these inventories). Some joint products are stated at retail periodic average cost (a method whereby book values are written down based on a decline in the revenue expected to be generated from these inventories).
- (2) Depreciation methods for significant depreciable assets
- (a) Tangible fixed assets (excluding lease assets)  
Tangible fixed assets are mainly depreciated by the declining balance method except for the following assets.  
Buildings (excluding equipment fixed inside buildings) acquired on and after April 1, 1998 are depreciated by the straight-line method.  
The same basis with the Corporation Tax Law is mainly adopted for useful life and residual value.  
The main useful life is as follows.
- |                          |            |
|--------------------------|------------|
| Buildings:               | 2-50 years |
| Machinery and equipment: | 2-22 years |
- (b) Intangible fixed assets (excluding lease assets)  
Intangible fixed assets are amortized by the straight-line method.  
The same basis with the Corporation Tax Law is mainly adopted for useful life.  
Computer software purchased for internal use is amortized by the straight-line method for five years based on the estimated useful life for internal use.
- (c) Lease assets  
The straight-line method, which considers the lease period to be the useful life and the residual value to be zero, is applied to lease assets related to finance lease transactions that do not transfer ownership.  
Finance lease transactions that do not transfer ownership whose start date falls on or before November 30, 2008 are accounted for by the same method as that applied to operating leases.
- (d) Long-term prepaid expenses  
Long-term prepaid expenses are amortized by the straight-line method.
- (3) Accounting standards for significant reserves
- (a) Allowances for doubtful accounts  
To provide for a possible bad-debt loss, the Group provides the expected uncollectible amount as allowances for doubtful accounts. The said amount is calculated by using credit-loss prediction ratios based on historical data for general accounts receivable, and by reference to the individual collectability for special receivables, such as those in danger of being uncollectible.
- (b) Reserves for sales rebates  
To provide for the payment of rebates for the current fiscal year, reserves for sales rebates is provided on an accrual basis, multiplying the net sales and each company's standard (the percentage of the expected amount of rebates in net sales).



- (c) Reserves for bonuses  
To provide for the payment of bonuses to employees, reserves for bonuses is provided according to the expected amount of the payment for employees based on the applicable period.
  - (d) Reserves for directors' bonuses  
To provide for the payment of bonuses to directors, reserves for directors' bonuses is provided according to the expected amount payable at the end of the current fiscal year.
  - (e) Reserves for retirement benefits  
To provide for the payment of retirement benefits to employees, reserves for retirement benefits is provided at the necessary amount on an accrual basis based on the estimated retirement benefit obligations and pension fund assets at the end of the current fiscal year.  
Some consolidated subsidiaries have applied simplified method.  
Prior service liabilities are amortized by the straight-line method over twelve years (except for from ten to thirteen years of K.R.S. Corporation, a publicly traded enterprise which is listed on the first section of the Tokyo Stock Exchange) based on the average remaining employees' service years and their amortizations start in the respective accrual years.  
Actuarial gains or losses are amortized by the straight-line method over twelve years (except for from ten to thirteen years of K.R.S. Corporation) based on the average remaining employees' service years, and their amortizations start from the following fiscal year of the respective accrual fiscal years.  
Retirement benefits systems of the Group consist of a defined benefit corporate pension plan (Fund-type and Contract-type) and a retirement lump-sum grants system.
- (4) Treatment for significant hedge accounting
- (a) Hedge accounting  
Deferral hedge is applied as the method of hedge accounting.  
Allocation method is applied for transactions that meet the requirements for that method.  
Special treatment is applied for the interest rate swap transactions that meet the requirements for the special treatment.
  - (b) Hedging instruments  
Hedging instruments are forward exchange contracts and interest rate swap transactions.
  - (c) Hedged items  
Hedged items are purchase transactions in foreign currencies and interest of loans.
  - (d) Hedging policy  
The Group executes forward exchange contracts to hedge risks from fluctuation in foreign exchange rate and interest rate swap transactions to hedge risks from projected fluctuation in interest rate.  
In addition, the Group never makes use of them for the purpose of speculative transactions.
  - (e) Assessment of the effectiveness of hedge accounting  
Control procedures of hedge transactions are executed according to each company's bylaw.  
The effectiveness of the hedge except for the following contracts is analyzed by comparing movements in the fair values of the hedged items with those of the hedging instruments, assessed and strictly controlled.  
However, the assessment of the effectiveness is omitted for interest rate swap transactions that meet the requirements for the special treatment.
- (5) Method and period for amortization of goodwill
- Goodwill is amortized over five years. Trivial goodwill is fully amortized in the fiscal year in which it is incurred.

- (6) Scope of cash in the consolidated statements of cash flows  
Cash in the consolidated statements of cash flows (cash and cash equivalents) consists of cash in hand, bank deposits which can be withdrawn freely, and short-term investments which can be easily converted into cash and matures within three months from the acquisition date on which they are at little risk of changes in value.
- (7) Other significant matter for the preparation of consolidated financial statements  
Consumption taxes are recorded in separate accounts.

Changes in accounting policies which are difficult to distinguish from changes in accounting estimates

(Changes in depreciation method)

In accordance with the amendment to the Corporation Tax Law, effective from the current fiscal year, the Company and its domestic consolidated subsidiaries have changed the depreciation method for the relevant tangible fixed assets newly acquired on or after December 1, 2012, to the method pursuant to the provisions of the revised Law.

As a result of the above, operating income increased by ¥322 million, and ordinary income and income before income taxes and minority interests increased by ¥325 million, respectively, in the current fiscal year.

Accounting Standards to Be Applied

The “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 of May 17, 2012) and the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 of May 17, 2012)

(1) Outline

From the perspective of improving financial reporting and in light of global trends, the Accounting Standard and the Guidance have been revised mainly focusing on the accounting treatment for unrealized actuarial gains and losses and unrealized prior service costs, the calculation method for retirement benefit obligations and current service costs and the enhancement of disclosure.

(2) Application schedule

They are scheduled to be applied from the end of the fiscal year beginning on December 1, 2013. However, the revision to the calculation method for retirement benefit obligations and current service costs is scheduled to be applied from the beginning of the fiscal year beginning on December 1, 2014.

(3) Effect of application of accounting standards

The effect of the application of these accounting standards on the consolidated financial statements is currently being estimated.

Changes in presentation method

(Consolidated statements of income)

“Gains on sales of investment securities” was included in “Other” account of “Extraordinary gains” for the previous fiscal year, but because its amount exceeded 10% of total extraordinary gains for the current fiscal year, it was changed to be presented as a separate account. In order to reflect this change in presentation method, the consolidated financial statements of the previous fiscal year have been reclassified.

As a result, in the consolidated statements of income for the previous fiscal year, ¥63 million that was presented in “Other” account of “Extraordinary gains” has been reclassified as ¥45 million in “Gains on sales of investment securities” and ¥17 million in “Other.”

## Consolidated Balance Sheets

\*1 Investments in unconsolidated subsidiaries and affiliated companies are as follows:

|                                | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|--------------------------------|---|--|
| Investment securities (stocks) | ¥ 3,259 million                                   | ¥ 3,513 million                                  |
| Other (Investments in capital) | ¥ 709 million                                     | ¥ 709 million                                    |

\*2 Pledged assets and secured debts

Pledged assets are as follows:

|                          | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|--------------------------|---|--|
| Buildings and structures | ¥ 657 million                                     | ¥ 613 million                                    |
| Land                     | ¥ 1,497 million                                   | ¥ 1,497 million                                  |
| Total                    | ¥ 2,154 million                                   | ¥ 2,110 million                                  |

Secured debts are as follows:

|                          | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|--------------------------|---|--|
| Short-term loans payable | ¥ 800 million                                     | ¥ 307 million                                    |
| Long-term loans payable  | ¥ 529 million                                     | ¥ 2,276 million                                  |
| Total                    | ¥ 1,329 million                                   | ¥ 2,584 million                                  |

3 Contingent liabilities

Liabilities, such as loans from financial institutions, that the Group guarantees under joint signature for companies and employees are as follows:

Liabilities for guarantee

|   | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|---|---|--|
| AQ Logistics Co., Ltd. (loan)   | ¥ 1,149 million                                   | —  |
| Employees (loan)  | ¥ 371 million                                     | ¥ 377 million                                    |
| Asato Logistics Corporation (loan)  | ¥ 200 million                                     | ¥ 166 million                                    |
| Shanghai KRS Logistics Corporation<br>(Guarantee for debtor's contract fulfillment) | ¥ 127 million                                     | ¥ 145 million                                    |
| AK Franchise System Co., Ltd. (loan)  | —   | ¥ 85 million                                     |
| Total   | ¥ 1,848 million                                   | ¥ 774 million                                    |

(Note) As the liabilities for AQ Logistics Co., Ltd. are re-guaranteed by a company outside the Group, the amount presented is the amount after deduction of such re-guarantee. In addition, as the liabilities for AK Franchise System Co., Ltd. are serving as re-guarantees, the amount presented is the amount re-guaranteed by the Group.

\*4 Amount of reduction entry

Accumulated reduction entry of tangible fixed assets deducted from acquisition cost of tangible fixed assets using funds from government subsidy, etc. is as follows:

|                                   | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|-----------------------------------|---|--|
| Buildings and structures          | —   | ¥ 404 million                                    |
| Machinery, equipment and vehicles | ¥ 7 million                                       | ¥ 300 million                                    |
| Other                             | ¥ 379 million                                     | ¥ 381 million                                    |
| Total                             | ¥ 386 million                                     | ¥ 1,086 million                                  |

## Consolidated Statements of Income

- \*1 The inventory balance at the end of the fiscal year is presented after book values were written down following a decline in the revenue expected to be generated from these inventories and the following losses on valuation of inventories are included in cost of sales.

| Previous fiscal year<br>(From December 1, 2011 to November 30, 2012) | Current fiscal year<br>(From December 1, 2012 to November 30, 2013) |
|--|---|
| ¥ 225 million  | ¥ 284 million   |

- \*2 Main components of selling, general and administrative expenses are as follows:

|   | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|---|---|--|
| Transportation and warehousing expenses       | ¥ 28,939 million  | ¥ 30,452 million   |
| Sales promotion expenses                      | ¥ 19,481 million  | ¥ 20,453 million   |
| Research and development expenses             | ¥ 3,421 million   | ¥ 3,660 million  |
| Advertising expenses                          | ¥ 7,949 million   | ¥ 7,932 million  |
| Payroll expenses                              | ¥ 17,015 million  | ¥ 17,812 million   |
| Depreciation expenses                         | ¥ 1,710 million   | ¥ 1,787 million  |
| Provision of reserves for bonuses             | ¥ 232 million   | ¥ 235 million  |
| Retirement benefit expenses                   | ¥ 2,243 million   | ¥ 2,141 million  |
| Provision of allowances for doubtful accounts | ¥ (7) million   | ¥ 94 million   |

- \*3 Total amount of research and development expenses included in general and administrative expenses

| Previous fiscal year<br>(From December 1, 2011 to November 30, 2012) | Current fiscal year<br>(From December 1, 2012 to November 30, 2013) |
|--|---|
| ¥ 3,421 million  | ¥ 3,660 million   |

- \*4 Gains on sales of fixed assets consists of the following:

|                                   | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|-----------------------------------|---|--|
| Land                              | ¥ 1 million   | ¥ 233 million  |
| Machinery, equipment and vehicles | ¥ 65 million  | ¥ 85 million   |
| Other                             | ¥ 1 million   | ¥ 1 million  |
| Total                             | ¥ 69 million  | ¥ 321 million  |

- \*5 Insurance income

Previous fiscal year (From December 1, 2011 to November 30, 2012)

This income is from the insurance payment for damage from the Great East Japan Earthquake.

Current fiscal year (From December 1, 2012 to November 30, 2013)

Not applicable.

- \*6 Compensation income

Previous fiscal year (From December 1, 2011 to November 30, 2012)

This income is from compensation payment from Tokyo Electric Power Company, Incorporated as a consequence of the Fukushima Daiichi Nuclear Power Station accident.

Current fiscal year (From December 1, 2012 to November 30, 2013)

This income is from compensation payment from Tokyo Electric Power Company, Incorporated as a consequence of the Fukushima Daiichi Nuclear Power Station accident.

\*7 Gains on negative goodwill

Previous fiscal year (From December 1, 2011 to November 30, 2012)

This is the result of additional acquisitions of the shares of consolidated subsidiaries Y.M. Kyuso Corporation (currently K. Tis Corporation) and Osaka San-ei Logistics Corporation from minority shareholders.

Current fiscal year (From December 1, 2012 to November 30, 2013)

This is the result of an additional acquisition of the shares of consolidated subsidiary Co-op Foods Co., Ltd. from minority shareholders.

\*8 Losses on disposal of fixed assets consists of the following:

|                                   | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|-----------------------------------|---|--|
| Buildings and structures          | ¥ 604 million   | ¥ 771 million  |
| Machinery, equipment and vehicles | ¥ 211 million   | ¥ 282 million  |
| Other                             | ¥ 12 million  | ¥ 35 million   |
| Total                             | ¥ 828 million   | ¥ 1,089 million  |

\*9 Losses on impairment of fixed assets

The Group recognized losses on impairment of fixed assets for the following group of assets.

Previous fiscal year (From December 1, 2011 to November 30, 2012)

| Location         | Use          | Item            | Losses on impairment<br>of fixed assets<br>(millions of yen) |
|------------------|--------------|-----------------|--|
| Ome-shi, Tokyo   | Factory      | Land, etc.      | 1,431  |
| Inagi-shi, Tokyo | Sales office | Buildings, etc. | 192  |
| Other            |              |                 | 19   |
| Total            |              |                 | 1,643  |

In principle, the Group classified the fixed assets into groups depending on the type of respective operation and business place based on the management accounting units on which revenue and expenditure are continuously taken in.

In the current fiscal year, the decision was made to close down the two factories in Ome-shi, Tokyo and the office in Inagi-shi, Tokyo.

In accordance with this, the book values of the factory land, etc. in Ome-shi, Tokyo and the office building, etc. in Inagi-shi, Tokyo are written down to their recoverable amounts, making up a substantial portion of losses on impairment of fixed assets of ¥1,643 million, recorded under extraordinary losses.

The recoverable amounts are measured by net sales amounts based on the estimated sales amounts.

Current fiscal year (From December 1, 2012 to November 30, 2013)

| Location                              | Use     | Item            | Losses on impairment of fixed assets (millions of yen) |
|---------------------------------------|---------|-----------------|--|
| Fujiyoshida-shi, Yamanashi            | Factory | Land, etc.      | 912  |
| Matsumoto-shi, Nagano                 | Factory | Land, etc.      | 120  |
| Musashimurayama-shi, Tokyo and others | Stores  | Buildings, etc. | 57   |
| Kamisu-shi, Ibaraki                   | Factory | Land            | 23   |
| Total                                 |         |                 | 1,114  |

In principle, the Group classified the fixed assets into groups depending on the type of respective operation and business place based on the management accounting units on which revenue and expenditure are continuously taken in.

During the current fiscal year, the Company took the decision to sell the factory in Fujiyoshida-shi, Yamanashi, the factory in Matsumoto-shi, Nagano, and stores in Musashimurayama-shi, Tokyo and others. It was also announced that the Group will no longer use the land surrounding the factory in Kamisu-shi, Ibaraki.

In accordance with this, the book values of the factory land, etc. in Fujiyoshida-shi, Yamanashi, the factory land, etc. in Matsumoto-shi, Nagano, and buildings for stores, etc. in Musashimurayama-shi, Tokyo, and the land surrounding the factory in Kamisu-shi, Ibaraki are written down to their recoverable amounts, and the relevant write-down amount is shown as ¥1,114 million in losses on impairment of fixed assets recorded under extraordinary losses.

The recoverable amounts are measured by net sales amounts based on real estate appraisal value (for real estate with low significance, assessed value of real property for property tax purposes) or the estimated sales amounts.

## Consolidated Statements of Comprehensive Income

## \* Reclassification adjustments and income tax effects related to other comprehensive income

|   | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|---|---|--|
| Unrealized holding gains (losses) on securities:  |   |  |
| Amount arising during the fiscal year   | ¥ 2,077 million   | ¥ 3,430 million  |
| Reclassification adjustments  | ¥ 5 million   | ¥ (202) million  |
| Before income tax effects   | ¥ 2,082 million   | ¥ 3,228 million  |
| Amount of income tax effects  | ¥ (596) million   | ¥ (995) million  |
| Unrealized holding gains (losses) on securities   | ¥ 1,486 million   | ¥ 2,232 million  |
| Unrealized gains (losses) on hedges:  |   |  |
| Amount arising during the fiscal year   | ¥ 16 million  | ¥ (31) million   |
| Reclassification adjustments  | —   | —  |
| Before income tax effects   | ¥ 16 million  | ¥ (31) million   |
| Amount of income tax effects  | ¥ (6) million   | ¥ 11 million   |
| Unrealized gains (losses) on hedges   | ¥ 10 million  | ¥ (20) million   |
| Foreign currency translation adjustments:   |   |  |
| Amount arising during the fiscal year   | ¥ 1 million   | ¥ 2,294 million  |
| Share of other comprehensive income of affiliates<br>accounted for using equity method: |   |  |
| Amount arising during the fiscal year   | ¥ (1) million   | ¥ 5 million  |
| Total other comprehensive income  | ¥ 1,496 million   | ¥ 4,511 million  |

## Consolidated Statements of Changes in Net Assets

Previous fiscal year (From December 1, 2011 to November 30, 2012)

## 1. Total numbers and periodic changes of issued shares and treasury stock by class

|                     | Number of shares at the beginning of the current fiscal year | Increase in number of shares | Decrease in number of shares | Number of shares at the end of the current fiscal year |
|---------------------|--|------------------------------|------------------------------|--|
| Issued shares       |  |                              |                              |  |
| Common stock        | 153,000,000  | —                            | —                            | 153,000,000  |
| Total               | 153,000,000  | —                            | —                            | 153,000,000  |
| Treasury stock      |  |                              |                              |  |
| Common stock (Note) | 3,274,000  | 2,258                        | —                            | 3,276,258  |
| Total               | 3,274,000  | 2,258                        | —                            | 3,276,258  |

(Note) The increase in the number of treasury shares of common stock is due to the acquisition of odd stock.

## 2. Dividend

## (1) Dividends paid in the current fiscal year

| (Resolution)   | Type of share | Total amounts of dividends (millions of yen) | Dividends per share (yen) | Record date       | Effective date    |
|--|---------------|--|---------------------------|-------------------|-------------------|
| The Board of Directors' meeting held on January 24, 2012 | Common stock  | 1,347  | 9.00                      | November 30, 2011 | February 29, 2012 |
| The Board of Directors' meeting held on June 25, 2012    | Common stock  | 1,422  | 9.50                      | May 31, 2012      | August 6, 2012    |

## (2) Dividends with record date during the current fiscal year but to be effective in the following fiscal year

| (Resolution)   | Type of share | Total amounts of dividends (millions of yen) | Dividend resource | Dividends per share (yen) | Record date       | Effective date    |
|--|---------------|--|-------------------|---------------------------|-------------------|-------------------|
| The Board of Directors' meeting held on January 24, 2013 | Common stock  | 1,572  | Earned surplus    | 10.50                     | November 30, 2012 | February 27, 2013 |



Current fiscal year (From December 1, 2012 to November 30, 2013)

1. Total numbers and periodic changes of issued shares and treasury stock by class

|                     | Number of shares at the beginning of the current fiscal year | Increase in number of shares | Decrease in number of shares | Number of shares at the end of the current fiscal year |
|---------------------|--|------------------------------|------------------------------|--|
| Issued shares       |  |                              |                              |  |
| Common stock        | 153,000,000  | —                            | —                            | 153,000,000  |
| Total               | 153,000,000  | —                            | —                            | 153,000,000  |
| Treasury stock      |  |                              |                              |  |
| Common stock (Note) | 3,276,258  | 2,297                        | —                            | 3,278,555  |
| Total               | 3,276,258  | 2,297                        | —                            | 3,278,555  |

(Note) The increase in the number of treasury shares of common stock is due to the acquisition of odd stock.

2. Dividend

(1) Dividends paid in the current fiscal year

| (Resolution)   | Type of share | Total amounts of dividends (millions of yen) | Dividends per share (yen) | Record date       | Effective date    |
|--|---------------|--|---------------------------|-------------------|-------------------|
| The Board of Directors' meeting held on January 24, 2013 | Common stock  | 1,572  | 10.50                     | November 30, 2012 | February 27, 2013 |
| The Board of Directors' meeting held on June 24, 2013    | Common stock  | 1,647  | 11.00                     | May 31, 2013      | August 5, 2013    |

(2) Dividends with record date during the current fiscal year but to be effective in the following fiscal year

| (Resolution)   | Type of share | Total amounts of dividends (millions of yen) | Dividend resource | Dividends per share (yen) | Record date       | Effective date    |
|--|---------------|--|-------------------|---------------------------|-------------------|-------------------|
| The Board of Directors' meeting held on January 24, 2014 | Common stock  | 1,647  | Earned surplus    | 11.00                     | November 30, 2013 | February 26, 2014 |

## Consolidated Statements of Cash Flows

\* Relationship between “Cash and cash equivalents at the end of the fiscal year” and “Cash and deposits” on the consolidated balance sheets

|   | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|---|---|--|
| Cash and deposits account                               | ¥ 33,394 million  | ¥ 33,967 million   |
| Time deposits with maturity over three months           | ¥ (3,007) million   | ¥ (3) million  |
| Securities account                                      | ¥ 10,000 million  | ¥ 10,000 million   |
| Cash and cash equivalents at the end of the fiscal year | ¥ 40,387 million  | ¥ 43,963 million   |

## Lease Transactions

## 1. Finance lease transactions (Lessee)

Finance lease transactions that do not transfer ownership

## (a) Details of lease assets

Lease assets mainly consist of production lines in the Foods business and information equipment and cars in the Distribution system business.

## (b) Depreciation method for lease assets

Depreciation method for lease assets was stated in "4. Accounting standards (2) Depreciation methods for significant depreciable assets" under Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements.

Finance lease transactions that do not transfer ownership whose start date falls on or before November 30, 2008 are accounted for by the same method as that applied to operating leases. The details of these lease assets are as follows.

## (1) Equivalent amounts of acquisition cost, accumulated depreciation and book value of lease properties

(Millions of yen)

|                                   | Previous fiscal year<br>(As of November 30, 2012) |  |                                    |
|-----------------------------------|---|--|------------------------------------|
|                                   | Equivalent amount of<br>acquisition cost          | Equivalent amount of<br>accumulated depreciation | Equivalent amount of<br>book value |
| Machinery, equipment and vehicles | 7,958   | 6,677  | 1,280                              |
| Tangible fixed assets-Other       | 1,193   | 765  | 427                                |
| Computer software                 | 136   | 128  | 7                                  |
| Total                             | 9,288   | 7,572  | 1,716                              |

(Millions of yen)

|                                   | Current fiscal year<br>(As of November 30, 2013) |  |                                    |
|-----------------------------------|--|--|------------------------------------|
|                                   | Equivalent amount of<br>acquisition cost         | Equivalent amount of<br>accumulated depreciation | Equivalent amount of<br>book value |
| Machinery, equipment and vehicles | 5,367  | 4,986  | 380                                |
| Tangible fixed assets-Other       | 635  | 295  | 339                                |
| Computer software                 | 19   | 19   | —                                  |
| Total                             | 6,022  | 5,302  | 720                                |

## (2) Equivalent amount of future lease payments

(Millions of yen)

|   | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|---|---|--|
| Equivalent amount of future lease<br>payments |   |  |
| Due within one year                           | 1,040   | 361  |
| Due over one year                             | 749   | 375  |
| Total   | 1,790   | 737  |

## (3) Lease payments, equivalent amounts of depreciation and interest expenses

(Millions of yen)

|   | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|---|---|--|
| Lease payments                                | 1,725   | 834  |
| Equivalent amount of depreciation<br>expenses | 1,459   | 734  |
| Equivalent amount of interest expenses        | 83  | 33   |

## (4) Calculation method of equivalent amount of depreciation expenses

Depreciation expense is calculated by the straight-line method by considering lease period to be useful life and residual value to be zero.

## (5) Calculation method of equivalent amount of interest expenses

Interest, which is separated from the aggregate lease amounts, is calculated as the difference between the aggregate lease amounts on contracts and the presumed costs considered to be acquired by lesser. Such calculated interest is allocated to the respective fiscal years by the interest-method.

## (Losses on impairment of fixed assets)

No losses on impairment of fixed assets are allocated to lease assets.

## 2. Operating lease transactions

Future lease payments related to irrevocable operating lease transactions

(Millions of yen)

|                     | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|---------------------|---|--|
| Due within one year | 816   | 910  |
| Due over one year   | 2,518   | 2,256  |
| Total               | 3,334   | 3,167  |

## Financial Instruments

### 1. Status of financial instruments

#### (1) Policy on handling financial instruments

In accordance with its capital investment plan, the Group procures necessary funds through bank loans and issuance of corporate bonds. Temporary surplus funds are invested in highly secure financial assets, while short-term funds for working capital are raised through bank loans. The Group's policy is to use financial derivative transactions not for speculative purposes, but for hedging risks described hereafter.

#### (2) Description of financial instruments and related risks

Notes and accounts receivable — trade, which are operating receivables, are exposed to credit risks of customers. Securities and investment securities, which mainly consist of stocks of companies with which the Group has business or other relationships, are exposed to market fluctuation risk.

With respect to notes and accounts payable — trade, which are operating payables, the majority of them are due within a year. Some of them, associated with the import of raw materials etc., are exposed to foreign exchange fluctuation risk because they are denominated in foreign currencies, but the Group hedges this risk by using forward exchange contracts as necessary. Short-term loans payable are obtained mainly to meet operating needs, while long-term loans payable and bonds are used to provide funds necessary mainly for capital expenditures. Although some of them are with floating interest rates and are exposed to interest rate fluctuation risk, the Group hedges this risk by using interest rate swap transactions.

Financial derivative transactions include forward exchange contracts intended to hedge the foreign exchange fluctuation risk associated with foreign currency denominated payables, interest rate swap transactions intended to hedge the interest rate fluctuation risk associated with loans payable, and crude oil price swap transactions intended to hedge the market fluctuation risk of light and heavy oil prices. With respect to hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedge accounting, please refer to "4. Accounting standards (4) Treatment for significant hedge accounting" under Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements described previously.

#### (3) Risk management system relating to financial instruments

##### (i) Management of credit risk

At the Company, in order to properly manage operating receivables, the sales administration unit and the accounting and financial unit periodically review the conditions of main business partners, and manage the due dates and outstanding balances for individual business partners. In addition, the Company makes efforts for early identification and mitigation of default risk resulting from factors such as a deterioration in financial conditions. The same management practices are carried out at the consolidated subsidiaries.

As financial derivative transactions are executed only with highly rated financial institutions, the Company believes that there is very little credit risk.

##### (ii) Management of market risk

The Group utilizes transactions such as forward exchange contracts intended to hedge the foreign exchange fluctuation risk associated with foreign currency denominated payables, interest rate swap transactions intended to hedge the interest rate fluctuation risk associated with loans payable, and crude oil price swap transactions intended to hedge the market fluctuation risk of light and heavy oil prices. At the Company, the management of risks associated with such financial derivative transactions is carried out by the Production Division and Financial Department in accordance with the internal regulations, and all the results of financial derivative transactions are reported to the general manager of the Financial

Department. At the consolidated subsidiaries, general control units mainly control financial derivative transactions of respective subsidiaries and all the results of these transactions are reported to the directors in charge of the responsible department.

For securities and investment securities, the Group periodically monitors the market values and financial conditions of the issuing entities (corporate business partners), and for securities other than held-to-maturity bonds, it continuously reviews the shareholding status, in view of the market conditions and relationships with such corporate business partners.

(iii) Management of liquidity risks associated with fund procurements

The Group manages liquidity risk by preparing and updating financing plans on a timely basis, by arranging overdraft facilities with multiple financial institutions, and by maintaining certain levels of liquidity through utilizing its cash management system.

(4) Supplementary explanation of fair values of financial instruments

The fair values of financial instruments include values based on market prices and reasonably measured values when market prices are unavailable. As variable factors are incorporated into the measurement of such values, the values may vary depending on the assumptions used. In addition, the contract amount of financial derivative transactions in itself, mentioned in Notes on Financial Derivative Transactions, should not be considered indicative of the market risks associated with the financial derivative transactions.

2. Fair values of financial instruments

The book value on the consolidated balance sheet and the fair values as of the end of the fiscal year and variances thereof are shown below. However, items for which it is considered extremely difficult to determine the fair values are not included in the following table (See note 2).

Previous fiscal year (As of November 30, 2012)

|  | Book value on the consolidated balance sheet<br>(millions of yen) | Fair value<br>(millions of yen) | Variance<br>(millions of yen) |
|--|---|---------------------------------|-------------------------------|
| (1) Cash and deposits  | 33,394  | 33,394                          | —                             |
| (2) Notes and accounts receivable — trade (*1)<br>Allowances for doubtful accounts | 66,684<br>(149)   |                                 |                               |
|  | 66,534  | 66,534                          | —                             |
| (3) Securities and investment securities   | 25,972  | 26,195                          | 223                           |
| Total assets   | 125,901   | 126,125                         | 223                           |
| (4) Notes and accounts payable — trade   | 41,715  | 41,715                          | —                             |
| (5) Short-term loans payable   | 7,245   | 7,245                           | —                             |
| (6) Accounts payable — other   | 15,299  | 15,299                          | —                             |
| (7) Accrued income taxes   | 6,692   | 6,692                           | —                             |
| (8) Bonds  | 10,500  | 10,500                          | —                             |
| (9) Long-term loans payable  | 1,750   | 1,749                           | (1)                           |
| Total liabilities  | 83,204  | 83,202                          | (1)                           |
| Financial derivative transactions (*2)   | 10  | 10                              | —                             |

(\*1) The values of notes and accounts receivable — trade are presented after deducting allowances for doubtful accounts set up for corresponding notes and accounts receivable — trade.

(\*2) The values of assets and liabilities arising from financial derivative transactions are shown at net value.

## Current fiscal year (As of November 30, 2013)

|  | Book value on the<br>consolidated balance<br>sheet<br>(millions of yen) | Fair value<br>(millions of yen) | Variance<br>(millions of yen) |
|--|---|---------------------------------|-------------------------------|
| (1) Cash and deposits  | 33,967  | 33,967                          | —                             |
| (2) Notes and accounts receivable — trade (*1)<br>Allowances for doubtful accounts | 77,460<br>(238)   |                                 |                               |
|  | 77,221  | 77,221                          | —                             |
| (3) Securities and investment securities   | 28,764  | 29,115                          | 350                           |
| Total assets   | 139,953   | 140,304                         | 350                           |
| (4) Notes and accounts payable — trade   | 50,786  | 50,786                          | —                             |
| (5) Short-term loans payable   | 7,614   | 7,614                           | —                             |
| (6) Accounts payable — other   | 20,113  | 20,113                          | —                             |
| (7) Accrued income taxes   | 2,725   | 2,725                           | —                             |
| (8) Bonds  | 10,000  | 10,003                          | 3                             |
| (9) Long-term loans payable  | 4,409   | 4,419                           | 9                             |
| Total liabilities  | 95,649  | 95,662                          | 13                            |
| Financial derivative transactions (*2)   | 55  | 55                              | —                             |

(\*1) The values of notes and accounts receivable — trade are presented after deducting allowances for doubtful accounts set up for corresponding notes and accounts receivable — trade.

(\*2) The values of assets and liabilities arising from financial derivative transactions are shown at net value.

(Notes) 1. Method of measurement of fair values of financial instruments and matters concerning securities and financial derivative transactions

Assets

(1) Cash and deposits, (2) Notes and accounts receivable — trade

The fair values are based on the relevant book values since these assets are settled in a short period of time and their fair values are virtually equal to their book values.

(3) Securities and investment securities

The fair values of equity are based on their prices on the securities exchanges and the fair values of bonds are based on their prices on the securities exchanges or those indicated by counterparty financial institutions. The fair values of monies held in trust are based on the relevant book values since these assets are settled in a short period of time and their fair values are virtually equal to their book values. Please refer to Notes on Securities for matters concerning securities by purpose of holding.

Liabilities

(4) Notes and accounts payable — trade, (5) Short-term loans payable, (6) Accounts payable — other, (7) Accrued income taxes

The fair values are based on the relevant book values since these liabilities are settled in a short period of time and their fair values are virtually equal to their book values.

(8) Bonds

The fair values of bonds with fixed interest rates are measured based on the present value of the total amount of principal and interest discounted by the interest rate that would be applied for a new similar issuance.

(9) Long-term loans payable

The fair values of long-term loans payable with fixed interest rates are measured based on the present value of the total amount of principal and interest discounted by the interest rate that would be charged for a new similar borrowing. The fair values of those with floating interest rates are based on the relevant book values because interest rates are reviewed in short-term intervals to reflect market interest rates and the fair values are virtually equal to the book values. Out of long-term loans payable with floating interest rates, fair values of those subject to special treatment for interest rate swap transactions are measured based on the present value of the total amount of principal and interest, which was accounted for as an integral part of the relevant interest rate swap transactions and discounted by the reasonably estimated interest rate that would be charged for a new similar borrowing.



Financial derivative transactions

Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of long-term loans payable, a hedged item. Thus, their fair values are included in the fair value of long-term loans payable. For details of financial derivative transactions, please refer to Notes on Financial Derivative Transactions.

## 2. Financial instruments for which it is considered extremely difficult to determine fair values

(Millions of yen)

| Classification  | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|-----------------|---|--|
| Unlisted stocks | 4,079   | 4,772  |

Unlisted stocks have no market prices and, at the same time, it is considered estimating their future cash flows will require excessive costs. Therefore, it is considered to be extremely difficult to determine the fair values of these stocks, and they are not included in “(3) Securities and investment securities” above.

## 3. Expected redemption amount of monetary receivables and securities with maturity dates reaching after the consolidated closing date

## Previous fiscal year (As of November 30, 2012)

|                                       | Within one year<br>(millions of yen) | Over one year<br>to five years<br>(millions of yen) | Over five years<br>to ten years<br>(millions of yen) | Over ten years<br>(millions of yen) |
|---------------------------------------|--------------------------------------|---|--|-------------------------------------|
| Cash and deposits                     | 33,347                               | —   | —  | —                                   |
| Notes and accounts receivable — trade | 66,684                               | —   | —  | —                                   |
| Securities and investment securities  |                                      |   |  |                                     |
| Other securities with maturity        |                                      |   |  |                                     |
| Others                                | 10,000                               | 946   | —  | —                                   |
| Total                                 | 110,032                              | 946   | —  | —                                   |

## Current fiscal year (As of November 30, 2013)

|                                       | Within one year<br>(millions of yen) | Over one year<br>to five years<br>(millions of yen) | Over five years<br>to ten years<br>(millions of yen) | Over ten years<br>(millions of yen) |
|---------------------------------------|--------------------------------------|---|--|-------------------------------------|
| Cash and deposits                     | 33,930                               | —   | —  | —                                   |
| Notes and accounts receivable — trade | 77,460                               | —   | —  | —                                   |
| Securities and investment securities  |                                      |   |  |                                     |
| Other securities with maturity        |                                      |   |  |                                     |
| Others                                | 10,946                               | —   | —  | —                                   |
| Total                                 | 122,336                              | —   | —  | —                                   |

4. Scheduled repayment amounts for bonds, long-term loans payable, lease obligations and other interest-bearing debt after the consolidated closing date

Previous fiscal year (As of November 30, 2012)

|                          | Within one year<br>(millions of yen) | Over one year<br>to two years<br>(millions of yen) | Over two years<br>to three years<br>(millions of yen) | Over three years<br>to four years<br>(millions of yen) | Over four years<br>to five years<br>(millions of yen) | Over five years<br>(millions of yen) |
|--------------------------|--------------------------------------|--|---|--|---|--------------------------------------|
| Short-term loans payable | 7,245                                | —  | —   | —  | —   | —                                    |
| Bonds                    | 500                                  | —  | —   | —  | —   | 10,000                               |
| Long-term loans payable  | 951                                  | 301  | 293   | 160  | 44  | —                                    |
| Lease obligations        | 981                                  | 817  | 907   | 477  | 303   | 200                                  |
| Total                    | 9,678                                | 1,119  | 1,201   | 638  | 347   | 10,200                               |

Current fiscal year (As of November 30, 2013)

|                          | Within one year<br>(millions of yen) | Over one year<br>to two years<br>(millions of yen) | Over two years<br>to three years<br>(millions of yen) | Over three years<br>to four years<br>(millions of yen) | Over four years<br>to five years<br>(millions of yen) | Over five years<br>(millions of yen) |
|--------------------------|--------------------------------------|--|---|--|---|--------------------------------------|
| Short-term loans payable | 7,614                                | —  | —   | —  | —   | —                                    |
| Bonds                    | —                                    | —  | —   | —  | —   | 10,000                               |
| Long-term loans payable  | 698                                  | 681  | 520   | 397  | 267   | 1,843                                |
| Lease obligations        | 1,128                                | 801  | 628   | 439  | 585   | 275                                  |
| Total                    | 9,441                                | 1,482  | 1,149   | 837  | 852   | 12,118                               |

## Securities

## 1. Other securities

Previous fiscal year (As of November 30, 2012)

|  | Description                    | Book value on the consolidated balance sheet<br>(millions of yen) | Acquisition cost<br>(millions of yen) | Variance<br>(millions of yen) |
|--|--------------------------------|---|---------------------------------------|-------------------------------|
| Securities whose book value on the consolidated balance sheet exceeds their acquisition cost | (1) Stocks                     | 9,170   | 4,612                                 | 4,558                         |
|  | (2) Bonds                      |   |                                       |                               |
|  | (a) Government and local bonds | —   | —                                     | —                             |
|  | (b) Corporate bonds            | 1,019   | 1,000                                 | 19                            |
|  | (c) Other                      | 988   | 946                                   | 42                            |
|  | (3) Other                      | 5   | 4                                     | 0                             |
|  | Sub-total                      | 11,184  | 6,563                                 | 4,620                         |
| Securities whose acquisition cost exceeds their book value on the consolidated balance sheet | (1) Stocks                     | 3,420   | 3,855                                 | (435)                         |
|  | (2) Bonds                      |   |                                       |                               |
|  | (a) Government and local bonds | —   | —                                     | —                             |
|  | (b) Corporate bonds            | —   | —                                     | —                             |
|  | (c) Other                      | —   | —                                     | —                             |
|  | (3) Other                      | 10,088  | 10,103                                | (14)                          |
|  | Sub-total                      | 13,509  | 13,959                                | (450)                         |
|  | Total                          | 24,693  | 20,522                                | 4,170                         |

Current fiscal year (As of November 30, 2013)

|  | Description                    | Book value on the consolidated balance sheet<br>(millions of yen) | Acquisition cost<br>(millions of yen) | Variance<br>(millions of yen) |
|--|--------------------------------|---|---------------------------------------|-------------------------------|
| Securities whose book value on the consolidated balance sheet exceeds their acquisition cost | (1) Stocks                     | 14,495  | 7,001                                 | 7,493                         |
|  | (2) Bonds                      |   |                                       |                               |
|  | (a) Government and local bonds | —   | —                                     | —                             |
|  | (b) Corporate bonds            | 1,007   | 1,000                                 | 7                             |
|  | (c) Other                      | 962   | 946                                   | 16                            |
|  | (3) Other                      | 12  | 7                                     | 5                             |
|  | Sub-total                      | 16,477  | 8,954                                 | 7,523                         |
| Securities whose acquisition cost exceeds their book value on the consolidated balance sheet | (1) Stocks                     | 963   | 1,087                                 | (124)                         |
|  | (2) Bonds                      |   |                                       |                               |
|  | (a) Government and local bonds | —   | —                                     | —                             |
|  | (b) Corporate bonds            | —   | —                                     | —                             |
|  | (c) Other                      | —   | —                                     | —                             |
|  | (3) Other                      | 10,000  | 10,000                                | —                             |
|  | Sub-total                      | 10,963  | 11,087                                | (124)                         |
|  | Total                          | 27,441  | 20,042                                | 7,399                         |

## 2. Other securities sold during the fiscal year

Previous fiscal year (From December 1, 2011 to November 30, 2012)

| Description                    | Aggregate sales amount<br>(millions of yen) | Gains<br>(millions of yen) | Losses<br>(millions of yen) |
|--------------------------------|---|----------------------------|-----------------------------|
| (1) Stocks                     | 91  | 45                         | —                           |
| (2) Bonds                      |   |                            |                             |
| (a) Government and local bonds | —   | —                          | —                           |
| (b) Corporate bonds            | —   | —                          | —                           |
| (c) Other                      | —   | —                          | —                           |
| (3) Other                      | —   | —                          | —                           |
| Total                          | 91  | 45                         | —                           |

Current fiscal year (From December 1, 2012 to November 30, 2013)

| Description                    | Aggregate sales amount<br>(millions of yen) | Gains<br>(millions of yen) | Losses<br>(millions of yen) |
|--------------------------------|---|----------------------------|-----------------------------|
| (1) Stocks                     | 727   | 212                        | 0                           |
| (2) Bonds                      |   |                            |                             |
| (a) Government and local bonds | —   | —                          | —                           |
| (b) Corporate bonds            | —   | —                          | —                           |
| (c) Other                      | —   | —                          | —                           |
| (3) Other                      | —   | —                          | —                           |
| Total                          | 727   | 212                        | 0                           |

## 3. Securities for which impairment losses are recognized

Previous fiscal year (From December 1, 2011 to November 30, 2012)

Impairment losses of ¥8 million were recognized for securities (losses of ¥8 million on shares of other securities).

In the recognition of impairment losses, total impairment is recognized when the fair value at the end of the fiscal year has fallen below 50% of the acquisition cost. When the fair value has fallen between 30% and 50%, an impairment of the amount deemed necessary by taking into account recoverability etc. is recognized.

Current fiscal year (From December 1, 2012 to November 30, 2013)

Not applicable.

## Financial Derivative Transactions

## 1. Financial derivative transactions to which the hedge accounting is not adopted

## Commodity derivatives

Previous fiscal year (As of November 30, 2012)

| Classification                                       | Item      | Transaction type                                       | Contract amount            |                                    | Fair value<br>(millions of yen) | Gains or losses<br>on valuation<br>(millions of yen) |
|--|-----------|--|----------------------------|------------------------------------|---------------------------------|--|
|  |           |  | Total<br>(millions of yen) | Over one year<br>(millions of yen) |                                 |  |
| Transactions<br>other than<br>market<br>transactions | Crude oil | Swap transactions<br>Floating receipt<br>Fixed payment | 542                        | 386                                | 7                               | 7  |

| Classification                                       | Item      | Transaction type | Contract amount       |                               | Fair value<br>(millions of yen) | Gains or losses<br>on valuation<br>(millions of yen) |
|--|-----------|------------------|-----------------------|-------------------------------|---------------------------------|--|
|  |           |                  | Total<br>(kilo liter) | Over one year<br>(kilo liter) |                                 |  |
| Transactions<br>other than<br>market<br>transactions | Crude oil | Collar options   | 8,800                 | —                             | (7)                             | (7)  |

(Note) Calculation of fair values

Fair values are calculated using the prices offered by transacting financial institutions etc.

Current fiscal year (As of November 30, 2013)

| Classification                                       | Item      | Transaction type                                       | Contract amount            |                                    | Fair value<br>(millions of yen) | Gains or losses<br>on valuation<br>(millions of yen) |
|--|-----------|--|----------------------------|------------------------------------|---------------------------------|--|
|  |           |  | Total<br>(millions of yen) | Over one year<br>(millions of yen) |                                 |  |
| Transactions<br>other than<br>market<br>transactions | Crude oil | Swap transactions<br>Floating receipt<br>Fixed payment | 395                        | 335                                | 75                              | 75   |

(Note) Calculation of fair values

Fair values are calculated using the prices offered by transacting financial institutions etc.

## 2. Financial derivative transactions to which the hedge accounting is adopted

## (1) Currency derivatives

Previous fiscal year (As of November 30, 2012)

| Hedge accounting method                                | Transaction type                                 | Principle hedged item  | Contract amount         |                                 | Fair value (millions of yen) |
|--|--|------------------------|-------------------------|---------------------------------|------------------------------|
|  |  |                        | Total (millions of yen) | Over one year (millions of yen) |                              |
| Allocation method for forward exchange contracts, etc. | Purchased forward exchange contracts—U.S. dollar | Accounts payable-trade | 234                     | —                               | 11                           |

(Note) Calculation of fair values

Fair values are calculated using the prices offered by transacting financial institutions etc.

Current fiscal year (As of November 30, 2013)

| Hedge accounting method                                | Transaction type                                 | Principle hedged item  | Contract amount         |                                 | Fair value (millions of yen) |
|--|--|------------------------|-------------------------|---------------------------------|------------------------------|
|  |  |                        | Total (millions of yen) | Over one year (millions of yen) |                              |
| Allocation method for forward exchange contracts, etc. | Purchased forward exchange contracts—U.S. dollar | Accounts payable-trade | 83                      | —                               | 3                            |

(Note) Calculation of fair values

Fair values are calculated using the prices offered by transacting financial institutions etc.

## (2) Interest rate derivatives

Previous fiscal year (As of November 30, 2012)

| Hedge accounting method                               | Transaction type   | Principle hedged item   | Contract amount         |                                 | Fair value (millions of yen) |
|---|--|-------------------------|-------------------------|---------------------------------|------------------------------|
|   |  |                         | Total (millions of yen) | Over one year (millions of yen) |                              |
| Special treatment for interest rate swap transactions | Interest rate swap transactions<br>Floating receipt<br>Fixed payment | Long-term loans payable | 500                     | —                               | (Note)                       |

(Note) Interest rate swap transactions to which special treatment is applied are accounted for as an integral part of hedged long-term loans payable. Thus, their fair values are included in the fair value of long-term loans payable.

Current fiscal year (As of November 30, 2013)

| Hedge accounting method | Transaction type   | Principle hedged item   | Contract amount         |                                 | Fair value (millions of yen) |
|-------------------------|--|-------------------------|-------------------------|---------------------------------|------------------------------|
|                         |  |                         | Total (millions of yen) | Over one year (millions of yen) |                              |
| Deferral hedge method   | Interest rate swap transactions<br>Floating receipt<br>Fixed payment | Long-term loans payable | 1,412                   | 1,325                           | (24)                         |

(Note) Calculation of fair values

Fair values are calculated using the prices offered by transacting financial institutions etc.

## Retirement Benefits

### 1. Summary of retirement benefit system

The Company and eleven consolidated subsidiaries including San-ei Provisions Co., Ltd. and Co-op Foods Co., Ltd. have a defined benefit pension plan covering the retirement benefits payable for their employees. And the Company has established trust to cover retirement benefit obligations.

Thirty consolidated companies including Kewpie Egg Corporation, Kewpie Jyozo Co., Ltd., K.R.S. Corporation, Kanae Foods Co., Ltd., and Zen-noh Kewpie Egg-station Co., Ltd. have a defined benefit pension plan and a lump-sum grant system covering a part of the retirement benefits payable for their employees.

As a result, out of the Company and all the consolidated subsidiaries, thirty companies have the lump-sum grant system as of the balance sheet date. In addition, excluding duplicated systems in the intragroup fund and joint consignment contracts on pension, one system of Fund-Type and five systems of Contract-Type concerning the defined benefit system, and one system concerning the employees' welfare pension funds are adopted by the Company and its consolidated subsidiaries.

### 2. Retirement benefit obligations

(Millions of yen)

|  | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|--|---|--|
| (1) Retirement benefit obligations   | (65,193)  | (68,906)   |
| (2) Pension fund assets  | 62,807  | 69,718   |
| (3) Unfunded retirement benefit obligations (1)+(2)  | (2,386)   | 811  |
| (4) Unrealized actuarial losses  | 16,268  | 12,398   |
| (5) Unrealized prior service liabilities   | (525)   | 210  |
| (6) Net retirement benefit obligation recognized in the consolidated balance sheet (3)+(4)+(5) | 13,356  | 13,420   |
| (7) Prepaid pension costs  | 15,951  | 15,736   |
| (8) Reserves for retirement benefits (6)-(7)   | (2,595)   | (2,315)  |

### 3. Retirement benefit expenses

(Millions of yen)

|  | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|--|---|--|
| Retirement benefit expenses                | 4,036   | 3,830  |
| (1) Service costs                          | 2,306   | 2,362  |
| (2) Interest costs                         | 1,212   | 1,200  |
| (3) Expected return on pension fund assets | (1,814)   | (1,903)  |
| (4) Accrued prior service liabilities      | (829)   | (765)  |
| (5) Amortization of actuarial losses       | 3,161   | 2,936  |

- (Notes) 1. The costs employees themselves bear and the costs allocated to the companies in which employees on loan work are excluded from service costs.  
2. In the current fiscal year, other than the retirement benefit expenses presented above, ¥386 million included in contribution for withdrawal from employees' pension fund has been recorded as extraordinary losses.

## 4. Calculation basis of retirement benefit obligations

## (1) Recognition method of the projected retirement benefit obligations

Straight-line method

## (2) Discount rate

| Previous fiscal year<br>(From December 1, 2011 to November 30, 2012) | Current fiscal year<br>(From December 1, 2012 to November 30, 2013) |
|--|---|
| 2.0%   | 1.5 to 2.0%   |

## (3) Expected return rate on pension fund assets

| Previous fiscal year<br>(From December 1, 2011 to November 30, 2012) | Current fiscal year<br>(From December 1, 2012 to November 30, 2013) |
|--|---|
| 3.5%   | 3.5%  |

## (4) Period of prior service liabilities

Twelve years except for K.R.S. Corporation (from ten to thirteen years)

## (5) Amortization period of actuarial gains or losses

Twelve years except for K.R.S. Corporation (from ten to thirteen years)

Actuarial gains or losses are amortized by the straight-line method over a certain period within an average remaining service period of employees from the following fiscal year of the respective accrual fiscal years.



## Tax-effect Accounting

## 1. The principal details of deferred tax assets and liabilities are as follows:

|  | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|--|---|--|
| Deferred tax assets                                  |   |  |
| Unrealized gains                                     | ¥ 1,715 million                                   | ¥ 1,700 million                                  |
| Reserves for sales rebates                           | ¥ 380 million                                     | ¥ 348 million                                    |
| Reserves for bonuses                                 | ¥ 391 million                                     | ¥ 410 million                                    |
| Accrued social security expenses                     | ¥ 268 million                                     | ¥ 301 million                                    |
| Accrued enterprise taxes                             | ¥ 419 million                                     | ¥ 175 million                                    |
| Reserves for retirement benefits                     | ¥ 938 million                                     | ¥ 867 million                                    |
| Trust to cover retirement benefit obligations        | ¥ 1,262 million                                   | ¥ 1,262 million                                  |
| Losses on valuation of golf course memberships       | ¥ 164 million                                     | ¥ 164 million                                    |
| Deficit carried forward on tax                       | ¥ 502 million                                     | ¥ 654 million                                    |
| Losses on impairment of fixed assets                 | ¥ 923 million                                     | ¥ 83 million                                     |
| Other  | ¥ 2,560 million                                   | ¥ 2,582 million                                  |
| Sub-total deferred tax assets                        | ¥ 9,529 million                                   | ¥ 8,551 million                                  |
| Valuation reserves                                   | ¥ (1,881) million                                 | ¥ (1,160) million                                |
| Total deferred tax assets                            | ¥ 7,648 million                                   | ¥ 7,390 million                                  |
| Deferred tax liabilities                             |   |  |
| Prepaid pension costs                                | ¥ (5,969) million                                 | ¥ (5,844) million                                |
| Differences on valuation of fixed assets             | ¥ (846) million                                   | ¥ (846) million                                  |
| Reserves for reduction entry of property by purchase | ¥ (1,286) million                                 | ¥ (1,285) million                                |
| Unrealized holding gains on securities               | ¥ (1,407) million                                 | ¥ (2,273) million                                |
| Other  | ¥ (902) million                                   | ¥ (1,128) million                                |
| Total deferred tax liabilities                       | ¥ (10,411) million                                | ¥ (11,377) million                               |
| Net deferred tax assets (liabilities)                | ¥ (2,763) million                                 | ¥ (3,987) million                                |

(Note) Net deferred tax assets included in the consolidated balance sheets during the previous fiscal year and the current fiscal year are as follows:

|  | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|--|---|--|
| Current assets — Deferred tax assets               | ¥ 2,266 million                                   | ¥ 2,142 million                                  |
| Fixed assets — Deferred tax assets                 | ¥ 1,320 million                                   | ¥ 1,355 million                                  |
| Current liabilities — Deferred tax liabilities     | ¥ (12) million                                    | ¥ (15) million                                   |
| Non-current liabilities — Deferred tax liabilities | ¥ (6,338) million                                 | ¥ (7,469) million                                |

## 2. The principal details of differences between the statutory tax rate and effective tax rate

|   | Previous fiscal year<br>(As of November 30, 2012) | Current fiscal year<br>(As of November 30, 2013) |
|---|---|--|
| The statutory effective tax rate  | 40.7%   | 38.0%  |
| (Adjustments)   |   |  |
| Changes in valuation reserves   | (0.3%)  | (2.3%)   |
| Expenses not deductible permanently   | 1.4%  | 1.3%   |
| Income not taxable permanently  | (0.4%)  | (0.5%)   |
| Capita levy on inhabitant tax   | 0.9%  | 0.9%   |
| Tax deduction   | (2.1%)  | (2.5%)   |
| Reduction in deferred tax liabilities at the end of the fiscal year due to changes to tax rates | (2.3%)  | —  |
| Other   | 0.3%  | (0.7%)   |
| Effective tax rate  | 38.2%   | 34.2%  |

## Business Combination

### Common control transactions

Making Co-op Foods Co., Ltd. a wholly owned subsidiary

#### 1. Summary of transaction

(1) Name and description of businesses of company involved in business combination

Name of company involved    Co-op Foods Co., Ltd.  
in business combination

Description of businesses    Production and processing of prepared foods, retort pouch foods, frozen foods, fruit sauces, processed vegetables, almond jelly dessert, etc.

(2) Date of business combination

July 1, 2013 (the first day of the third quarter is the deemed acquisition date)

(3) Legal form of business combination

Making a company a wholly owned subsidiary through additional acquisition of shares from minority shareholders

(4) Name of company after business combination

There was no change in the name of the company after the share acquisition.

(5) Outline of the transaction including its purpose

The Company acquired shares held by minority shareholders with the purpose of promoting efficiency in the production structure of the Group's Processed foods business using initiative and flexibility.

#### 2. Outline of accounting treatment applied

The additional acquisition of the subsidiary's shares was accounted for as transaction with minority shareholders under the category of transactions under common control based on the "Accounting Standard for Business Combinations"(ASBJ Statement No. 21 of December 26, 2008) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures"(ASBJ Guidance No. 10 of December 26, 2008).

#### 3. Additional acquisition of subsidiary's shares

(1) Acquisition costs and breakdown of amounts

|                                       |              |
|---------------------------------------|--------------|
| Acquisition costs                     | ¥612 million |
| Direct expenditure for acquisition    | ¥0 million   |
| Acquisition costs (Cash and deposits) | ¥613 million |

(2) Amount of gains on negative goodwill and reason for recognition

(a) Amount of gains on negative goodwill    ¥1,200 million

(b) Reason for recognition

Negative goodwill was recognized because the total acquisition cost in the additional acquisition of the subsidiary's shares was less than the decrease in minority interests.

## Business divestiture

Transfer of business related to Fujisan Sensui Co., Ltd.

## 1. Outline of business divestiture

- (1) Name of company which succeeded a divested business  
Asahi Soft Drinks Co., Ltd.
- (2) Description of divested business  
Production and sale of mineral water
- (3) Primary reasons for carrying out business divestiture  
The Group transferred all shares of Fujisan Sensui Co., Ltd. that conducts production and sale of mineral water to Asahi Soft Drinks Co., Ltd., in order to promote selection and concentration of management resources to further strengthen core businesses and growth businesses with the aim of pursuing sustainable domestic growth and dramatic overseas growth.
- (4) Date of business divestiture  
November 29, 2013
- (5) Matters regarding outline of other transactions including legal form  
Business transfer with cash and other assets as consideration received

## 2. Outline of accounting treatment applied

- (1) Amount of profit/loss on transfer  
Loss on transfer, which is included in Other of Extraordinary losses: ¥263 million
- (2) Proper book values and main components of assets and liabilities pertaining to transferred business

|                         |                |
|-------------------------|----------------|
| Current assets          | ¥169 million   |
| Fixed assets            | ¥1,519 million |
| Total assets            | ¥1,688 million |
| Current liabilities     | ¥422 million   |
| Non-current liabilities | ¥9 million     |
| Total liabilities       | ¥431 million   |

## 3. Name of reported segment that included divested business

Processed foods

## 4. Estimated amount of profit/loss pertaining to divested business recorded in consolidated statements of income for the current fiscal year

|                  |                |
|------------------|----------------|
| Net sales        | ¥1,616 million |
| Operating income | ¥(137) million |

## Asset Retirement Obligations

Asset retirement obligations recorded in the consolidated balance sheets

### 1. Summary of relevant asset retirement obligations

The duty to restore, etc. based on real estate lease contracts for factories, warehouses, etc.

### 2. Method for calculating the amount of relevant asset retirement obligations

The amount of asset retirement obligations is calculated by estimating the period of use as ten to fifty-one years following acquisition and using a discount rate of 1.4% to 2.2%.

### 3. Changes in amounts of relevant asset retirement obligations

|   | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|---|---|--|
| Balance at the beginning of the fiscal year               | ¥ 427 million   | ¥ 342 million  |
| Increase due to purchases of tangible fixed assets        | ¥ 188 million   | —  |
| Adjustments to interest                                   | ¥ 5 million   | ¥ 6 million  |
| Decrease due to payments for asset retirement obligations | ¥ (260) million   | ¥ (6) million  |
| Other changes (decrease if in parenthesis)                | ¥ (20) million  | ¥ (9) million  |
| Balance at the end of the fiscal year                     | ¥ 342 million   | ¥ 332 million  |

## Segment Information

### Segment Information

#### 1. Outline of reported segments

The reported segments of the Company are those units for which separate financial statements can be obtained among the constituent units of the Group and which are regularly examined by the Board of Directors for making decisions on the allocation of management resources and for assessing business performance. These segments are categorized by product and service, and consist of "Condiments products," "Egg products," "Delicatessen products," "Processed foods," "Fine chemical products," "Distribution system," and "Common business operations."

The following is the overview of each segment:

|                             |  |
|-----------------------------|--|
| Condiments products:        | Mayonnaise, dressings and vinegar  |
| Egg products:               | Liquid egg, frozen egg, dried egg, egg spread, thick omelet and shredded egg                               |
| Delicatessen products:      | Salads, delicatessen foods, boxed lunches, rice balls and packaged salads                                  |
| Processed foods:            | Bottled and/or canned foods including jams, pasta sauces and sweet corn, baby foods and nursing care foods |
| Fine chemical products:     | Hyaluronic acid and EPA  |
| Distribution system:        | Transportation and warehousing of food products  |
| Common business operations: | Sale of food products  |

#### 2. Method used to calculate amounts of net sales, profit or loss, assets, liabilities and others by the reported segment

Accounting treatment applied to the reported segment is much the same with what is described in "Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements."

Profit of the reported segment is based on operating income. Intersegment net sales and transfers are based on prevailing market price.

#### Changes in reported segments

In order to speed up business operations and increase profitability, the reported segments have been reclassified from the current fiscal year. As a result, the following changes have been made in the reported segments.

- Dividing "Condiments and processed foods" into "Condiments products" and "Processed foods"
- Transferring Health care unit from "Health function products" to "Processed foods"
- Establishing "Fine chemical products" that was previously categorized as Fine chemical products unit in "Health function products"
- Transferring some product lines from "Health function products" to "Condiments products" as well as some from "Salads and prepared foods" to "Processed foods"

Additionally, from the current fiscal year, according to the changes of the Company's governing structure, the method for calculating the amounts of profit (loss) of the reported segments has been changed. The main change is to distribute expenses pertaining to the Company's administration unit and consolidated subsidiaries K.System Co., Ltd. and Kewpie Ai Co., Ltd., which were presented as "Adjustments," to the reported segments proportionally on the net sales basis.

Also, segment information on the previous fiscal year was made in accordance with the reclassified reported segments.

### Changes in depreciation method

As described in “Changes in accounting policies which are difficult to distinguish from changes in accounting estimates,” in accordance with the amendment to the Corporation Tax Law, effective from the current fiscal year, the Company and its domestic consolidated subsidiaries changed the depreciation method for the relevant tangible fixed assets newly acquired on or after December 1, 2012, to the method pursuant to the provisions of the revised Law.

As a result of the above, profit of the segment in the current fiscal year increased as follows.

(Millions of yen)

|                                | Condiments products | Egg products | Delicatessen products | Processed foods | Fine chemical products | Distribution system | Common business operations | Total | Adjustments | Total |
|--------------------------------|---------------------|--------------|-----------------------|-----------------|------------------------|---------------------|----------------------------|-------|-------------|-------|
| Changes in depreciation method | 73                  | 73           | 34                    | 22              | 23                     | 94                  | 1                          | 322   | —           | 322   |

### 3. Information on amounts of net sales, profit or loss, assets, liabilities and others by the reported segment

Previous fiscal year (From December 1, 2011 to November 30, 2012)

(Millions of yen)

|   | Condiments products | Egg products | Delicatessen products | Processed foods | Fine chemical products | Distribution system | Common business operations | Total   | Adjustments | Consolidated (Note) |
|---|---------------------|--------------|-----------------------|-----------------|------------------------|---------------------|----------------------------|---------|-------------|---------------------|
| Net sales   |                     |              |                       |                 |                        |                     |                            |         |             |                     |
| Net sales to outside customers                          | 138,552             | 85,573       | 91,570                | 59,061          | 8,341                  | 115,697             | 6,201                      | 504,997 | —           | 504,997             |
| Intersegment net sales or transfers                     | 3,456               | 4,740        | 353                   | 1,581           | 360                    | 23,450              | 9,311                      | 43,254  | (43,254)    | —                   |
| Total   | 142,008             | 90,313       | 91,924                | 60,642          | 8,701                  | 139,148             | 15,513                     | 548,252 | (43,254)    | 504,997             |
| Segment profit (loss)                                   | 11,473              | 4,888        | 3,075                 | (1,030)         | 973                    | 3,218               | 766                        | 23,365  | 3           | 23,368              |
| Segment assets  | 77,930              | 42,598       | 28,564                | 30,999          | 7,845                  | 65,146              | 7,663                      | 260,747 | 45,767      | 306,515             |
| Others  |                     |              |                       |                 |                        |                     |                            |         |             |                     |
| Depreciation and amortization                           | 4,363               | 2,501        | 1,281                 | 1,354           | 508                    | 3,625               | 454                        | 14,089  | —           | 14,089              |
| Investment in affiliates accounted for by equity method | 1,094               | 212          | —                     | 1,296           | —                      | —                   | 123                        | 2,726   | —           | 2,726               |
| Increase in tangible and intangible fixed assets        | 7,438               | 3,460        | 2,595                 | 2,529           | 1,162                  | 3,120               | 610                        | 20,916  | —           | 20,916              |

(Notes) 1. “Adjustments” of ¥45,767 million in “Segment assets” mainly includes company-wide assets of ¥50,757 million and elimination of intersegment receivables and payables of ¥(3,747) million.

Major items in company-wide assets are surplus operating funds of the Company (cash and deposits and securities) and long-term investment funds (investment securities).

2. Adjustments are made between “Segment profit (loss)” and “Operating income” reported in the consolidated statements of income.

3. “Depreciation and amortization” and “Increase in tangible and intangible fixed assets” include “Long-term prepaid expenses.”

## Current fiscal year (From December 1, 2012 to November 30, 2013)

(Millions of yen)

|   | Condiments products | Egg products | Delicatessen products | Processed foods | Fine chemical products | Distribution system | Common business operations | Total   | Adjustments | Consolidated (Note) |
|---|---------------------|--------------|-----------------------|-----------------|------------------------|---------------------|----------------------------|---------|-------------|---------------------|
| Net sales   |                     |              |                       |                 |                        |                     |                            |         |             |                     |
| Net sales to outside customers                          | 145,367             | 91,158       | 97,983                | 58,431          | 9,676                  | 120,320             | 7,612                      | 530,549 | —           | 530,549             |
| Intersegment net sales or transfers                     | 3,725               | 5,866        | 377                   | 1,810           | 328                    | 23,665              | 9,110                      | 44,883  | (44,883)    | —                   |
| Total   | 149,093             | 97,024       | 98,360                | 60,241          | 10,004                 | 143,985             | 16,723                     | 575,433 | (44,883)    | 530,549             |
| Segment profit (loss)                                   | 11,519              | 3,414        | 3,460                 | (896)           | 909                    | 3,208               | 781                        | 22,396  | 5           | 22,402              |
| Segment assets  | 88,235              | 49,113       | 32,419                | 30,420          | 9,623                  | 71,531              | 8,252                      | 289,595 | 45,059      | 334,655             |
| Others  |                     |              |                       |                 |                        |                     |                            |         |             |                     |
| Depreciation and amortization                           | 4,219               | 2,536        | 1,674                 | 1,225           | 621                    | 3,704               | 590                        | 14,572  | —           | 14,572              |
| Investment in affiliates accounted for by equity method | 1,076               | 258          | —                     | 1,358           | —                      | —                   | 138                        | 2,831   | —           | 2,831               |
| Increase in tangible and intangible fixed assets        | 6,973               | 5,573        | 4,026                 | 2,057           | 1,408                  | 6,054               | 1,028                      | 27,122  | —           | 27,122              |

(Notes) 1. "Adjustments" of ¥45,059 million in "Segment assets" mainly includes company-wide assets of ¥50,585 million and elimination of intersegment receivables and payables of ¥(4,134) million.

Major items in company-wide assets are surplus operating funds of the Company (cash and deposits and securities) and long-term investment funds (investment securities).

- Adjustments are made between "Segment profit (loss)" and "Operating income" reported in the consolidated statements of income.
- "Depreciation and amortization" and "Increase in tangible and intangible fixed assets" include "Long-term prepaid expenses."

## Related Information

Previous fiscal year (From December 1, 2011 to November 30, 2012)

1. Information by product and service

It is omitted here since similar information is disclosed in “Segment Information.”

2. Information by region

(1) Net sales

It is omitted here since net sales to outside customers in Japan is more than 90% of net sales reported in the consolidated statements of income.

(2) Tangible fixed assets

It is omitted here since the amount of tangible fixed assets located in Japan is more than 90% of tangible fixed assets reported in the consolidated balance sheets.

3. Information by major customers

It is omitted here since there is no customer occupying 10% or more of net sales reported in the consolidated statements of income.

Current fiscal year (From December 1, 2012 to November 30, 2013)

1. Information by product and service

It is omitted here since similar information is disclosed in “Segment Information.”

2. Information by region

(1) Net sales

It is omitted here since net sales to outside customers in Japan is more than 90% of net sales reported in the consolidated statements of income.

(2) Tangible fixed assets

It is omitted here since the amount of tangible fixed assets located in Japan is more than 90% of tangible fixed assets reported in the consolidated balance sheets.

3. Information by major customers

It is omitted here since there is no customer occupying 10% or more of net sales reported in the consolidated statements of income.



## Information on Losses on Impairment of Fixed Assets by Reported Segment

Previous fiscal year (From December 1, 2011 to November 30, 2012)

(Millions of yen)

|                                      | Condiments products | Egg products | Delicatessen products | Processed foods | Fine chemical products | Distribution system | Common business operations | Total | Adjustments | Total |
|--------------------------------------|---------------------|--------------|-----------------------|-----------------|------------------------|---------------------|----------------------------|-------|-------------|-------|
| Losses on impairment of fixed assets | —                   | —            | 1,431                 | —               | —                      | 212                 | —                          | 1,643 | —           | 1,643 |

Current fiscal year (From December 1, 2012 to November 30, 2013)

(Millions of yen)

|                                      | Condiments products | Egg products | Delicatessen products | Processed foods | Fine chemical products | Distribution system | Common business operations | Total | Adjustments | Total |
|--------------------------------------|---------------------|--------------|-----------------------|-----------------|------------------------|---------------------|----------------------------|-------|-------------|-------|
| Losses on impairment of fixed assets | —                   | —            | 120                   | 936             | —                      | 57                  | —                          | 1,114 | —           | 1,114 |

## Information on Amortization of Goodwill and Unamortized Balance by Reported Segment

Previous fiscal year (From December 1, 2011 to November 30, 2012)

There was no significant amortization of goodwill.

Current fiscal year (From December 1, 2012 to November 30, 2013)

There was no significant amortization of goodwill.

## Information on Gains on Negative Goodwill by Reported Segment

Previous fiscal year (From December 1, 2011 to November 30, 2012)

(Millions of yen)

|                            | Condiments products | Egg products | Delicatessen products | Processed foods | Fine chemical products | Distribution system | Common business operations | Total | Adjustments | Total |
|----------------------------|---------------------|--------------|-----------------------|-----------------|------------------------|---------------------|----------------------------|-------|-------------|-------|
| Gains on negative goodwill | —                   | —            | —                     | —               | —                      | 368                 | —                          | 368   | —           | 368   |

Current fiscal year (From December 1, 2012 to November 30, 2013)

(Millions of yen)

|                            | Condiments products | Egg products | Delicatessen products | Processed foods | Fine chemical products | Distribution system | Common business operations | Total | Adjustments | Total |
|----------------------------|---------------------|--------------|-----------------------|-----------------|------------------------|---------------------|----------------------------|-------|-------------|-------|
| Gains on negative goodwill | —                   | —            | —                     | 1,200           | —                      | —                   | —                          | 1,200 | —           | 1,200 |

## Related Party Transactions

## 1. Related party transactions

## (1) Transactions between the company filing the consolidated financial statements and related parties

Directors and audit & supervisory board members, and principal individual shareholders of the company filing the consolidated financial statements, etc.

Previous fiscal year (From December 1, 2011 to November 30, 2012)

| Description   | Corporate / individual name     | Address           | Paid-in capital (millions of yen) | Principal business                              | Percentage of voting rights   | Business relationship  | Transaction  | Trading amount (millions of yen)    | Account                              | Ending balance (millions of yen) |
|---|---------------------------------|-------------------|-----------------------------------|---|---|--|--|-------------------------------------|--------------------------------------|----------------------------------|
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Nakashimoto Co., Ltd. (Note 3)  | Shibuya-ku, Tokyo | 50                                | Sale of processed foods                         | 11.6% owning, directly<br>17.6% owned, directly<br>3.3% owned, indirectly | Purchase of products, sale of products and payment of brand usage fee<br><br>Interlocking directors or audit & supervisory board members                                       | Purchase of products                                     | 402                                 | Notes and accounts payable-trade     | 70                               |
|   |                                 |                   |                                   |   |   |  | Sale of products   | 187                                 | Notes and accounts receivable-trade  | 46                               |
|   |                                 |                   |                                   |   |   |  | Expenses (of which, payment of brand usage fee)          | 844                                 | Accounts payable-other               | 0                                |
|   |                                 |                   |                                   |   |   |  |  | [840]                               | Current assets (Other)               | 32                               |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Tohka Co., Ltd. (Note 4)        | Shibuya-ku, Tokyo | 1,800                             | Business of renting property / Leasing business | 3.3% owned, directly  | Rental of offices and purchase of lease assets<br><br>Interlocking directors or audit & supervisory board members  | Rental of real estate                                    | 478                                 | Investments and other assets (Other) | 409                              |
|   |                                 |                   |                                   |   |   |  | Purchase of lease assets                                 | 2                                   | Accounts payable-other               | 4                                |
|   |                                 |                   |                                   |   |   |  | Purchase of stocks of subsidiaries and affiliates        | 188                                 | Current liabilities (Other)          | 7                                |
|   |                                 |                   |                                   |   |   |  |  |                                     | Non-current liabilities (Other)      | 14                               |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Tou Kewpie Co., Ltd. (Note 5)   | Shibuya-ku, Tokyo | 10                                | Mail-order business                             | 40.0% owning, directly  | Sale of products, payment of sales promotion expenses and rental of real estate<br><br>Interlocking directors or audit & supervisory board members                             | Sale of products   | 761                                 | Notes and accounts receivable-trade  | 91                               |
|   |                                 |                   |                                   |   |   |  | Expenses (Payment of sales promotion expenses)           | 41                                  | Accounts payable-other               | 6                                |
|   |                                 |                   |                                   |   |   |  |  | [41]                                | Current assets (Other)               | 4                                |
|   |                                 |                   |                                   |   |   |  | Rental of real estate                                    | 16                                  | Non-current liabilities (Other)      | 10                               |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | To Ad Kewpie Co., Ltd. (Note 4) | Shibuya-ku, Tokyo | 4                                 | Service business                                | None  | Payment of advertising expenses, automobile rental expenses, sales promotion expenses, and sale of products<br><br>Interlocking directors or audit & supervisory board members | Expenses (of which, payment of advertising expenses)     | 7,350                               | Accounts payable-other               | 1,428                            |
|   |                                 |                   |                                   |   |   |  | (of which, payment of automobile rental expenses)        | [7,199]                             | Current assets (Other)               | 2                                |
|   |                                 |                   |                                   |   |   |  |  | [67]                                |                                      |                                  |
|   |                                 |                   |                                   |   |   |  | Expenses (of which, payment of sales promotion expenses) | [64]                                |                                      |                                  |
|   |                                 |                   |                                   |   |   | Sale of products   | 105  | Notes and accounts receivable-trade | 17                                   |                                  |

| Description   | Corporate / individual name      | Address            | Paid-in capital (millions of yen) | Principal business   | Percentage of voting rights | Business relationship  | Transaction   | Trading amount (millions of yen) | Account  | Ending balance (millions of yen) |
|---|----------------------------------|--------------------|-----------------------------------|--|-----------------------------|--|---|----------------------------------|--|----------------------------------|
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Minato Shokai Co., Ltd. (Note 4) | Minato-ku, Tokyo   | 10                                | Wholesale of liquor and food   | None                        | Sale of products   | Sale of products  | 125                              | Notes and accounts receivable-trade                            | 26                               |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | To Solutions Co., Ltd. (Note 6)  | Shinjuku-ku, Tokyo | 90                                | Planning, development, sale, maintenance and operational support of computer systems | 20.0% owning, directly      | Consignment of calculation work<br>Interlocking directors or audit & supervisory board members   | Expenses<br>(Payment of IT-related expenses)<br>Purchase of software<br>Purchase of tangible fixed assets | 1,741<br>[1,741]<br>419<br>13    | Accounts payable-other   | 311                              |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Yu Shokai Co., Ltd. (Note 7)     | Shibuya-ku, Tokyo  | 10                                | Insurance agency business and business of renting property                           | None                        | Rental of offices and payment of insurance premiums  | Rental of real estate<br>Expenses<br>(Payment of insurance premiums)                                      | 83<br>84<br>[84]                 | Investments and other assets (Other)<br>Accounts payable-other | 117<br>—                         |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | T&A Co., Ltd. (Note 8)           | Shibuya-ku, Tokyo  | 100                               | Business of renting property   | 1.4% owned, directly        | Rental of the company dormitories<br>Interlocking directors or audit & supervisory board members | Expenses<br>(Payment of rental expenses)  | 65<br>[65]                       | Accounts payable-other   | —                                |

(Notes) Transaction's term and policy

1. Determined in the same way as a general transaction following individual discussions taking market price etc. into consideration.
2. Amounts in Ending balance include consumption taxes and those of Trading amount exclude them.
3. Amane Nakashima, managing director of the Company, his close relatives and the company of which they own the majority of the voting rights own 82.9% of the voting rights directly.
4. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 100.0% of the voting rights directly.
5. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 60.0% of the voting rights directly.
6. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 80.0% of the voting rights directly.
7. Amane Nakashima, managing director of the Company, and his close relatives own 100.0% of the voting rights directly.
8. Amane Nakashima, managing director of the Company, and his close relatives own 89.5% of the voting rights directly.

## Current fiscal year (From December 1, 2012 to November 30, 2013)

| Description   | Corporate/<br>individual<br>name      | Address              | Paid-in<br>capital<br>(millions<br>of yen) | Principal<br>business                                   | Percentage of<br>voting rights   | Business relationship  | Transaction  | Trading<br>amount<br>(millions<br>of yen) | Account                                       | Ending<br>balance<br>(millions of<br>yen) |
|---|---------------------------------------|----------------------|--|---|--|--|--|---|---|---|
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Nakashimato Co., Ltd.<br>(Note 3)     | Shibuya-ku,<br>Tokyo | 50   | Sale of<br>processed foods                              | 11.6%<br>owning, directly<br><br>12.9%<br>owned, directly<br><br>7.9%<br>owned, indirectly | Purchase of products,<br>sale of products and<br>payment of brand<br>usage fees<br><br>Interlocking directors or<br>audit & supervisory board<br>members             | Purchase of<br>products                                    | 444                                       | Notes and<br>accounts<br>payable-trade        | 98  |
|   |                                       |                      |  |   |  |  | Sale of<br>products  | 259                                       | Notes and<br>accounts<br>receivable-<br>trade | 76  |
|   |                                       |                      |  |   |  |  | Expenses<br>(Payment of<br>brand usage<br>fee)             | 840                                       | Accounts<br>payable-other                     | 0   |
|   |                                       |                      |  |   |  |  |  | [840]                                     |   |   |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Tohka<br>Co., Ltd.<br>(Note 4)        | Shibuya-ku,<br>Tokyo | 2,945                                      | Business of<br>renting property<br>/Leasing<br>business | 7.9%<br>owned, directly  | Rental of offices and<br>purchase of lease assets<br><br>Interlocking directors or<br>audit & supervisory<br>board members   | Rental of real<br>estate                                   | 460                                       | Investments<br>and other<br>assets (Other)    | 118                                       |
|   |                                       |                      |  |   |  |  | Purchase of<br>lease assets                                | 30  | Accounts<br>payable-other                     | 2   |
|   |                                       |                      |  |   |  |  | Sale of land   | 583                                       | Current<br>liabilities<br>(Other)             | 13  |
|   |                                       |                      |  |   |  |  |  |   | Non-current<br>liabilities<br>(Other)         | 29  |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Tou Kewpie<br>Co., Ltd.<br>(Note 5)   | Chofu-shi,<br>Tokyo  | 10   | Mail-order<br>business                                  | 40.0%<br>owning, directly  | Sale of products, payment<br>of sales promotion<br>expenses and rental of<br>real estate<br><br>Interlocking directors or<br>audit & supervisory<br>board members    | Sale of<br>products  | 645                                       | Notes and<br>accounts<br>receivable-<br>trade | 76  |
|   |                                       |                      |  |   |  |  | Expenses<br>(Payment of<br>sales<br>promotion<br>expenses) | 42  | Accounts<br>payable-other                     | 4   |
|   |                                       |                      |  |   |  |  |  | [42]                                      |   |   |
|   |                                       |                      |  |   |  |  | Rental of real<br>estate                                   | 16  | Current<br>assets (Other)                     | 4   |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | To Ad Kewpie<br>Co., Ltd.<br>(Note 4) | Shibuya-ku,<br>Tokyo | 4  | Service business  | None   | Payment of advertising<br>expenses and sales<br>promotion expenses, and<br>sale of products<br><br>Interlocking directors or<br>audit & supervisory<br>board members | Expenses   | 7,238                                     | Accounts<br>payable-other                     | 1,373                                     |
|   |                                       |                      |  |   |  |  |  | [7,146]                                   |   |   |
|   |                                       |                      |  |   |  |  |  | [92]                                      | Current<br>assets (Other)                     | 3   |
|   |                                       |                      |  |   |  |  | Sale of<br>products  | 134                                       | Notes and<br>accounts<br>receivable-<br>trade | 15  |

| Description   | Corporate / individual name      | Address            | Paid-in capital (millions of yen) | Principal business   | Percentage of voting rights | Business relationship  | Transaction   | Trading amount (millions of yen) | Account                              | Ending balance (millions of yen) |
|---|----------------------------------|--------------------|-----------------------------------|--|-----------------------------|--|---|----------------------------------|--------------------------------------|----------------------------------|
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Minato Shokai Co., Ltd. (Note 4) | Minato-ku, Tokyo   | 10                                | Wholesale of liquor and food   | None                        | Sale of products   | Sale of products  | 112                              | Notes and accounts receivable-trade  | 19                               |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | To Solutions Co., Ltd. (Note 6)  | Shinjuku-ku, Tokyo | 90                                | Planning, development, sale, maintenance and operational support of computer systems | 20.0% owning, directly      | Consignment of calculation work<br>Interlocking directors or audit & supervisory board members   | Expenses<br>(Payment of IT-related expenses)<br>Purchase of software<br>Purchase of tangible fixed assets | 1,869<br>[1,869]<br>345<br>24    | Accounts payable-other               | 241                              |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Yu Shokai Co., Ltd. (Note 7)     | Shibuya-ku, Tokyo  | 10                                | Business of renting property   | None                        | Rental of offices  | Rental of real estate   | 76                               | Investments and other assets (Other) | 117                              |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | T&A Co., Ltd. (Note 8)           | Shibuya-ku, Tokyo  | 100                               | Business of renting property   | 1.4% owned, directly        | Rental of the company dormitories<br>Interlocking directors or audit & supervisory board members | Expenses<br>(Payment of rental expenses)  | 65<br>[65]                       |                                      |                                  |

(Notes) Transaction's term and policy

1. Determined in the same way as a general transaction following individual discussions taking market price etc. into consideration.
2. Amounts in Ending balance include consumption taxes and those of Trading amount exclude them.
3. Amane Nakashima, managing director of the Company, his close relatives and the company of which they own the majority of the voting rights own 82.9% of the voting rights directly.
4. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 100.0% of the voting rights directly.
5. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 60.0% of the voting rights directly.
6. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 80.0% of the voting rights directly.
7. Amane Nakashima, managing director of the Company, and his close relatives own 100.0% of the voting rights directly.
8. Amane Nakashima, managing director of the Company, and his close relatives own 89.5% of the voting rights directly.

## (2) Transactions between consolidated subsidiaries of the company filing the consolidated financial statements and related parties

Directors and audit & supervisory board members, and principal individual shareholders of the company filing the consolidated financial statements, etc.

Previous fiscal year (From December 1, 2011 to November 30, 2012)

| Description   | Corporate/<br>individual<br>name       | Address              | Paid-in<br>capital<br>(millions<br>of yen) | Principal<br>business                                    | Percentage of<br>voting rights   | Business relationship   | Transaction   | Trading<br>amount<br>(millions<br>of yen) | Account                                       | Ending<br>balance<br>(millions of<br>yen) |
|---|--|----------------------|--|--|--|---|---|---|---|---|
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Nakashimoto Co., Ltd.<br>(Note 3)      | Shibuya-ku,<br>Tokyo | 50   | Sale of<br>processed foods                               | 11.6%<br>owning, directly<br><br>17.6%<br>owned, directly<br><br>3.3%<br>owned, indirectly | Purchase of products,<br>sale of products and<br>purchase of supplies | Purchase of<br>products   | 418                                       | Notes and<br>accounts<br>payable-trade        | 71  |
|   |  |                      |  |  |  |   | Sale of<br>products   | 80  | Notes and<br>accounts<br>receivable-<br>trade | 9   |
|   |  |                      |  |  |  |   | Expenses<br>(Purchase of<br>supplies)   | 33<br>[33]                                | Accounts<br>payable-other                     | 0   |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Tohka<br>Co., Ltd.<br>(Note 4)         | Shibuya-ku,<br>Tokyo | 1,800                                      | Business of<br>renting property<br>/ Leasing<br>business | 3.3%<br>owned, directly  | Rental of offices and<br>purchase of lease assets                     | Rental of<br>real estate  | 1,792                                     | Current<br>assets (Other)                     | 49  |
|   |  |                      |  |  |  |   | Purchase of<br>lease assets   | 529                                       | Investments<br>and other<br>assets (Other)    | 607                                       |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Tou Kewpie<br>Co., Ltd.<br>(Note 5)    | Shibuya-ku,<br>Tokyo | 10   | Mail-order<br>business                                   | 40.0%<br>owning, directly  | Sale of products  | Sale of<br>products   | 22  | Current<br>liabilities<br>(Other)             | 220                                       |
|   |  |                      |  |  |  |   |   |   | Non-current<br>liabilities<br>(Other)         | 889                                       |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | To Ad Kewpie<br>Co., Ltd.<br>(Note 4)  | Shibuya-ku,<br>Tokyo | 4  | Service business   | None   | Payment of advertising<br>expenses and automobile<br>rental expenses  | Expenses<br><br>(of which,<br>payment of<br>advertising<br>expenses)<br>(of which,<br>payment of<br>automobile<br>rental<br>expenses) | 135                                       | Accounts<br>payable-other                     | 43  |
|   |  |                      |  |  |  |   |   | [83]                                      | [32]  |   |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Minato Shokai<br>Co., Ltd.<br>(Note 4) | Minato-ku,<br>Tokyo  | 10   | Wholesale of<br>liquor and food                          | None   | Sale of products and<br>purchase of raw materials                     | Sale of<br>products   | 198                                       | Notes and<br>accounts<br>receivable-<br>trade | 18  |
|   |  |                      |  |  |  |   | Purchase of<br>products   | 10  | Notes and<br>accounts<br>payable-trade        | 1   |

| Description   | Corporate/<br>individual<br>name   | Address               | Paid-in<br>capital<br>(millions<br>of yen) | Principal<br>business  | Percentage of<br>voting rights | Business relationship           | Transaction  | Trading<br>amount<br>(millions<br>of yen) | Account                | Ending<br>balance<br>(millions of<br>yen) |
|---|------------------------------------|-----------------------|--|--|--------------------------------|---------------------------------|--|---|------------------------|---|
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | To Solutions Co., Ltd.<br>(Note 6) | Shinjuku-ku,<br>Tokyo | 90   | Planning, development, sale, maintenance and operational support of computer systems | 20.0%<br>owning, directly      | Consignment of calculation work | Expenses<br><br>(Payment of IT-related expenses)<br><br>Purchase of software | 753<br><br>[753]<br><br>165               | Accounts payable-other | 68  |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Yu Shokai Co., Ltd.<br>(Note 7)    | Shibuya-ku,<br>Tokyo  | 10   | Insurance agency business and business of renting property                           | None                           | Payment of insurance premiums   | Expenses<br><br>(Payment of insurance premiums)<br><br>Purchase of software  | 42<br><br>[42]<br><br>11                  | Accounts payable-other | —   |

(Notes) Transaction's term and policy

1. Determined in the same way as a general transaction following individual discussions taking market price etc. into consideration.
2. Amounts in Ending balance include consumption taxes and those of Trading amount exclude them.
3. Amane Nakashima, managing director of the Company, his close relatives and the company of which they own the majority of the voting rights own 82.9% of the voting rights directly.
4. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 100.0% of the voting rights directly.
5. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 60.0% of the voting rights directly.
6. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 80.0% of the voting rights directly.
7. Amane Nakashima, managing director of the Company, and his close relatives own 100.0% of the voting rights directly.

## Current fiscal year (From December 1, 2012 to November 30, 2013)

| Description   | Corporate/<br>individual<br>name | Address           | Paid-in<br>capital<br>(millions<br>of yen) | Principal<br>business                           | Percentage of<br>voting rights   | Business relationship                          | Transaction                                       | Trading<br>amount<br>(millions<br>of yen) | Account  | Ending<br>balance<br>(millions of<br>yen) |
|---|----------------------------------|-------------------|--|---|--|--|---|---|--|---|
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Nakashimato Co., Ltd. (Note 3)   | Shibuya-ku, Tokyo | 50   | Sale of processed foods                         | 11.6%<br>owning, directly<br><br>12.9%<br>owned, directly<br><br>7.9%<br>owned, indirectly | Purchase of products and sale of products      | Purchase of products                              | 561                                       | Notes and accounts payable-trade                               | 109                                       |
|   |                                  |                   |  |   |  |  | Sale of products                                  | 42  | Notes and accounts receivable-trade                            | 4   |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Tohka Co., Ltd. (Note 4)         | Shibuya-ku, Tokyo | 2,945                                      | Business of renting property / Leasing business | 7.9%<br>owned, directly  | Rental of offices and purchase of lease assets | Rental of real estate                             | 1,680                                     | Current assets (Other)<br>Investments and other assets (Other) | 49<br>607                                 |
|   |                                  |                   |  |   |  |  | Purchase of lease assets                          | 167                                       | Current liabilities (Other)<br>Non-current liabilities (Other) | 27<br>136                                 |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Tou Kewpie Co., Ltd. (Note 5)    | Chofu-shi, Tokyo  | 10   | Mail-order business                             | 40.0%<br>owning, directly  | Sale of products                               | Sale of products                                  | 14  | Notes and accounts receivable-trade                            | 0   |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | To Ad Kewpie Co., Ltd. (Note 4)  | Shibuya-ku, Tokyo | 4  | Service business                                | None   | Payment of advertising expenses                | Expenses<br><br>(Payment of advertising expenses) | 71<br><br>[71]                            | Accounts payable-other   | 10  |
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | Minato Shokai Co., Ltd. (Note 4) | Minato-ku, Tokyo  | 10   | Wholesale of liquor and food                    | None   | Sale of products                               | Sale of products                                  | 193                                       | Notes and accounts receivable-trade                            | 17  |



| Description   | Corporate / individual name     | Address            | Paid-in capital (millions of yen) | Principal business   | Percentage of voting rights | Business relationship           | Transaction  | Trading amount (millions of yen) | Account                | Ending balance (millions of yen) |
|---|---------------------------------|--------------------|-----------------------------------|--|-----------------------------|---------------------------------|--|----------------------------------|------------------------|----------------------------------|
| The companies of which the directors or audit & supervisory board members and their close relatives own the majority of voting rights (including subsidiaries of the companies) | To Solutions Co., Ltd. (Note 6) | Shinjuku-ku, Tokyo | 90                                | Planning, development, sale, maintenance and operational support of computer systems | 20.0% owning directly       | Consignment of calculation work | Expenses<br><br>(Payment of IT-related expenses)<br><br>Purchase of software | 813<br><br>[813]<br><br>152      | Accounts payable-other | 94                               |

(Notes) Transaction's term and policy

1. Determined in the same way as a general transaction following individual discussions taking market price etc. into consideration.
2. Amounts in Ending balance include consumption taxes and those of Trading amount exclude them.
3. Amane Nakashima, managing director of the Company, his close relatives and the company of which they own the majority of the voting rights own 82.9% of the voting rights directly.
4. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 100.0% of the voting rights directly.
5. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 60.0% of the voting rights directly.
6. The company of which Amane Nakashima, managing director of the Company, and his close relatives own the majority of the voting rights owns 80.0% of the voting rights directly.

## Per Share Information

|                            | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|----------------------------|---|--|
| Net assets per share (yen) | 1,141.68  | 1,230.32   |
| Net income per share (yen) | 82.09   | 83.94  |

(Notes) 1. "Net income per share - diluted" is not presented because of no issue of potential shares with dilutive effects in the previous fiscal year, and no issue of potential shares in the current fiscal year.

2. Calculation basis of net assets per share is as follows.

|   | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|---|---|--|
| Total net assets (millions of yen)  | 195,928   | 210,285  |
| Amount subtracted from total net assets (millions of yen)                               | 24,991  | 26,080   |
| (Minority interests)  | (24,991)  | (26,080)   |
| Net assets attributable to common stock at the end of the fiscal year (millions of yen) | 170,936   | 184,204  |
| Number of common stock at the end of the fiscal year (thousand shares)                  | 149,723   | 149,721  |

3. Calculation basis of net income per share is as follows.

|  | Previous fiscal year<br>(From December 1, 2011<br>to November 30, 2012) | Current fiscal year<br>(From December 1, 2012<br>to November 30, 2013) |
|--|---|--|
| Net income (millions of yen)   | 12,291  | 12,567   |
| Amounts not attributable to common shareholders (millions of yen)  | —   | —  |
| Net income attributable to common stock (millions of yen)  | 12,291  | 12,567   |
| Weighted average number of common stock (thousand shares)  | 149,724   | 149,722  |
| Outlines of potential shares not included in the calculation of net income per share - diluted because there is no dilutive effect | Stock acquisition right issued by consolidated subsidiary               | —  |

## Significant Subsequent Events

### 1. Establishment of significant subsidiary

Based on a resolution at the Board of Directors' meeting held on August 23, 2013, the Company established a joint venture company with National Federation of Agricultural Cooperative Associations on December 3, 2013.

#### (1) Purpose of establishment

To develop the cut vegetables market by fully utilizing the management resources and know-how of the National Federation of Agricultural Cooperative Associations and the Group in order to meet growing demand for vegetables for processing and commercial use.

#### (2) Summary of the company established

- |                       |   |
|-----------------------|---|
| (a) Trade name        | Green Message Co., Ltd.   |
| (b) Business category | Production and sale of processed fruits and vegetables such as cut vegetables |
| (c) Paid-in capital   | ¥2,000 million  |

#### (3) Shareholding ratio after acquisition

|  |     |
|--|-----|
| Kewpie Corporation   | 51% |
| National Federation of Agricultural Cooperative Associations | 49% |

### 2. Organization restructuring

(Making a company a consolidated subsidiary by tender offer and company split)

The Company made a resolution at the Board of Directors' meeting held on December 24, 2013, to make a tender offer (the "Tender Offer") with the aim of acquiring shares of Aohata Corporation ("Aohata"), an equity-method affiliate of the Company. Both companies made resolutions at their respective Board of Directors' meetings held on December 24, 2013, to let Aohata succeed the business of selling bread-related products such as jams, whipped cream, and spread from the Company by company split (the "Company Split"), and set December 1, 2014 as the effective date subject to the completion of the Tender Offer. As a result, both companies concluded an absorption-type company split agreement. After the completion of the Tender Offer, the Company Split is expected to become effective, making Aohata the Company's consolidated subsidiary.

Both companies believe that the Company Split will enable Aohata to operate manufacturing and selling businesses in an integrated manner, which will promote prompt decision making, a unique selling system and rapid product development in consideration of diversified customer needs and changing preferences. This transaction will also enable the Processed foods business of the Company as a whole to improve market competitiveness. Both companies also agreed that making Aohata a consolidated subsidiary will contribute to further growth and development and improvement of corporate value for both of them. Specifically, both companies believe that this will lead to many positive changes, such as the further active utilization of each other's management know-hows, integration of both companies' sales channels both inside and outside Japan, enhancement of the partnership between them in processing fruits, strengthening of the Processed foods business and improvement of profitability in the Company and strengthening of Aohata's management base through further utilization of the Company's management resources.

Both companies recognize the Company Split as very significant in achieving sustainable domestic growth, a goal in the Group's Medium-term Business Plan, since it will strengthen the Group's system for delivering a delicious taste and leaving a lasting impression on customers.

## (1) Outline of subject company of Tender Offer and successor company in Company Split

|                                      |  |                 |   |
|--------------------------------------|--|-----------------|---|
| (a) Name                             | Aohata Corporation   |                 |   |
| (b) Address                          | 1-25 Tadanouminaka-machi 1-chome, Takehara-shi,<br>Hiroshima |                 |   |
| (c) Name and title of representative | Eiichi Nozawa, President and Representative Director         |                 |   |
| (d) Business category                | Production and sale of jams                                  |                 |   |
| (e) Scale of operation               | Net sales  | ¥18,437 million | (for the fiscal year ended<br>October 31, 2013) |
|                                      | Net assets   | ¥8,386 million  | (as of October 31, 2013)                        |
| (f) Date of establishment            | December 28, 1948  |                 |   |
| (g) Fiscal year-end                  | October 31   |                 |   |

## (2) Outline of Tender Offer

|  |  |
|--|--|
| (a) Tender offer period                  | From December 25, 2013 to January 29, 2014 |
| (b) Price of tender offer                | ¥1,510 per common stock                    |
| (c) Number of shares acquired            | 1,407,500 shares                           |
| (d) Purchase funds                       | ¥2,162 million                             |
| (e) Shareholding ratio after acquisition | 36.24%                                     |

## (3) Outline of Company Split

## (a) Schedule for Company Split

|   |                            |
|---|----------------------------|
| Resolution date of absorption-type company split by both companies' Boards of Directors | December 24, 2013          |
| Agreement conclusion date of absorption-type company split                              | December 24, 2013          |
| Effective date of absorption-type company split   | December 1, 2014 (Planned) |

## (b) Method of Company Split

Absorption-type company split with the Company as the transferring company and Aohata as the succeeding company

## (c) Name of reported segment that includes divested business

Processed foods

## (e) Consolidated Supplementary Statements

## 1. Description of bonds

| Corporate name | Issue  | Issue date        | Beginning balance<br>(millions of yen) | Ending balance<br>(millions of yen) | Interest rate<br>per annum<br>(%) | Pledged | Maturity date     |
|----------------|--|-------------------|--|-------------------------------------|-----------------------------------|---------|-------------------|
| *1             | The 1st Unsecured Notes Guaranteed by Sumitomo Mitsui Banking Corporation (Limited to Qualified Institutional Investors) | March 13, 2006    | 500                                    | —                                   | TIBOR<br>6 months<br>+0.15        | None    | March 13, 2013    |
| *2             | The 2nd Unsecured Bonds  | February 15, 2012 | 10,000                                 | 10,000                              | 0.777                             | None    | February 15, 2019 |
| Total          |  | —                 | 10,500                                 | 10,000                              | —                                 | —       | —                 |

(Notes) 1. \*1 Issued by S.Y. Promotion Co., Ltd., a domestic subsidiary of the Company.

\*2 Issued by the Company

2. The aggregate amount that will be redeemed in annual maturities after the consolidated closing date is as follows:

| Within one year<br>(millions of yen) | Over one year<br>to two years<br>(millions of yen) | Over two years<br>to three years<br>(millions of yen) | Over three years<br>to four years<br>(millions of yen) | Over four years<br>to five years<br>(millions of yen) | Over five years<br>(millions of yen) |
|--------------------------------------|--|---|--|---|--------------------------------------|
| —                                    | —  | —   | —  | —   | 10,000                               |

## 2. Description of bank loans etc.

| Item                                       | Beginning balance<br>(millions of yen) | Ending balance<br>(millions of yen) | Average interest rate<br>per annum (%) | Repayment date                        |
|--|--|-------------------------------------|--|---------------------------------------|
| Short-term loans payable                   | 7,245                                  | 7,614                               | 0.539                                  | —                                     |
| Current portion of long-term loans payable | 951                                    | 698                                 | 0.712                                  | —                                     |
| Current portion of lease obligations       | 981                                    | 1,128                               | 1.988                                  | —                                     |
| Long-term loans payable                    | 799                                    | 3,711                               | 0.915                                  | From December 2014<br>to January 2028 |
| Long-term lease obligations                | 2,707                                  | 2,729                               | 2.050                                  | From December 2014<br>to June 2021    |
| Other interest-bearing debt                | —                                      | —                                   | —                                      | —                                     |
| Total                                      | 12,685                                 | 15,882                              | —                                      | —                                     |

(Notes) 1. Average interest rates are calculated by using interest rates and balance of loans payable at the balance sheet date.

2. The annual aggregate amount of long-term loans payable and lease obligations (excluding current portion) repaid after the consolidated closing date is as follows:

|                         | Over one year<br>to two years<br>(millions of yen) | Over two years<br>to three years<br>(millions of yen) | Over three years<br>to four years<br>(millions of yen) | Over four years<br>to five years<br>(millions of yen) | Over five years<br>(millions of yen) |
|-------------------------|--|---|--|---|--------------------------------------|
| Long-term loans payable | 681  | 520   | 397  | 267   | 1,843                                |
| Lease obligations       | 801  | 628   | 439  | 585   | 275                                  |

## 3. Description of asset retirement obligations

The amounts of asset retirement obligations at the beginning and the end of the current fiscal year are omitted pursuant to the provisions of Article 92-2 of the Regulations on Terminology, Forms and Preparation of the Consolidated Financial Statements, since they are at or below one percent of the total amounts of liabilities and net assets at the beginning and the end of the current fiscal year, respectively.

(2) Other

## Quarterly information for the current fiscal year

| (Cumulative period)   | Three months | Six months | Nine months | Fiscal year |
|---|--------------|------------|-------------|-------------|
| Net sales (millions of yen)   | 124,926      | 259,450    | 395,134     | 530,549     |
| Income before income taxes and minority interests (millions of yen) | 4,179        | 12,000     | 18,798      | 22,405      |
| Net income (millions of yen)  | 2,279        | 6,398      | 10,276      | 12,567      |
| Net income per share (yen)  | 15.22        | 42.74      | 68.64       | 83.94       |

| (Accounting period)        | First quarter | Second quarter | Third quarter | Fourth quarter |
|----------------------------|---------------|----------------|---------------|----------------|
| Net income per share (yen) | 15.22         | 27.52          | 25.90         | 15.31          |

# Independent Auditors' Audit Report and Internal Control Audit Report

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February 25, 2014

The Board of Directors  
KEWPIE KABUSHIKI-KAISHA  
(Kewpie Corporation)

## Ernst & Young ShinNihon LLC

|  |  |
|--|--|
| Designated and Limited<br>Engagement Partner | <u>Hitoshi Sakurai</u><br>Certified Public Accountant<br>(signed and sealed) |
| Designated and Limited<br>Engagement Partner | <u>Junya Abe</u><br>Certified Public Accountant<br>(signed and sealed)       |
| Designated and Limited<br>Engagement Partner | <u>Masato Nakagawa</u><br>Certified Public Accountant<br>(signed and sealed) |

### <Audit of financial statements>

Pursuant to Paragraph 1 of Article 193-2 of the Financial Instruments and Exchange Law of Japan, we have audited the consolidated financial statements of KEWPIE KABUSHIKI-KAISHA presented in "Financial Information" from December 1, 2012 to November 30, 2013, namely, the consolidated balance sheet, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in net assets, the consolidated statement of cash flows, the significant matters forming the basis for the preparation of consolidated financial statements, other notes and the consolidated supplementary statements, all expressed in yen.

### *Management's Responsibility for the consolidated financial statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of KEWPIE KABUSHIKI-KAISHA and its consolidated subsidiaries as at November 30, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

*Emphasis of Matter*

As described in the notes regarding significant subsequent events, KEWPIE KABUSHIKI-KAISHA made a resolution at the Board of Directors' meeting held on December 24, 2013, to make a tender offer to acquire shares of Aohata Corporation, an equity-method affiliate of KEWPIE KABUSHIKI-KAISHA, and to conduct an absorption-type company split of the business of selling bread-related products with Aohata Corporation as the succeeding company, and an absorption-type company split agreement was concluded on the same date. The period of the said tender offer ended on January 29, 2014, and the tender offer has come into effect.

This matter does not have an impact on our opinion.

*<Audit of internal control>*

Pursuant to Paragraph 2 of Article 193-2 of the Financial Instruments and Exchange Law of Japan, we also have audited the accompanying Management's Report on Internal Control Over Financial Reporting for the consolidated financial statements as at November 30, 2013 of KEWPIE KABUSHIKI-KAISHA and its consolidated subsidiaries (the "Company") (the "Management's Report").

*Management's Responsibility for the Management's Report*

Management is responsible for designing and operating internal control over financial reporting, and the preparation and fair presentation of the Management's Report in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Internal control over financial reporting may not fully prevent or detect misstatements.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the Management's Report based on our internal control audit. We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the internal control audit to obtain reasonable assurance about whether the Management's Report is free from material misstatement.

An internal control audit involves performing procedures to obtain audit evidence about the results of the assessment of internal control over financial reporting in the Management's Report. The procedures selected depend on the auditor's judgment, including the significance of effects on the reliability of financial reporting. An internal control audit also includes evaluating disclosures on scope, procedures and conclusions of management's assessment of internal control over financial reporting, as well as evaluating the overall presentation of the Management's Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the Management's Report referred to above, which represents that internal control over financial reporting of the consolidated financial statements as at November 30, 2013 is effective, presents fairly, in all material respects, the result of the management's assessment on internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

\* The above Independent Auditors' Audit Report and Internal Control Audit Report are translations of the original reports, which are based on Paragraph 1 and Paragraph 2, respectively, of Article 193-2 of the Financial Instruments and Exchange Law of Japan.



## VI. Stock Information of Reporting Company

| Fiscal year   | From December 1 to November 30   |                       |                  |  |                                     |                      |                                     |
|---|--|-----------------------|------------------|--|-------------------------------------|----------------------|-------------------------------------|
| The General Meeting of Shareholders                       | Held in February   |                       |                  |  |                                     |                      |                                     |
| Record date   | November 30  |                       |                  |  |                                     |                      |                                     |
| Dividend record dates                                     | May 31, November 30  |                       |                  |  |                                     |                      |                                     |
| Shares per trading unit                                   | 100  |                       |                  |  |                                     |                      |                                     |
| Purchase of stock in less than the minimum trading unit : |  |                       |                  |  |                                     |                      |                                     |
| Handling office   | (Special account)<br>Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department<br>4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo   |                       |                  |  |                                     |                      |                                     |
| Agent   | (Special account)<br>Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department<br>4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo   |                       |                  |  |                                     |                      |                                     |
| Shareholders' contacts                                    | —  |                       |                  |  |                                     |                      |                                     |
| Stock transfer fee  | (Note 1)   |                       |                  |  |                                     |                      |                                     |
| Newspaper for announcements                               | The Company shall publish its public notices by electronic means. However, if it is impossible to post electronic public notices because of an accident or other unavoidable circumstances, the public notices shall be made by publication in the Nikkei.<br>URL for public notice: <a href="http://www.kewpie.co.jp/company/">http://www.kewpie.co.jp/company/</a>   |                       |                  |  |                                     |                      |                                     |
| Shareholder privileges                                    | As of November 30 of each year, the Company provides an annual gift of its product(s) to shareholders holding one trading unit (100 shares) or more of the Company's shares, in accordance with the gift criteria presented below.<br>Starting with the gifts to be given in the fiscal year ending November 30, 2015, the Company will provide an annual gift of its product(s) to shareholders holding one trading unit (100 shares) or more of the Company's shares continuously for three years or more (*), in accordance with the gift criteria presented below.<br>Gift criteria <table border="1" data-bbox="619 1245 1426 1330"> <thead> <tr> <th>Number of shares held</th> <th>Contents of gift</th> </tr> </thead> <tbody> <tr> <td>100 shares or more (but less than 1,000)</td> <td>Company product(s) valued at ¥1,000</td> </tr> <tr> <td>1,000 shares or more</td> <td>Company product(s) valued at ¥3,000</td> </tr> </tbody> </table> <p>* A shareholder who has held the Company's shares for three years or more is defined as a shareholder who has been registered in the shareholder registry as of May 31 and November 30 under the same shareholder number on seven or more consecutive occasions.</p> | Number of shares held | Contents of gift | 100 shares or more (but less than 1,000) | Company product(s) valued at ¥1,000 | 1,000 shares or more | Company product(s) valued at ¥3,000 |
| Number of shares held                                     | Contents of gift   |                       |                  |  |                                     |                      |                                     |
| 100 shares or more (but less than 1,000)                  | Company product(s) valued at ¥1,000  |                       |                  |  |                                     |                      |                                     |
| 1,000 shares or more                                      | Company product(s) valued at ¥3,000  |                       |                  |  |                                     |                      |                                     |

(Notes) 1. The calculating method below shall be used to determine fees for purchase of stock in less than the minimum trading unit on the basis of the method below, in which total purchase fees per trading unit are divided by the total number of shares purchased and multiplied by the number of shares held by the shareholder.

(Calculation Method) Purchase prices per share, determined by the final TSE market price, are multiplied by the number of shares per trading unit, and the sum total amount derived therefrom is applied, as in the following table, to find the percentage fee charged.

| Total amount                   | Percentage fee |
|--------------------------------|----------------|
| ¥1 million or less             | 1.150%         |
| Over ¥1 million – ¥5 million   | 0.900%         |
| Over ¥5 million – ¥10 million  | 0.700%         |
| Over ¥10 million – ¥30 million | 0.575%         |
| Over ¥30 million – ¥50 million | 0.375%         |

(Amounts of less than ¥1 are rounded down.)

However, if the purchase fee per trading unit calculated above is less than ¥2,500, the fee shall be ¥2,500.

2. In accordance with the Articles of Incorporation, the Company's shareholders cannot exercise rights other than those listed below for shares that are less than one unit.

- (1) Rights listed in items of Article 189, Paragraph 2 of the Corporation Law
- (2) Right to receive allocation of shares for subscription or stock acquisition rights for subscription in accordance with the number of shares owned
- (3) Right stipulated by Article 166, Paragraph 1 of the Corporation Law to request acquisition of shares with rights to acquire new shares

American Depositary Receipts:

Ratio (ADR : ORD): 1 : 2

Exchange: OTC (Over-the-Counter)

Symbol: KWPCY

CUSIP: 493054100

Depository:

The Bank of New York Mellon

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