Annual Report
2015

December 1, 2014 to November 30, 2015

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 29, 2016 in accordance with the Financial Instruments and Exchange Law, and has been translated into English for the convenience of readers outside Japan.

Document Title:	Annual Securities Report
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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, 2015

Period ended		Nov. 2011	Nov. 2012	Nov. 2013	Nov. 2014	Nov. 2015
Net sales	(millions of yen)	486,435	504,997	530,549	553,404	578,192
Ordinary income	(millions of yen)	21,912	24,467	23,749	25,368	27,311
Net income	(millions of yen)	9,449	12,291	12,567	13,366	17,031
Comprehensive income	(millions of yen)	9,656	15,935	19,256	18,968	26,261
Total net assets	(millions of yen)	185,293	195,928	210,285	220,397	245,929
Total assets	(millions of yen)	275,790	306,515	334,655	356,994	372,419
Net assets per share	(yen)	1,068.67	1,141.68	1,230.32	1,284.36	1,410.53
Net income per share	(yen)	62.63	82.09	83.94	88.69	112.21
Net income per share – diluted	(yen)	—	—	—	—	—
Equity ratio	(%)	58.0	55.8	55.0	54.6	57.5
Return on equity	(%)	6.0	7.4	7.1	7.0	8.3
Price earnings ratio	(times)	16.9	14.6	17.3	21.9	26.3
Cash flows from operating activities	(millions of yen)	23,405	33,246	27,369	34,392	28,094
Cash flows from investing activities	(millions of yen)	(12,166)	(24,434)	(21,897)	(30,847)	(31,181)
Cash flows from financing activities	(millions of yen)	(19,583)	7,022	(2,307)	(3,149)	(7,101)
Cash and cash equivalents at the end of the fiscal year	(millions of yen)	24,509	40,387	43,963	44,788	34,841
Number of regular full-time employees, and average number of temporary employees in brackets		12,028 [10,830]	12,425 [11,154]	12,598 [11,316]	12,933 [11,840]	13,478 [11,519]

(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, 2013 to the period ended November 30, 2015 because of no issue of potential shares.
3. Net income per share – diluted is not presented since the period ended November 30, 2011 and 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, 2015

Period ended		Nov. 2011	Nov. 2012	Nov. 2013	Nov. 2014	Nov. 2015
Net sales	(millions of yen)	223,467	230,554	236,213	237,655	227,880
Ordinary income	(millions of yen)	12,226	12,163	11,023	10,992	11,441
Net income	(millions of yen)	5,954	8,290	6,978	6,905	7,931
Paid-in capital	(millions of yen)	24,104	24,104	24,104	24,104	24,104
Total number of issued shares		153,000,000	153,000,000	153,000,000	153,000,000	153,000,000
Total net assets	(millions of yen)	127,108	134,016	139,767	147,461	153,982
Total assets	(millions of yen)	182,206	207,351	222,219	238,781	227,765
Net assets per share	(yen)	848.85	894.99	933.42	970.75	1,014.60
Annual dividends per share, and interim dividends per share in brackets	(yen)	18.0 [9.0]	20.0 [9.5]	22.0 [11.0]	23.0 [11.5]	29.0 [12.5]
Net income per share	(yen)	39.46	55.37	46.61	45.78	52.26
Net income per share – diluted	(yen)	—	—	—	—	—
Equity ratio	(%)	69.8	64.6	62.9	61.8	67.6
Return on equity	(%)	4.7	6.3	5.1	4.8	5.3
Price earnings ratio	(times)	26.8	21.7	31.2	42.4	56.5
Dividend payout ratio	(%)	45.6	36.1	47.2	50.2	55.5
Number of regular full-time employees, and average number of temporary employees in brackets		2,585 [793]	2,599 [760]	2,580 [799]	2,549 [918]	2,520 [963]

(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.

2. Nature of Business

The Kewpie Group (the "Group") consists of the Company, seventy-four consolidated subsidiaries, six 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 principal 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 Q&B Foods, Inc. Dispen Pak Japan Co., Inc. Hangzhou Kewpie Foods Co., Ltd. Kpack Co., Ltd. Beijing Kewpie Foods Co., Ltd.	Mayonnaise and dressings
	Kewpie Jyozo Co., Ltd.	Vinegar
Egg products	Kewpie Egg Corporation Zen-noh Kewpie Egg-station Co., Ltd.	Liquid egg, frozen egg, and dried egg
	Kewpie Corporation Kanae Foods Co., Ltd.	Egg spread, thick omelet, and shredded egg
	Henningsen Foods, Inc.	Dried egg
Delicatessen products	Kewpie Corporation Deria Foods Co., Ltd. Shunsai Deli Co., Ltd. Potato Delica Co., Ltd.	Salads and delicatessen foods
	Gourmet Delica Co., Ltd.	Boxed lunches and rice balls
	Salad Club, Inc.	Packaged salads
Processed foods	Kewpie Corporation Aohata Corporation 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
	K. Tis Corporation S.Y. Promotion Co., Ltd.	Transportation of food products
	Kewso Services Corporation	Sale of vehicles, distribution equipment, fuel and other products related to transportation and warehousing of food products
Common business operations	San-ei Provisions Co., Ltd.	Sale of food products

The Group Business Network chart on the next page 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, a consolidated subsidiary, is listed on the second section of the TSE.

(Group Business Network)

Business partners

↑ ↑ ↑

Kewpie Group

Domestic

Condiments products

Kewpie Corporation
Kewpie Jyozo Co., Ltd.
Dispen Pak Japan Co., Inc.
Salad Mate Co., Ltd.
Deft Co., Ltd.
Other

Egg products

Kewpie Corporation
Kanae Foods Co., Ltd.
Zen-noh Kewpie Eggstation Co., Ltd.
Kewpie Egg Corporation
Kewpie-Egg World Trading Co., Ltd.

Delicatessen products

Kewpie Corporation
Deria Foods Co., Ltd.
Potato Delica Co., Ltd.
Gourmet Delica Co., Ltd
Salad Club, Inc.
Other

Processed foods

Kewpie Corporation
Aohata Corporation
Kowa Delica Co., Ltd.
Co-op Foods Co., Ltd.
Hashikami Kewpie Co., Ltd.
Other

Fine chemical products

Kewpie Corporation
Tou Kewpie Co., Ltd.

Distribution system

K.R.S. Corporation
S.Y. Promotion Co., Ltd.
K. Tis Corporation
Kewso Services Corporation
K Logistics Corporation
Other

Common business operations

Kewpie Corporation
Shiba Seisakusyo Co., Ltd.
San-ei Provisions Co., Ltd.
K.System Co., Ltd.
Kewpie Ai Co., Ltd.
Other

Overseas

Condiments products

Q&B Foods, Inc.
Beijing Kewpie Foods Co., Ltd.
Kewpie (Thailand) Co., Ltd.
Hangzhou Kewpie Foods Co., Ltd.
Other

Egg products

Henningsen Foods, Inc.
Henningsen Foods, Netherlands Inc.

Common business operations

Kifuki U.S.A. Co., Inc.

3. Outline of Associated Companies

(1) Parent company

Not applicable.

(2) Consolidated subsidiaries

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of our voting rights (Note 2)	Relationship with the Company				
					Interlocking directors (D) or corporate auditors (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	100.0	D or A 2 Employees 9	None	Purchase of products and raw materials, etc.	Leases of offices and factories
Deria Foods Co., Ltd.	Chofu-shi, Tokyo	50 million yen	Sale of salads and delicatessen foods	100.0	D or A 2 Employees 4	1,737 million yen	Sale of products	Leases of offices
Kewpie Jyozo Co., Ltd.	Chofu-shi, Tokyo	450 million yen	Production and sale of vinegar	100.0	D or A 2 Employees 3	None	Purchase of products and 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	45.7 (0.3) [5.9]	D or A 1 Employee 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	66.2	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 2 Employees 3	498 million yen	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	100.0	D or A 2 Employees 3	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 1 Employees 4	284 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 1 Employees 2	None	None	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 2 Employee 1	None	None	None
Gourmet Delica Co., Ltd.	Tokorozawa-shi, Saitama	98 million yen	Production and sale of delicatessen foods	100.0	D or A 2 Employees 8	5,979 million yen	Sale of products	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
Kowa Delica Co., Ltd.	Kamisu-shi, Ibaraki	10 million yen	Production of canned foods	100.0	D or A 1 Employees 3	301 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 2 Employees 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 5	111 million yen	Purchase of machinery and equipment	None
Salad Mate Co., Ltd.	Minato-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 1 Employees 5	632 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	D or A 1 Employees 4	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	D or A 1 Employees 5	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.	Zhejiang Province, China	140 million yuan	Production and sale of foods	66.4 (7.1)	D or A 1 Employees 4	Liabilities for guarantee 184 million yen	None	None
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 5	147 million yen	Sale of products	None
Ishikari Delica Co., Ltd.	Teine-ku, Sapporo-shi, Hokkaido	30 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 5	None	Sale of products	None

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of our voting rights (Note 2)	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (A)	Finance from the Company	Operating transactions	Lease transactions
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 products	Leases of factories
Salad Club, Inc.	Chofu-shi, Tokyo	300 million yen	Processing and sale of fresh vegetables	51.0	D or A 2 Employees 3	None	Sale of products	Leases of offices and 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.	Beijing, China	42 million yuan	Production and sale of foods	65.0	D or A 1 Employees 5	None	None	None
Tosu Delica Co., Ltd.	Tosu-shi, Saga	10 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 4	None	Sale of products	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 4	117 million yen	Sale of products	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	100.0 (100.0)	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 4 Employees 4	Liabilities for guarantee 0 million yen	None	None
Shunsai Deli Co., Ltd.	Akishima-shi, Tokyo	20 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 7	None	Sale of products	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	Tsurumi-ku, Yokohama-shi, Kanagawa	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	70.0	Employees 4	114 million yen	None	None
Kewpie Vietnam Co., Ltd.	Binh Duong, Vietnam	256.4 billion dong	Production and sale of condiments	80.0	Employees 3	221 million yen	None	None
Enshu Delica Co., Ltd.	Mori-machi, Shuchi-gun, Shizuoka	20 million yen	Processing and sale of fresh vegetables	100.0 (100.0)	Employees 4	506 million yen	Purchase of raw materials	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 1 Employees 2	489 million yen	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 3 Employees 2	None	Purchase of raw materials	Leases of offices
Green Message Co., Ltd.	Yamato-shi, Kanagawa	2,000 million yen	Processing and sale of fresh vegetables	51.0	D or A 2 Employees 3	290 million yen	None	Leases of offices
Tou Kewpie Co., Ltd.	Chofu-shi, Tokyo	10 million yen	Mail-order business	70.0	Employees 4	281 million yen	Sale of products	Leases of offices
Aohata Corporation (Notes 3, 5 & 6)	Takehara-shi, Hiroshima	644 million yen	Production and sale of canned foods	45.7 [8.9]	D or A 3	None	Purchase of products	Leases of offices
Nantong Kewpie Foods Co., Ltd. (Note 1)	Jiangsu Province, China	184 million yuan	Production and sale of vinegar, processed egg and salads	100.0	Employees 6	None	None	None
Other: 1								

(Notes) 1. Kewpie Egg Corporation, K.R.S. Corporation, Kanae Foods Co., Ltd., and Nantong Kewpie 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 ¥79,797 million
   (2) Ordinary income ¥4,074 million
   (3) Net income ¥2,678 million
   (4) Total net assets ¥19,350 million
   (5) Total assets ¥29,215 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.

5. K.R.S. Corporation, Kewpie (Thailand) Co., Ltd. and Aohata Corporation 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 substantial control exerted over their management.
6. 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/ equity investment	Business lines	Percentage of our voting rights	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (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 1	None	Purchase of raw materials	None
Kunimi Nosankako Co., Ltd.	Kunisaki-shi, Oita	80 million yen	Production and sale of frozen and chilled foods	20.1	D or A 1 Employees 1	269 million yen	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

(4) Other associated company

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of their voting rights (Note)	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (A)	Finance from the Company	Operating transactions	Lease transactions
Nakashimato Co., Ltd.	Shibuya-ku, Tokyo	50 million yen	Sale of processed foods	22.0 (7.8)	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, 2015)

Number of employees
13,478 (11,519)

(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

During the fiscal year ending November 30, 2015, the Japanese economy was on the path to recovery, with employment and incomes being fueled by firm corporate earnings amid ongoing Yen depreciation. But personal consumption still remained weak.

The food industry was affected by extensive media coverage on matters of food safety and security, while prices of commodities continued to head higher largely due to rising costs of raw materials.

Transportation costs also continued to rise in the food distribution industry due to shortages in manpower and vehicles.

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

The Group has made 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 had strong sales, and as a result consolidated net sales rose by ¥24,788 million (4.5%) year on year to ¥578,192 million.

- Profit

  Despite impacts from such factors as increases in depreciation and amortization and marketing costs, operating income increased by ¥2,098 million (8.6%) year on year to ¥26,441 million, and ordinary income increased by ¥1,943 million (7.7%) year on year to ¥27,311 million due to cost improvements in the Distribution system business, further overseas expansion and other factors.

  Net income increased by ¥3,665 million (27.4%) year on year to ¥17,031 million, largely due to extraordinary gains of ¥1,948 million as a result of making Aohata Corporation a consolidated subsidiary.

◊ Business overview by segment

[Breakdown of net sales] (Millions of yen)

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)	Change (amount)	Change (ratio)
Condiments products	151,465	157,056	5,591	3.7%
Egg products	99,513	104,785	5,272	5.3%
Delicatessen products	102,225	109,098	6,873	6.7%
Processed foods	57,152	62,255	5,103	8.9%
Fine chemical products	10,726	11,311	585	5.5%
Distribution system	126,789	127,747	958	0.8%
Common business operations	5,531	5,937	406	7.3%
Total	553,404	578,192	24,788	4.5%

[Breakdown of operating income] (Millions of yen)

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)	Change (amount)	Change (ratio)
Condiments products	11,510	12,543	1,033	9.0%
Egg products	3,756	5,396	1,640	43.7%
Delicatessen products	3,279	2,749	(530)	(16.2)%
Processed foods	164	(268)	(432)	—
Fine chemical products	1,030	350	(680)	(66.0)%
Distribution system	3,613	4,760	1,147	31.7%
Common business operations	982	900	(82)	(8.4)%
Adjustments	7	8	1	14.3%
Total	24,343	26,441	2,098	8.6%

Condiments products
- Overseas sales expanded while in Japan sales of salad condiments was firm, leading to increased sales.
- Operating income increased largely due to higher sales and cost improvements, despite higher sales promotion expenses incurred as a result of aggressive efforts to stimulate demand.

Egg products
- Sales increased due to growth in value-added products utilizing soft-boiled egg techniques and frozen eggs for food and beverage, and also due to positive effects of price revisions.
- Operating income increased due to growth in value-added products, positive effects of price revisions, and strong performance of US subsidiaries.

Delicatessen products
- Sales increased due to our expansion into home delivery routes and other new sales channels, and also due to initiatives taken to reinforce production systems.
- Operating income decreased, despite the increase in sales, due to higher depreciation expenses and other costs.

Processed foods
- Sales increased as a result of making Aohata Corporation a consolidated subsidiary, and also because of growth in business achieved with cooking sauces and baby foods.
- Operating income decreased, despite progress made in eliminations and consolidations of unprofitable products, due to increased costs incurred in making Aohata Corporation a consolidated subsidiary.

Fine chemical products
- Sales increased, despite sluggish results from EPA for medical use, as a result of making a mail-order company a consolidated subsidiary and solid performance of hyaluronic acid.
- Operating income decreased due to lower sales of EPA for medical use and higher costs resulting from making the mail-order company a consolidated subsidiary.

Distribution system
- Sales increased mainly reflecting expansion in areas of receipt of outsourced business from existing customers and progress in new customers.

- Operating income increased mainly as a result of higher sales, improved costs, and lower fuel costs.

Common business operations

- Sales increased overall due to higher sales of production equipment to food manufacturers, but operating income decreased due to adjustments for consolidated accounting.

(2) Cash flows

Cash and cash equivalents at the end of the current fiscal year amounted to ¥34,841 million, which represents a decrease of ¥9,947 million from the end of the previous fiscal year.

Status of cash flows

– Net cash provided by operating activities came to ¥28,094 million for the current fiscal year, down from ¥34,392 million for the previous fiscal year. This was the result of income before income taxes and minority interests of ¥28,663 million, depreciation and amortization of ¥19,094 million and a decrease in notes and accounts receivable — trade of ¥8,854 million, offsetting a decrease in notes and accounts payable — trade of ¥12,687 million and income taxes paid of ¥10,049 million.

– Net cash used in investing activities amounted to ¥31,181 million, compared with ¥30,847 million used in the previous fiscal year. This was the result of purchases of tangible fixed assets of ¥30,032 million and purchases of intangible fixed assets of ¥1,529 million.

– Net cash used in financing activities amounted to ¥7,101 million, compared with ¥3,149 million used in the previous fiscal year. This was the result of repayment of lease obligations of ¥1,753 million and dividend payments of ¥3,642 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, 2016. The policies consist of strengthening our management base, enhancing our cost competitiveness, creating added value, and taking up challenges in new fields.

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
<Create added value> • Generate value that tailored to needs • Utilize and open up sales channels • Strengthen proposals for core product	<Enhance our cost competitiveness> • Improve efficiency of production, sales and distribution • Technological innovation in manufacturing • Strengthen procurement capacity for raw materials	<Penetrate KEWPIE brand> • Make proposals that capture area needs • Expand new categories • Strengthen export expansion areas using strategic products

(3) Main strategies by business category

Business category	Main strategies
Condiments products	• Create demand for mayonnaise and dressings through proposals for new salad styles • Expand the market for mayonnaise and dressings through proposals that capture area needs
Egg products	• Cultivate the food services market by making full use of a new factory in the Tokyo metropolitan area • Pick up the pace of expansion into the household market
Delicatessen products	• Achieve labor savings by adopting new technologies and enhance profitability by overhauling its production structure • Continue expansions through newly developed sales channels and develop new sales channels
Processed foods	• Strengthen business fundamentals by revitalizing its mainstay products and shifting more toward value-added products • Strengthen operating base by optimizing its production structure and revamping product categories
Fine chemical products	• Improve costs by reconstructing the raw materials procurement system • Create new functions for hyaluronic acid and build a selling system overseas
Distribution system	• Strengthen operating base by using resources more efficiently and reorganizing the networks of its distribution locations • Expand service areas through new expansion

(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 ending November 30, 2016 to further enhance its corporate value.

The Medium-term Business Plan which begins from the fiscal year ending November 30, 2016, stipulates four management policies focused on making the most of our unique capabilities and an ability to create new products, markets and demand, with the aim of enabling the Group to achieve dramatic growth by pursuing new challenges. To that end, the four policies call for us to strengthen our management base, enhance our cost competitiveness, create added value, and take up challenges in new fields.

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 corporate auditors, including three outside corporate auditors.

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 corporate auditors 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 corporate auditors 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 Companies Act 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 Companies Act 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 Companies Act 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 Companies Act 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 register 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 register 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 corporate auditors 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 corporate auditors 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 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 ¥127,747 million (22.1% of total net sales), and operating income came to ¥4,760 million (18.0% of total operating income). This growth was mostly attributed to K.R.S. Corporation and its subsidiaries.

The Company currently holds 45.7% 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 51.6%). 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 food 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 Aohata Corporation, 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., Kewpie (Thailand) Co., Ltd, Kewpie Malaysia Sdn. Bhd., and Kewpie Vietnam 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.

The Company's R&D Division utilizes the Sengawa Kewport facility, the Group office, to make the most of Group-wide synergies in R&D and to strengthen its ability to create added value. In the area of external collaboration, the Group vigorously pursued open innovation and accelerated high-value R&D.

In July, considering the important role the development of packaging materials plays in developing products, we integrated the packaging materials units of the Division of Quality Assurance and established the new Department of Packages within the Institute of Product Development. Then in October, to clarify roles of respective organizational units of the Institute of Technology we established three new divisions: the Department of Vegetables & Unused Food Resources Sciences specializing in projects involving vegetables and resource recycling; the Department of Food Processing Technology specializing in processing operations, and; the Department of Evaluation & Analysis Sciences which combines health and nutrition with fundamental technologies.

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 and development 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 standardized production environments and systems 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 ¥4,201 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, twenty-five presentations were made and six essays were submitted and published regarding new technologies created in our R&D activities. The table below shows the main presentations made.

<Presentations>

Title	Annual Meeting	Collaborator
The study of antioxdation activity by the egg white peptide	12th Japanese Society for Medical Use of Functional Foods	Ochanomizu University
Nutrition support using condiments products for smell changes experienced by patients undergoing chemotherapy：In particular attention to fish odor	18th Japan Society of Metabolism and Clinical Nutrition Annual Academic Meeting	
Reduction for administration time by adding viscosity regulation solution to enteral nutrition: A multicenter randomized controlled trial	30th Annual Meeting of Japanese Society for Parenteral and Enteral Nutrition	The Jikei University Daisan Hospital
Improvement of stool form by adding viscosity regulation solution to enteral nutrition: A multicenter randomized controlled trial	2015 A.S.P.E.N. (American Society for Parenteral and Enteral Nutrition) Annual Conference	The Jikei University Daisan Hospital, etc.
Effects of high-functional egg white peptide on anti-fatigue properties and athletic performance for long-distance runners engaged in endurance training	27th Society for Running	Hokkaido University of Education Kanagawa University
The absorption and the effect on skin of administrated hyaluronan	12th Asian Congress of Nutrition	Tokyo University of Agriculture and Technology
Beneficial effects of consuming a well-balanced breakfast with an egg on daily nutritional intakes and blood parameters in young females	12th Asian Congress of Nutrition	Ochanomizu University

Title	Annual Meeting	Collaborator
Lactic fermented egg white reduced visceral fat in Japanese subjects	15th Scientific Meeting of the Japanese Society for Anti-Aging Medicine	The Jikei University Kagawa Nutrition University
Ingested hyaluronan moisturizes dry skin ~Towards the system of "Foods with Function Claims"	15th Scientific Meeting of the Japanese Society for Anti-Aging Medicine	
Proposal of the evaluation standard for chewing foods	33rd Academy Meeting of Academy of Clinical Dentistry	The Academy of Clinical Dentistry
Flavor enhancement of dry garlic by addition of fructose, a precursor in the Maillard reaction	2015 IFT Annual Meeting & Food Expo	
Effect of mayonnaise on bitterness reduction of vegetables	The Japan Society of Cookery Science (2015 Annual Meeting)	
Study of the antioxidant peptide derived from chicken egg chalazas using the quantitative structure-activity relationship (QSAR) technique	62nd Annual Meeting of the Japanese Society for Food Science and Technology	Kyoto University
Mechanism of flavor improvement in food by lactic fermentation egg	62nd Annual Meeting of the Japanese Society for Food Science and Technology	
QDA-analyses of sensory factors involved in the palatability of egg yolk	62nd Annual Meeting of the Japanese Society for Food Science and Technology	Nippon Veterinary and Life Science University
Dispersing and emulsifying properties of phospholipase A2-treated egg yolk -Effects of phospholipase A2 with different substrate specificity-	62nd Annual Meeting of the Japanese Society for Food Science and Technology	Kyoto University
The effects of exercise and lactic-acid fermented egg white drink intake on skeletal muscle function and muscle mass in middle aged elderly women.	70th Annual Meeting of Japanese Society of Physical Fitness and Sports Medicine	Otsuma Women's University

<Essays>

Title	Journal of Publication	Collaborator
Thermal Aggregation of Hen Egg White Proteins in the Presence of Salt	Protein Journal (2015) 34: 212–219	University of Tsukuba
Heat-Denatured Lysozyme Inactivates Murine Norovirus as a Surrogate Human Norovirus	Scientific Reports 5, Article number: 11819 (2015)	Tokyo University of Marine Science and Technology
Pretreatment with citric acid or a mixture of nitric acid and citric acid to suppress egg white protein 3 deposit formation on stainless steel surfaces and to ease its removal during cleaning	Food Control 07/2015; 53.	Tokyo University of Marine Science and Technology
Ovalbumin Delivery by Guanidine-Terminated Dendrimers Bearing an Amyloid-Promoting Peptide via Nanoparticle Formulation	Bioconjugate Chemistry 2015, 26 (8), 1804–1810	Kyoto Institute of Technology Osaka Prefecture University

Title	Journal of Publication	Collaborator
Inactivation of enterobacter aerogenes in carboxymethyl cellulose solution using intense pulsed electric fields (iPEF) combined with moderate thermal treatment	IEEE Transactions on Dielectrics and Electrical Insulation, 22, (4) 1849-1855. 2015	Kumamoto University
Oral administration of hyaluronan prevents skin dryness and epidermal thickening in ultraviolet irradiated hairless mice	Journal of Photochemistry & Photobiology,B :Biology Volume 153, Pages 215–221 (2015)	Tokyo University of Agriculture and Technology

<Condiments products>

As for mayonnaise products, we made progress in addressing needs for products suited to those who have egg allergies with the launch of our *Egg free mayonnaise-type condiment* mayonnaise-style condiment which does not contain eggs so that many of our customers can enjoy the deliciously rich flavor of mayonnaise even without eggs. We also forged ahead in developing exceptional products with the launch of our special *Mayonnaise with rich egg flavor* which has been crafted to deliver the abundantly rich flavor of egg yolks.

As for our mainstay dressing products, we stepped up efforts geared to bringing life to salad menu items by proposing the notion of dressings for “tossed salad composed mainly of vegetables or meat” containing meat or fish, with our development of our *Coarsely Ground Blackpepper Dressing* and *Basil Dressing* products emphasizing aroma. With our non-oil dressings, we took steps to address preferences and needs of highly health-conscious customers with our development of the three products that provide satisfying richness and flavor: *Non-Oil Dressing Sesame*, *Non-Oil Dressing Four Cheese*, and *Non-Oil Dressing French Onion* dressings.

We also made progress in expanding our lineup of salad accoutrements with the development of our *Three-color Vege-crouton* marketed as croutons that provide a delicious way to enjoy salads. In the commercial-use realm, we have been working to expand our offerings in the salad condiments category with the development of our *Vege-TSUMA sauce roasted leek* which we recommend as a sauce for use with vegetable appetizers.

Also, we have been taking steps to improve exterior packaging film used with mayonnaise and other products, and have developed a technique in conjunction with Dai Nippon Printing Co., Ltd. that results in labels with clearly legible and inerasable best-before dates.

<Egg products>

Our strategic aims involving shell eggs used by food service operations have involved working to establish a unique presence in the liquid egg market by developing differentiated products. To that end, we have launched various products, one of which is *Liquid Whole Egg (long-life)* which has a 21-day shelf life and is intended for the retail confectionery market. Another such product is *Excel Egg SP* which is formulated to be very foamy. As such, it is highly suitable for use with confectioneries and is intended for confectionery manufacturers. Yet another such product is *Liquid Whole Egg (for cooking)* which is suitable for use in fried rice and soups and has a 14-day shelf life, intended mainly for the Chinese cuisine market. Finally, we have also launched *Scrambled Egg Base* geared to food and beverage and designed so that even unexperienced cooks can make fluffy and light scrambled eggs.

We have been receiving positive feedback with respect to our launch of the Snowman brand *Scrambled Eggs* product line geared to hotels and restaurants which are facing challenges posed by increasing inbound tourism and labor shortages.

The former *Egg Spread* product name was changed to *Egg salad (mild)* in order to more clearly reflect its use. That move helped increase sales given that the product is now being put to a wider range of applications that include use not only in egg-salad sandwiches but also as an ingredient for breads, croquettes and other food items.

To expand our household-use product business we have renewed our *Great egg salad by crushing boiled eggs in packages* product which was launched last year and is sold in the chilled foods section of mass-merchandise stores. This has enabled us to go nationwide with the product, thereby increasing sales and heightening consumer awareness of the product.

Also, in a limited geographic area we have been test marketing our *Yolky Expert Chef's Open Omelet* product line available in three types (plain, Tianjin rice bowl, and chicken and egg rice bowl), and those efforts suggest potential opportunities with respect to expanding sales of the products next fiscal year and thereafter. In November, we won a Food Industry Technology Achievement Award for our *Great egg salad by crushing boiled eggs in packages*, presented at an event sponsored by Shokuhin Sangyo Shimbunsha Co., Ltd.

Finally, our efforts to search for functional applications for eggs have involved conducting research that helps increase the value of eggs. For instance, such research led to the discovery that the chalaza of an egg contains peptides with highly active antioxidants, and those findings have been presented at academic conferences.

<Delicatessen products>

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.

Green Message Co., Ltd., which was established as a joint venture with the National Federation of Agricultural Cooperative Associations, filed for a patent after coming up with a new method for producing cut vegetables for the food services industry, and has now also started selling products.

With the aim of further developing business involving our mainstay *Potato Salad* products, we have been conducting surveys of consumer preferences at the local level and pursuing commercial opportunities in line with our findings. Those efforts have contributed to sales growth.

We have also been taking steps to address needs of highly health-conscious customers by developing delicatessen foods with health benefits in mind (this includes products certified under the Hokkaido Food Functionality Labelling System, foods that are easy to chew as recommended by the Academy of Clinical Dentistry, and other such products).

As for packaged salads (cut vegetables), we came up with a production method that results in greater care in processing vegetables which enables us to extend the shelf life ("Vegetable-friendly manufacturing method") of both our *Shredded Cabbage* and *Mixed Salad* items by one day. That has also contributed to an increase in sales.

<Processed foods>

Our development efforts in the Processed foods business involve close collaboration between product development units of respective Group companies and the Company's R&D Division. In so doing, we focus on short-, medium- and long-term research and development themes, leveraging the strengths of each of those entities.

Using their own original raw materials and production facilities, our Group companies develop various products that include processed agricultural foods such as fruits, beans, Chinese yams, burdock root and basil, as well as prepared foods such as pasta sauces, cooking sauces and soups, and also processed products such as domestically sourced chicken and anchovies.

Meanwhile, the Company's R&D Division plays a central role in developing nursing care foods, baby foods, healthcare products and other products requiring special preparation technologies, as well as national brand products. The division also plays a central role in other areas such as engaging in medium- to long-term product development initiatives with respect to developing new technologies and raw materials, and creating new product categories that will assume a leading role in the next generation.

We worked to invigorate sales venues with respect to household-use products, drawing on the major products we developed, with the introduction of new items in major product categories such as pasta sauces, nursing care foods, baby foods and bread related merchandises. Moreover, we launched commercial-use products for food and beverage such as our *Homard Sauce* Base which enables chefs to readily replicate authentic flavors of certain cuisines, and we also initiated sales of frozen nursing care soft foods for hospitals and other medical facilities, drawing on our techniques for preparing such foods for the household-use market.

Furthermore, with respect to our overseas expansion efforts in the Processed foods business, we began production in China of healthcare products geared to the Chinese domestic market.

<Fine chemical products>

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.

During the fiscal year ended November 30, 2015, we began selling *Hyalomoisture 240* which is labelled as providing the benefits of helping skin retain moisture while soothing dryness. *Hyalomoisture 240* is a product sold in line with the government's system of Foods with Function Claims effective from April on the basis of ample evidence the Company has amassed over time regarding hyaluronic acid for use in foods.

We have also been involved in a joint study with Tokyo University of Marine Science and Technology which found that heat-denatured lysozyme from extracted egg whites inactivates human norovirus. That study was accepted for publication in the prestigious "*Scientific Reports*" journal.

Consolidated subsidiary Kewpie Jyozo Co., Ltd., began selling *Sugarcane Vinegar* products offering a new type of brewed vinegar featuring the full-bodied savoriness of dark molasses for use in food production. Kewpie Jyozo also launched sales of *Red Wine-type Fermented Seasoning* which is made using fruit vinegar fermentation techniques.

With respect to commercial-use condiments, we launched sales of products, including *Seasoning Vinegar for Pickles* which is made with a base of rich white grape vinegar featuring rich aromas and full-bodied flavors and *Asian Table Tom Yum Soup Base*, as well as *Vinegar Drink (cassis berry)* in our lineup of beverages. As for commercial-use sushi vinegars, we began selling *Sushi vinegar (type of Edomae-sushi)* which is made from *sake kasu* and aged at least two years.

Our overseas product development efforts involved promoting development guided by traditional menu items and flavorings of different localities. For instance, we launched sales of a dressing that enables consumers to readily enjoy traditional Northern Chinese-style garden salad (*dà bàn cài*), and we began selling sauces in *Twin Pack* packaging that separately holds chili sauce and mayonnaise which are considered fundamental traditional condiments in Vietnam.

In the area of salad dressings offered in ordinary American supermarkets rather than Asian grocery stores, we developed new dressing flavors that bring together the taste of fruit, coconuts and other such flavors with spices, and we formed a product line that includes deep-roasted sesame dressings and other products available in Japan.

Also, PT. Kewpie Indonesia, which began operations at the end of last fiscal year, began selling household-use products.

As a result of the above, research and development expenses for the Group in the current fiscal year amounted to ¥4,201 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 ¥24,788 million (4.5%) year on year to ¥578,192 million on a consolidated basis.

Breaking this down into business segments, sales of the Condiments products business increased by ¥5,591 million (3.7%) year on year to ¥157,056 million. This was mainly because of steady growth in operations in China and Southeast Asia, as well as growth in sales of mayonnaise and dressings in the domestic market. Sales in the Egg products business increased ¥5,272 million (5.3%) year on year to ¥104,785 million, backed by growth in value-added products utilizing soft-boiled egg techniques and frozen eggs for food and beverage. In the Delicatessen products business, sales increased by ¥6,873 million (6.7%) year on year to ¥109,098 million, mainly due to our expansion into home delivery routes and other new sales channels, and also due to initiatives taken to reinforce production systems.

b) Operating income

Operating income increased by ¥2,098 million (8.6%) year on year to ¥26,441 million.

Breaking this down into business segments, operating income for the Condiments products business increased by ¥1,033 million (9.0%) year on year to ¥12,543 million. This was largely due to higher sales and cost improvements, and despite higher sales promotion expenses incurred as a result of aggressive efforts to stimulate demand. In the Egg products business, operating income increased by ¥1,640 million (43.7%) year on year to ¥5,396 million, due to growth in value-added products, positive effects of price revisions, and strong performance of US subsidiaries. In the Distribution system business, operating income increased by ¥1,147 million (31.7%) year on year to ¥4,760 million, mainly as a result of higher sales, improved costs, and lower fuel costs.

c) Ordinary income

Net non-operating income decreased by ¥154 million year on year mainly due to foreign exchange losses in overseas subsidiaries. Ordinary income increased by ¥1,943 by million (7.7%) year on year to ¥27,311 million.

d) Net income

Extraordinary gains/losses came to a gain of ¥2,143 million, mainly due to extraordinary gains of ¥1,948 million from making Aohata Corporation into a consolidated subsidiary.

As a result of the above, income before income taxes and minority interests amounted to ¥28,663 million, an increase of ¥4,088 million (16.6%) year on year. Income taxes amounted to ¥8,860 million, income taxes — deferred to minus ¥1 million and minority interests to ¥2,769 million. Consequently, net income rose by ¥3,665 million (27.4%) year on year to ¥17,031 million.

Net income per share for the current fiscal year came to ¥112. 21 (compared with ¥88. 69 for the previous fiscal year), and return on equity (ROE) came to 8.3% (compared with 7.0% for the previous fiscal year).

(3) Financial condition

a) Assets

Current assets decreased by ¥6,673 million year on year to ¥147,920 million. This was mainly due to a ¥4,971 million decrease in cash and deposits, a ¥5,000 million decrease in securities, and a ¥3,252 million increase in raw materials and supplies.

Fixed assets increased by ¥22,097 million year on year to ¥224,498 million mainly due to a ¥13,265 million increase in tangible fixed assets, a ¥1,979 million increase in investment securities, and a ¥4,220 million increase in assets for retirement benefits.

As a result of the above, total assets increased by ¥15,425 million year on year to ¥372,419 million.

b) Liabilities and net assets

Total liabilities decreased by ¥10,107 million year on year to ¥126,489 million. This was mainly attributable to an ¥8,583 million decrease in notes and accounts payable — trade, a ¥6,141 million decrease in accounts payable — other, and a ¥1,318 million decrease in accrued income taxes, and a ¥2,304 million increase in deferred tax liabilities (non-current liabilities).

The ending balance of interest-bearing debt increased by ¥1,449 million year on year to ¥30,559 million.

Net assets rose by ¥25,532 million year on year to ¥245,929 million mainly due to a ¥13,068 million increase in earned surplus, a ¥3,428 million increase in unrealized holding gains (losses) on securities, and a ¥6,510 million increase in minority interests.

As a result, the equity ratio rose by 2.9 percentage points to 57.5%, and net assets per share rose by ¥126. 17 to ¥1,410. 53.

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 2011	Fiscal year 2012	Fiscal year 2013	Fiscal year 2014	Fiscal year 2015
Equity ratio (%)	58.0	55.8	55.0	54.6	57.5
Equity ratio based on market value (%)	57.3	58.6	65.1	82.6	120.3
Interest-bearing debt to cash flows ratio (year)	0.5	0.7	0.9	0.8	1.1
Interest coverage ratio (times)	108.0	165.0	105.1	116.0	89.5

(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 ¥32,369 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	6,714	Augmenting and streamlining facilities for production of mayonnaise, dressings
Egg products	7,303	Augmenting and streamlining facilities for production of liquid egg, frozen egg
Delicatessen products	5,106	Augmenting and streamlining facilities for production of salads, delicatessen foods
Processed foods	1,870	Augmenting and streamlining facilities for production of bottled, canned and/or retort pouch foods
Fine chemical products	660	Augmenting and streamlining facilities for production of hyaluronic acid, EPA
Distribution system	9,814	Warehouse facilities, vehicles
Common business operations	899	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, 2015 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^2)	Lease assets	Other	Total	
Hashikami Factory (Hashikami-cho, Sannohe-gun, Aomori)	Condiments products Egg products Delicatessen products Processed foods	For foods	695	339	553 (46,365)	—	42	1,630	1 (—)
Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Condiments products Processed foods Fine chemical products	For foods	6,408	3,696	3,734 (221,051)	57	190	14,087	298 (158)
Nakagawara Factory (Fuchu-shi, Tokyo)	Condiments products Processed foods	For foods	5,388	1,641	405 (43,484)	5	88	7,529	148 (107)
Fujiyoshida Factory (Fujiyoshida-shi, Yamanashi)	Condiments products Processed foods	For foods	1,502	325	272 (59,399)	—	8	2,109	1 (3)
Koromo Factory (Toyota-shi, Aichi)	Condiments products Egg products	For foods	1,252	1,763	16 (37,876)	2	34	3,068	169 (186)
Itami Factory (Itami-shi, Hyogo)	Condiments products Egg products Processed foods	For foods	1,659	1,520	2,337 (37,919)	9	40	5,568	133 (176)
Izumisano Factory (Izumisano-shi, Osaka)	Condiments products Processed foods	For foods	849	412	663 (18,576)	—	16	1,942	69 (83)
Tosu Factory (Tosu-shi, Saga)	Condiments products Processed foods	For foods	2,730	907	363 (53,958)	—	13	4,015	1 (—)
Complex of facilities (Chofu-shi, Tokyo)	—	For others	7,610	199	138 (16,510)	104	511	8,564	993 (182)
Tokyo Branch and other 8 branches and 18 sales offices	—	For others	96 [17,867]	0	— (—)	—	33	129	707 (66)
Kobe Distribution Center (Higashinada-ku, Kobe-shi, Hyogo)	Distribution system	For warehousing and distribution system	4,826	648	7,349 (64,029)	—	22	12,846	— (2)

(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^2)	Lease assets	Other	Total	
Kewpie Egg Corporation	Head Office, Factory and Office, etc. (Chofu-shi, Tokyo, etc.)	Egg products	For foods	3,607	3,731	2,844 (68,268)	—	202	10,386	924 (184)
Deria Foods Co., Ltd.	Head Office and Branch, etc. (Chofu-shi, Tokyo, etc.)	Delicatessen products	For foods	2,469	83	217 (13,178)	74	13	2,857	153 (42)
Kewpie Jyozo Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Condiments products	For foods	1,468	809	2,178 (72,322)	24	59	4,539	201 (126)
K.R.S. Corporation	Head Office and Branch Office, etc. (Chofu-shi, Tokyo, etc.)	Distribution system	For warehousing and distribution system	8,318	1,772	11,622 (207,333)	1,090	331	23,134	626 (285)
Co-op Foods Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Processed foods	For foods	1,966	1,000	281 (72,428)	14	43	3,306	157 (283)
Kanae Foods Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Egg products	For foods	1,995	1,906	2,162 (45,997)	—	90	6,155	404 (761)
Zen-noh Kewpie Egg-station Co., Ltd.	Head Office and Factory (Goka-machi, Sashima-gun, Ibaraki, etc.)	Egg products	For foods	832	684	396 (10,313)	—	23	1,936	136 (173)
Gourmet Delica Co., Ltd.	Head Office and Factory (Tokorozawa-shi, Saitama, etc.)	Delicatessen products	For foods	5,073	719	2,261 (56,576)	1,505	61	9,621	320 (1,479)
Dispen Pak Japan Co., Inc.	Head Office and Factory (Minami-Ashigara-shi, Kanagawa, etc.)	Condiments products	For foods	292	696	836 (7,697)	—	17	1,843	107 (97)
Potato Delica Co., Ltd.	Head Office and Factory (Azumino-shi, Nagano, etc.)	Delicatessen products	For foods	958	267	550 (33,330)	475	12	2,265	100 (179)
S.Y. Promotion Co., Ltd.	Head Office and Office (Koto-ku, Tokyo, etc.)	Distribution system	For warehousing and distribution system	808	1,998	2,240 (107,834)	—	28	5,076	411 (119)
Salad Club, Inc.	Head Office, Factory and Office (Chofu-shi, Tokyo, etc.)	Delicatessen products	For foods	603	750	117 (9,782)	23	17	1,512	221 (675)
K.Tis Corporation	Head Office and Office (Inagi-shi, Tokyo, etc.)	Distribution system	For warehousing and distribution system	307	1,128	1,878 (46,502)	—	17	3,331	1,287 (419)
Shunsai Deli Co., Ltd.	Head Office and Office (Akishima-shi, Tokyo, etc.)	Delicatessen products	For foods	652	431	200 (4,761)	162	42	1,490	199 (644)
Green Message Co., Ltd.	Head Office and Factory (Yamato-shi, Kanagawa)	Delicatessen products	For foods	1,161	479	— (—)	—	25	1,666	18 (48)
Aohata Corporation	Head Office, Factory and Office, etc. (Takehara-shi, Hiroshima, etc.)	Processed foods	For foods	1,704	1,002	1,331 (53,752)	—	80	4,119	329 (132)

(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 (m²)	Lease assets	Other	Total	
Henningsen Foods, Inc.	Nebraska, USA	Egg products	For foods	506	711	44 (56,170)	—	224	1,486	187 (—)
Hangzhou Kewpie Foods Co., Ltd.	Zhejiang Province, China	Condiments products	For foods	741	1,040	— (—)	—	109	1,891	626 (—)
Beijing Kewpie Foods Co., Ltd.	Beijing, China	Condiments products	For foods	1,146	615	— (—)	—	29	1,790	528 (—)
Kewpie (Thailand) Co., Ltd.	Bangkok, Thailand	Condiments products	For foods	524	546	141 (104,804)	—	497	1,709	1,041 (20)
PT. Kewpie Indonesia	West Java, Indonesia	Condiments products	For foods	597	328	339 (25,902)	14	29	1,310	51 (38)

(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 (m²) 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	48

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 (Nov. 30, 2015)	Filing date (Feb. 29, 2016)		
Common stock	153,000,000	153,000,000	Tokyo Stock Exchange (First Section)	• Ordinary shares of the Company with no restrictions on shareholders' rights • Number of unit share: 100 shares
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, 2015)

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	21,541	14.08
Tohka Co., Ltd.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	11,872	7.76
The Master Trust Bank of Japan, Ltd. Account in Trust	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	5,438	3.55
Japan Trustee Service Bank, Ltd. Account in Trust	8-11, Harumi 1-chome, Chuo-ku, Tokyo	5,310	3.47
Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust (for Mizuho Bank, Ltd.)	8-12, Harumi 1-chome, Chuo-ku, Tokyo	4,827	3.15
Kieikai Research Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	4,251	2.78
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	3,039	1.99
The Dai-ichi Life Insurance Company, Limited (standing proxy: Trust & Custody Services Bank, Ltd.)	13-1, Yurakucho 1-chome, Chiyoda-ku, Tokyo (8-12, Harumi 1-chome, Chuo-ku, Tokyo)	3,012	1.97
Nakato Scholarship Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	2,494	1.63
Total	—	64,995	42.48

(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]
Shares of common stock repurchased as defined by Article 155, Items 7 and Article 163 of the Companies Act

(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

Shares of common stock repurchased in accordance with the provisions of Article 163 of the Companies Act

Item	Number of shares	Total price (yen)
Repurchase approved at the Board of Directors' meeting held on January 8, 2015 (Repurchase period: January 30, 2015)	133,251	309,142,320
Treasury stock held prior to the current fiscal year	—	—
Shares repurchased during the current fiscal year	133,251	309,142,320
Total remaining number and value of shares resolved to be repurchased	—	—
Percentage of unexercised portion as of final day of the current fiscal year (%)	0.0	0.0
Shares repurchased during the specified period	—	—
Percentage of unexercised portion as of the document filing date (%)	—	—

(Note) The 133,251 shares in "Shares repurchased during the specified period" consists of shares acquired from Aohata Corporation and AFC Co., Ltd. on January 30, 2015.

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

Shares of common stock repurchased in accordance with the provisions of Article 155, Item 7 of the Companies Act

Item	Number of shares	Total price (yen)
Shares repurchased during the current fiscal year	3,560	9,732,982
Shares repurchased during the specified period	418	1,253,799

(Note) "Shares repurchased during the specified period" does not include shares resulting from the repurchase of shares less than one unit between February 1, 2016 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	1,232,318	—	1,232,736	—

(Note) "Balance of treasury stock held" in "Specified period" does not include shares resulting from the repurchase of shares less than one unit between February 1, 2016 and the document filing date of the Annual Securities Report.

3. Dividend Policy

The Company maintains a basic policy of providing returns to its shareholders with top priority on dividend payments, and accordingly aims to continue providing stable dividends while also reviewing options for repurchasing and retiring treasury stock as necessary, giving consideration to factors such as stock price trends and financial conditions.

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.

With respect to determining amounts to be paid in dividends, up until the current fiscal year the Company targeted a consolidated dividend payout ratio of at least 25%, calculated on the basis of a consolidated dividends on equity (DOE) ratio of at least 1.8%. However, beginning with the fiscal year ending November 30, 2016, the Company is targeting a consolidated DOE ratio of 2.2%, calculated on the basis of a consolidated dividend payout ratio of at least 30%.

As for dividends, the Articles of Incorporation of the Company stipulate that dividends from surplus can be paid twice a year, comprising of interim and year-end dividends based on the resolution by the Board of Directors, in accordance with the provisions of Article 459, Paragraph 1 and Article 454, Paragraph 5 of the Companies Act.

For the current fiscal year, the Company intends to pay a year-end dividend of ¥16.50 per share on the basis of the standard for decisions effective until the current fiscal year (this includes a dividend of ¥1 to commemorate the 90th anniversary of launching mayonnaise). The annual dividends will be ¥29 per share, which includes the interim dividend of ¥12.50 paid in August, for an increase of ¥6 per share in comparison with the previous fiscal year.

As a result, the Company’s consolidated DOE and consolidated dividend payout ratio came to 2.2% and 25.8% respectively for the current fiscal year.

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 corporate auditors.

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 Representative Director and President Corporate Officer 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.

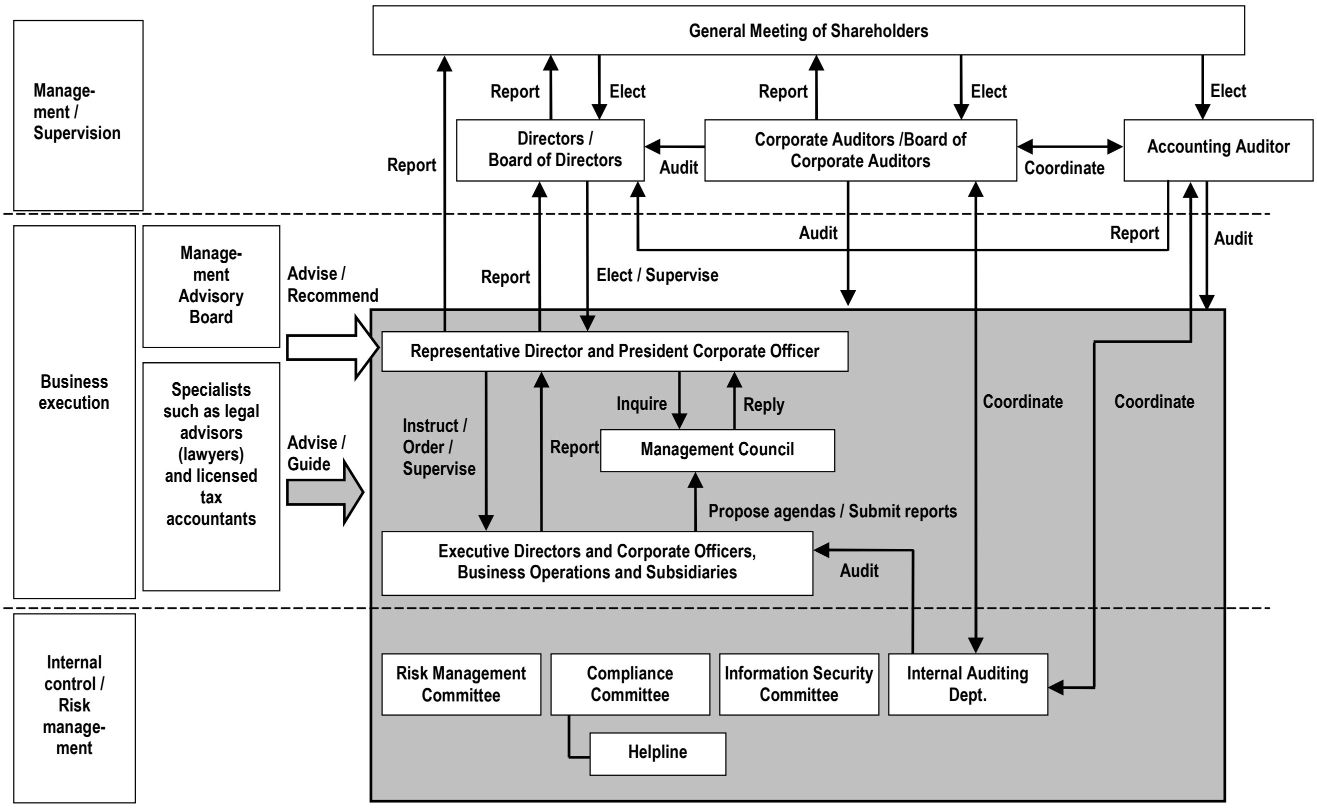
The managements of the seven subsidiaries that form the core of the Group regularly participate in meetings of the Management Council. Participants in these meetings work to further advance Group management by such means as holding debates on Group policies.

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.

Furthermore, we have reviewed the corporate officer system and have accordingly assigned to Corporate Officers positions that had previously been assigned to Directors, with the aim of promoting delegation of authority to Corporate Officers, clarifying roles and responsibilities, and expediting management.

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 two outside directors and the three outside corporate auditors concerning the overall management of the Company. They also serve the important role of monitoring the Representative Director and President Corporate Officer 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 Companies Act. 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 Companies Act.

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 corporate auditors 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 and President Corporate Officer. 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 Board of Corporate Auditors, 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 management 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 Representative Director and President Corporate Officer 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 Representative Director and President Corporate Officer, 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 the Group 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 Board of Corporate Auditors.

b) Under the Compliance Committee, and serving as an internal reporting system for the protection scheme 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) Subsidiaries of the Company shall report to directors of the Company, on a monthly basis, on the risks involving business results and management. Moreover, directors of the Company who have been dispatched as directors of a subsidiary and are present at the subsidiary's Board of the Directors' meeting shall report to the director designated by the Representative Director and President Corporate Officer of the Company regarding the status of discussions by the subsidiary's Board of Directors and management issues.

b) The committee members of Risk Management Committee of the Company shall include person in charge of subsidiary oversight and this committee shall also manage the risks of its subsidiaries. Moreover, subsidiaries 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.

c) Consolidated management targets and policy on business operations of the corporate group shall be shared at the Group Joint Management Council and in meetings of different business areas. Moreover, the entire Group shall work toward optimization with respect to the organization and human resources, and fund procurement. Also, with regard to execution of duties, the Company shall define areas of authority for managing subsidiaries based on the "group-wide form stating decision-making and reporting procedures," and shall also streamline delegation of authority while achieving balance with Group management.

d) To ensure proper operations of subsidiaries, the Company shall share its motto and precepts, along with the Group's goal of "unceasingly contributing to better and healthier dietary lifestyles of people from around the world premised on the notions of good taste, kindness and uniqueness" which make up the Group's philosophy. Furthermore, all Directors and employees shall adhere to the Group Policies which encompass the Code of Ethics and Code of Conduct.

e) A Management Advisory Board has been set up as an advisory body to the Representative Director and President Corporate Officer 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.

f) The Group 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.

g) 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 corporate auditors of subsidiaries, shall construct a scheme for regularly evaluating and improving the state of the design and operation of this system.

h) For K.R.S. Corporation and Aohata Corporation, which are subsidiaries of the Company, systems necessary to ensure properness of operations shall be independently constructed at each company as they are listed on the Tokyo Stock Exchange and have independent corporate groups. However, the said companies will still share with the rest of the Group the consolidated management targets and there shall be a close exchange of information relating to risk management and compliance.

G. Placement of employees to assist in corporate auditor duties

The Internal Auditing Department executes internal auditing of matters requested by the corporate auditors through deliberation with the Board of Corporate Auditors and reports the results of such audits to the Board of Corporate Auditors. Moreover, if the Board of Corporate Auditors 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 corporate auditor duties and ensuring effectiveness of corporate auditor instructions conveyed to such employees

a) Employees belonging to the Internal Auditing Department who receive a request from the corporate auditors 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 Board of Corporate Auditors requests the placement of an employee to assist in auditing duties, that employee shall not receive instructions or orders from directors.

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 corporate auditor as they pertain to ensuring that the audit by the corporate auditors is effective.

I. System for reporting to the corporate auditors including system for directors and employees, and directors, corporate auditors and employees of subsidiaries to report to the corporate auditors

a) Directors and employees, and directors, corporate auditors and employees of subsidiaries shall report the information necessary to respond to respective corporate auditor requests in accordance with the stipulation of the Board of Corporate Auditors.

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 corporate auditors, 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
- Behavior in violation of laws and regulations or the Articles of Incorporation, or fraudulent behavior
- Matters entailing risk of inflicting substantial damage on the Company or a subsidiary thereof

c) The Company shall establish a system, as part of the "helpline" internal reporting system in order to enable direct contact with the Company's corporate auditors.

J. System to ensure that persons who have reported as aforementioned in section "I." above are not treated disadvantageously for making such reports

a) Compliance regulations applicable across the Group shall ensure protection of persons who seek consultation or report issues.

b) The Company shall, within the "helpline" internal reporting system, set up an internal reporting contact point operated by an outside third-party entity, and shall establish a system that enables directors and employees, as well as officers and employees of subsidiaries, to anonymously report to corporate auditors through that contact point.

K. Policy on procedures for prepaying or reimbursing expenses incurred by corporate auditors in the course of executing their duties, and other matters involving handling of expenses or debts incurred through execution of such duties

a) The Company shall undertake budgetary measures annually with respect to audit expenses necessary to ensure the smooth execution of corporate auditor duties.

b) The Company shall cover extraordinary expenses claimed by corporate auditors, such as those incurred in enlisting the cooperation of outside specialists (such as lawyers and accountants), unless the nature of the expense claimed is deemed unreasonable.

L. Other system necessary to ensure auditing of corporate auditors is effectively executed

a) The Board of Corporate Auditors 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 Representative Director and President Corporate Officer and the accounting auditors.

b) Audit policies and important audit matters of respective fiscal years are to be reported to the Board of Directors and shared with the directors.

<u>Progress made in operating the internal control system</u>

Details regarding the operational status of the internal control system for the current fiscal year are summarized as follows.

a) System to ensure compliance with laws and regulations and the Articles of Incorporation
- With the idea that compliance is the foundation for fostering a corporate culture with a high sense of professional ethics, we implemented educational programs on management's philosophy for all seminars for individual employee ranks.

b) System for managing risk of loss
- To better ensure safety with respect to food production, the Company has been taking steps to acquire FSSC 22000 Food Safety System Certification for business sites within the Group (62 business sites have acquired FSSC 22000 certification as of November 30, 2015).
- Multiple crisis management training sessions were conducted to ensure preparedness in the event of major natural disaster.

c) System to ensure effective execution of duties
- With the aim of achieving Group-wide growth, the Company has established its 8th Medium-term Business Plan, which will remain in effect for three years starting from the fiscal year ended November 30, 2016.
- The Company has reviewed its corporate officer system with the aim of clarifying roles and responsibilities of management and promoting managerial flexibility.
- In order to strengthen the Processed foods business and improve profitability, business involving bread related merchandise sales was transferred to Aohata Corporation, which was made a consolidated subsidiary of the Company.
- The Company relocated sales offices in line with changes in the market. Subsidiaries also made progress with respect to establishing new factories and relocating production items, premised on the aim of achieving efficient Group-wide production.

d) System necessary to ensure properness of operations in the corporate group
- The Company reviewed the Group's management philosophy in light of changes in the business environment, with the aim of better sharing and passing down its values and aspirations on a Group-wide basis in a manner that spurs development into the future.
- The Company achieved more widespread understanding of the Group's management philosophy among temporary employees, and engaged in other initiatives that included providing management philosophy training to local employees of overseas subsidiaries as well, and preparing and distributing instructional materials in that regard.

e) System to ensure that corporate auditors perform audits effectively
- The Company's corporate auditors have been striving to assess the operational status of internal controls through efforts that include creating opportunities for regular exchange of opinions and other dialogue among the Representative Director and President Corporate Officer, accounting auditors and the Internal Auditing Department, as well as attending meetings of the Risk Management Committee, the Compliance Committee and other such bodies.

- The Company's corporate auditors were added as information recipients of the "helpline," which has been set up as the Group's internal reporting system (operations launched at the start of the fiscal year ending November 30, 2016).

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 Representative Director and President Corporate Officer, 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 Board of Corporate Auditors on the status of compliance activities. In addition to establishing and publically releasing a document entitled "Group Policies," 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," and has also been implementing employee awareness surveys (questionnaire format) every other year in order to assess how well employees of Group companies understand compliance matters, and also to gauge their awareness and conduct in that regard. 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 corporate auditors have continuous access right to documents and electronic information related to the deliberations and activities of directors.

<u>Lawyers, accounting auditors, and other third parties</u>

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 Representative Director and President Corporate Officer 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 forty other qualified persons, including twenty-four CPAs and sixteen other qualified persons.

Names & titles of CPAs	Auditing firm to which the CPA belongs
Masayuki Miyairi Designated and Limited Engagement Partner	Ernst & Young ShinNihon LLC
Junya Abe Designated and Limited Engagement Partner	Ernst & Young ShinNihon LLC
Yoshiyuki Sakuma 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 corporate auditor audits

The Board of Corporate Auditors determines the auditing policies as well as the division of responsibilities among corporate auditors, and each corporate auditor complies with the Board's policy directives and sits in on meetings of the Board of Directors and other important management meetings. Corporate auditors hear business reports from individual directors and peruse the documents employed in the process of reaching decisions on important matters. Corporate auditors conduct on-site investigations at the Company's Head Office and other important business places regarding business performance and financial position. Corporate auditors also request reports from the managements of the Company's subsidiaries on their business performance. When deemed necessary, corporate auditors visit subsidiaries to investigate the performance of their business and their financial position at first hand. The two standing corporate auditors simultaneously act as corporate auditors for the Company's main subsidiaries. Regular meetings are held between the Board of Corporate Auditors and the Representative Director and President Corporate Officer 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 nine 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 Representative Director and President Corporate Officer, the director in charge of compliance or corporate auditors – 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 corporate auditors 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 corporate auditors

The Company has two outside directors and three outside corporate auditors.

Outside director 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 director Ms. Shihoko Urushi has abundant experience as an educator combined with broad insight as a corporate executive. Ms. Urushi has no material interest in the Company.

Outside corporate auditor Mr. Haruo Kasama has expertise as a lawyer and broad insight. Mr. Kasama is an outside director at Japan Post Holdings Co., Ltd. and an outside corporate auditor at each of Sumitomo Corporation and Sompo Japan Nipponkoa Holdings, Inc., and the Company has business relationships with each of these three companies. However, each of these is regular business relationships and there are no special interests between the Company and any of these three companies. Consequently, they have no impact on the independence of Mr. Kasama.

Outside corporate auditor Ms. Emiko Takeishi has experience in the sector of public administration and broad knowledge about personnel systems and labor policies. Although Mr. Ms. Takeishi is an outside corporate auditor of Tokio Marine & Nichido Fire Insurance Co., Ltd. and the Company has a business relationship, 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. Ms. Takeishi.

Outside corporate auditor Mr. Sumio Tarui has abundant experience as a diplomat which lends him broad insight on matters involving overseas expansion. Mr. Tarui has no material interest in the Company.

The Company stipulates the following as its criteria on independence for the purpose of appointing outside directors and outside corporate auditors.

Independence Criteria for Outside Corporate Officers

To judge the independence of outside Directors and outside corporate auditors as stipulated in the Companies Act, we check the requirements for independent corporate officers stipulated by the Tokyo Stock Exchange, Inc. as well as checking whether the following apply.

(1) A major shareholder of the Company (holding 10% or more of voting rights either directly or indirectly), or a person who executes business for a major shareholder of the Group (*1)
(2) A person/entity for which the Group is a major client, or a person who executes business for such person/entity (*2)
(3) A major client of the Group or a person who executes business for such client (*3)
(4) A person who executes business for a major lender of the Group (*4)
(5) A senior partner or partner of the accounting auditor for the Company
(6) A provider of expert services, such as a consultant, attorney at law, or certified public accountant, who receives cash or other assets exceeding ¥10 million in one business year other than Director/Corporate auditor compensation from the Company
(7) A person/entity receiving contributions from the Group exceeding ¥10 million in one business year, or a person who executes business for such person/entity
(8) A person to whom any one of (1) to (7) above has applied in the past three business years
(9) Where any of (1) to (8) above apply to a key person, and his or her immediate relatives, which includes his or her grandparents, grandchildren, siblings, spouse and his or her grandparents, siblings and grandchildren (*5)
(10) A special reason other than the preceding items that will prevent the person from performing their duties as an independent outside corporate officer, such as the potential for a conflict of interest with the Company.

*1 A person who executes business means an executive director, executive officer, corporate officer, or other employee, etc.

*2 A person/entity for which the Group is a major client means a person/entity who receives payments from the Group amounting to at least the higher of either 2% of their annual consolidated net sales or ¥100 million.

*3 A major client of the Group means a client that makes payments to the Group amounting to at least the higher of either 2% of the Company's consolidated net sales or ¥100 million.

*4 A major lender of the Group means a lender named as a major lender in the Group's business report.

*5 A key person means a director (excluding independent outside directors), corporate auditor (excluding independent outside corporate auditors), executive officer, corporate officer, or other person in the rank of general manager or above, or a corporate officer corresponding to these positions.

The Company works to secure outside directors and outside corporate auditors that have a high degree of independence from an objective viewpoint. In that regard, the Company has registered five such individuals with the Tokyo Stock Exchange, Inc. as independent directors and independent corporate auditors who pose no risk involving conflict of interests with ordinary shareholders, including Mr. Kazunari Uchida and Ms. Shihoko Urushi as outside directors, and Mr. Haruo Kasama, Ms. Emiko Takeishi and Mr. Sumio Tarui as outside corporate auditors.

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 corporate auditors

(i) The total compensation of directors and corporate auditors by type, total compensation by classification, and number of people receiving compensation

Type of directors and corporate auditors	Total compensation (millions of yen)	Total compensation by classification (millions of yen)		Number of people receiving compensation
		Basic compensation	Bonuses	
Directors (excluding outside directors)	403	328	75	12
Corporate auditors (excluding outside corporate auditors)	51	51	—	3
Outside directors and outside corporate auditors	60	60	—	5

(Note) The compensation amounts listed above exclude employee salaries (including bonuses) of those serving concurrently as employee and director.

(ii) Details and decision-making method of policy concerning compensation amounts of directors and corporate auditors 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 outside directors is in the form of monthly compensation only.

The compensation paid to corporate auditors is in the form of monthly compensation only. The individual compensation amounts are decided through negotiation with corporate auditors 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: 126 issues

Total book value on the balance sheet: ¥22,255 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	2,451	To strengthen business relationship
Kato Sangyo Co., Ltd.	840,300	1,910	To strengthen trading relationship
Nichirei Corporation	3,109,000	1,604	To strengthen trading relationship
Nisshin Seifun Group Inc.	1,003,981	1,179	To strengthen trading relationship
Kikkoman Corporation	374,000	1,056	To strengthen trading relationship
Ono Pharmaceutical Co., Ltd.	77,000	782	To strengthen business relationship
Kirin Holdings Company, Limited	507,000	772	To strengthen trading relationship
Seven & i Holdings Co., Ltd.	124,600	551	To strengthen trading relationship
Sumitomo Mitsui Financial Group, Inc.	112,483	503	To maintain stable trading relationship with financial institution
Yoshinoya Holdings Co., Ltd.	291,975	378	To strengthen trading relationship
Mizuho Financial Group, Inc.	1,807,200	370	To maintain stable trading relationship with financial institution
Inageya Co., Ltd.	304,301	355	To strengthen trading relationship
Mitsubishi UFJ Financial Group, Inc.	495,500	339	To maintain stable trading relationship with financial institution
Casio Computer Co., Ltd.	181,000	324	To strengthen business relationship
Taisho Pharmaceutical Holdings Co., Ltd.	39,600	291	To strengthen business relationship
Toho Co., Ltd.	550,000	234	To strengthen trading relationship
Axial Retailing Inc.	61,700	161	To strengthen trading relationship
KFC Holdings Japan, Ltd.	67,000	144	To strengthen trading relationship
Kadoya Sesame Mills Incorporated	50,000	130	To strengthen trading relationship
The Dai-ichi Life Insurance Company, Limited	74,200	127	To strengthen business relationship
Showa Sangyo Co., Ltd.	268,000	125	To strengthen trading relationship
Nakamuraya Co., Ltd.	275,611	122	To strengthen trading relationship
Tokan Co., Ltd.	58,175	116	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	2,926	Power to exercise voting rights
Seven & i Holdings Co., Ltd.	485,000	2,147	Power to exercise voting rights
Sumitomo Corporation	654,000	827	Power to exercise voting rights
Mitsubishi Shokuhin Co., Ltd.	299,000	791	Power to exercise voting rights
Kyowa Hakko Kirin Co., Ltd.	475,000	612	Power to exercise voting rights
Yamato Holdings Co., Ltd.	219,000	588	Power to exercise voting rights
Aeon Co., Ltd.	220,000	260	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
Nichirei Corporation	3,109,000	2,505	To strengthen trading relationship
Kato Sangyo Co., Ltd.	840,300	2,404	To strengthen trading relationship
Saha Pathanapibul Public Co., Ltd.	16,072,583	2,212	To strengthen business relationship
Nisshin Seifun Group Inc.	1,003,981	1,941	To strengthen trading relationship
Ono Pharmaceutical Co., Ltd.	77,000	1,517	To strengthen business relationship
Kikkoman Corporation	374,000	1,516	To strengthen trading relationship
Kirin Holdings Company, Limited	507,000	878	To strengthen trading relationship
Seven & i Holdings Co., Ltd.	124,600	687	To strengthen trading relationship
Sumitomo Mitsui Financial Group, Inc.	112,483	528	To maintain stable trading relationship with financial institution
Casio Computer Co., Ltd.	181,000	491	To strengthen business relationship
Mizuho Financial Group, Inc.	1,807,200	449	To maintain stable trading relationship with financial institution
Yoshinoya Holdings Co., Ltd.	293,091	447	To strengthen trading relationship
Inageya Co., Ltd.	305,479	420	To strengthen trading relationship
Mitsubishi UFJ Financial Group, Inc.	495,500	391	To maintain stable trading relationship with financial institution
Taisho Pharmaceutical Holdings Co., Ltd.	39,600	330	To strengthen business relationship
Axial Retailing Inc.	61,700	278	To strengthen trading relationship
Toho Co., Ltd.	110,000	265	To strengthen trading relationship
The Dai-ichi Life Insurance Company, Limited	74,200	158	To strengthen business relationship
KFC Holdings Japan, Ltd.	67,000	137	To strengthen trading relationship
Kadoya Sesame Mills Incorporated	50,000	136	To strengthen trading relationship
Nakamuraya Co., Ltd.	279,645	133	To strengthen trading relationship
Morozoff Limited	300,000	131	To strengthen trading relationship
Showa Sangyo Co., Ltd.	268,000	129	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	3,203	Power to exercise voting rights
Seven & i Holdings Co., Ltd.	485,000	2,677	Power to exercise voting rights
Kyowa Hakko Kirin Co., Ltd.	475,000	1,030	Power to exercise voting rights
Mitsubishi Shokuhin Co., Ltd.	299,000	911	Power to exercise voting rights
Sumitomo Corporation	654,000	855	Power to exercise voting rights
Yamato Holdings Co., Ltd.	219,000	517	Power to exercise voting rights
Aeon Co., Ltd.	220,000	420	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 Companies Act and Article 28 of the Articles of Incorporation, the Company and its outside directors have entered into a limited liability contract. Also, in accordance with the provisions of Article 427, Paragraph 1 of the Companies Act and Article 38 of the Articles of Incorporation, the Company and each of its outside corporate auditors 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 Companies Act.

(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

- Dividends from surplus

As for matters listed in items of Article 459, Paragraph 1 of the Companies Act 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.

(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 Companies Act, 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	12	90	22
Consolidated subsidiaries	46	8	78	14
Total	135	20	168	36

(b) Other important details on compensation

Compensation paid to Ernst & Young, part of the same network as the auditing certificated public accountants of the Company, Ernst & Young ShinNihon LLC, by the Company and its consolidated subsidiaries was ¥33 million for audit services and ¥1 million for non-audit services, in the previous fiscal year, and ¥46 million for audit services and ¥5 million for non-audit services, 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 Board of Corporate Auditors in accordance with the provisions of the Companies Act.

V. Financial Information

1. Preparation of the consolidated financial statements

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

2. Audit

The audits were performed by Ernst & Young ShinNihon LLC on the consolidated financial statements for the fiscal year (from December 1, 2014 to November 30, 2015) 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 (As of November 30, 2014)		Current fiscal year (As of November 30, 2015)	
Assets				
Current assets				
Cash and deposits		34,815		29,844
Notes and accounts receivable — trade		81,498		78,151
Securities		10,000		5,000
Purchased goods and products		14,811		17,178
Work in process		1,142		979
Raw materials and supplies		6,995		10,247
Deferred tax assets		2,453		2,699
Other		3,079		3,996
Allowances for doubtful accounts		(203)		(176)
Total current assets		154,593		147,920
Fixed assets				
Tangible fixed assets				
Buildings and structures	*4	151,166	*4	168,599
Accumulated depreciation		(86,759)		(95,402)
Net book value	*2	64,406	*2	73,196
Machinery, equipment and vehicles	*4	142,058	*4	155,974
Accumulated depreciation		(113,659)		(121,743)
Net book value		28,399		34,231
Land	*2	46,109	*2, *4	47,468
Lease assets		7,573		7,734
Accumulated depreciation		(3,256)		(2,950)
Net book value		4,317		4,784
Construction in progress		7,144		3,742
Other	*4	11,894	*4	13,542
Accumulated depreciation		(8,720)		(10,150)
Net book value		3,173		3,392
Total tangible fixed assets		153,550		166,815
Intangible fixed assets				
Goodwill		183		1,785
Computer software		2,456		3,176
Other		748		697
Total intangible fixed assets		3,388		5,659
Investments and other assets				
Investment securities	*1	26,568	*1	28,547
Long-term loans receivable		501		492
Assets for retirement benefits		8,207		12,427
Deferred tax assets		1,853		1,630
Other	*1	8,872	*1	9,424
Allowances for doubtful accounts		(540)		(499)
Total investments and other assets		45,462		52,023
Total fixed assets		202,401		224,498
Total assets		356,994		372,419

(Millions of yen)

	Previous fiscal year (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Liabilities		
Current liabilities		
Notes and accounts payable — trade	53,775	45,192
Short-term loans payable	*2 7,859	*2 9,096
Accounts payable — other	25,294	19,153
Accrued expenses	9,826	10,938
Accrued income taxes	5,278	3,960
Deferred tax liabilities	22	1
Reserves for sales rebates	934	821
Reserves for bonuses	1,054	1,541
Reserves for directors' bonuses	112	169
Other reserves	28	89
Other	1,910	2,094
Total current liabilities	106,097	93,060
Non-current liabilities		
Bonds	10,000	10,000
Long-term loans payable	*2 6,632	*2 6,343
Lease obligations	3,398	3,727
Deferred tax liabilities	5,652	7,956
Liabilities for retirement benefits	2,581	3,075
Asset retirement obligations	653	748
Other	1,581	1,578
Total non-current liabilities	30,499	33,429
Total liabilities	136,596	126,489
Net Assets		
Shareholders' equity		
Paid-in capital	24,104	24,104
Capital surplus	30,309	30,302
Earned surplus	142,489	155,557
Treasury stock	(1,150)	(1,416)
Total shareholders' equity	195,752	208,548
Accumulated other comprehensive income		
Unrealized holding gains (losses) on securities	5,902	9,330
Unrealized gains (losses) on hedges	4	(8)
Foreign currency translation adjustments	(1,234)	(552)
Accumulated adjustments for retirement benefits	(5,373)	(3,243)
Total accumulated other comprehensive income	(701)	5,525
Minority interests	25,346	31,856
Total net assets	220,397	245,929
Total liabilities and net assets	356,994	372,419

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

(Millions of yen)

		Previous fiscal year (From December 1, 2013 to November 30, 2014)		Current fiscal year (From December 1, 2014 to November 30, 2015)
Net sales		553,404		578,192
Cost of sales	*1	419,042	*1	432,489
Gross profit		134,362		145,702
Selling, general and administrative expenses	*2, *3	110,018	*2, *3	119,261
Operating income		24,343		26,441
Non-operating income				
Interest income		152		121
Dividends income		388		450
Equity in earnings of affiliates		—		134
Other		1,309		1,027
Total non-operating income		1,850		1,734
Non-operating expenses				
Interest expenses		296		314
Losses on valuation of derivatives		—		129
Foreign exchange losses		—		94
Equity in losses of affiliates		102		—
Other		427		324
Total non-operating expenses		825		863
Ordinary income		25,368		27,311
Extraordinary gains				
Gains on change in equity		—	*4	1,197
Gains on extinguishment of tie-in shares		—	*5	901
Gains on step acquisitions	*4	4	*4	830
Subsidy income		—		416
Gains on sales of fixed assets	*6	104	*6	128
Gains on negative goodwill		406		105
Other		244		237
Total extraordinary gains		759		3,816
Extraordinary losses				
Losses on disposal of fixed assets	*7	883	*7	1,368
Losses on impairment of fixed assets	*8	586	*8	373
Losses on liquidation of subsidiaries and affiliates		—		261
Losses on valuation of investments in capital of subsidiaries and affiliates		—		257
Other		82		204
Total extraordinary losses		1,551		2,465
Income before income taxes and minority interests		24,575		28,663
Income taxes		9,212		8,860
Income taxes — deferred		(82)		1
Total income taxes		9,130		8,862
Income before minority interests		15,445		19,800
Minority interests		2,078		2,769
Net income		13,366		17,031

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Income before minority interests	15,445	19,800
Other comprehensive income		
Unrealized holding gains (losses) on securities	1,224	3,552
Unrealized gains (losses) on hedges	6	(12)
Foreign currency translation adjustments	2,289	683
Adjustments for retirement benefits	—	2,237
Share of other comprehensive income of affiliates accounted for using equity method	2	—
Total other comprehensive income	* 3,522	* 6,461
Comprehensive income	18,968	26,261
(Breakdown)		
Comprehensive income attributable to owners of the parent	16,472	23,258
Comprehensive income attributable to minority interests	2,495	3,003

(c) Consolidated Statements of Changes in Net Assets
Previous fiscal year (From December 1, 2013 to November 30, 2014)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of the current fiscal year	24,104	29,434	132,491	(3,392)	182,638
Cumulative effects of changes in accounting policies					—
Restated balance	24,104	29,434	132,491	(3,392)	182,638
Changes of items during the fiscal year					
Dividends from surplus			(3,369)		(3,369)
Net income			13,366		13,366
Repurchase of shares				(4)	(4)
Change in treasury stock arising from change in equity in affiliates accounted for using equity method				(6)	(6)
Allocation of treasury stock by share exchange		875		2,253	3,128
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	875	9,997	2,242	13,114
Balance at the end of the current fiscal year	24,104	30,309	142,489	(1,150)	195,752

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehen-sive income		
Balance at the beginning of the current fiscal year	4,771	(4)	(3,200)	—	1,566	26,080	210,285
Cumulative effects of changes in accounting policies							—
Restated balance	4,771	(4)	(3,200)	—	1,566	26,080	210,285
Changes of items during the fiscal year							
Dividends from surplus							(3,369)
Net income							13,366
Repurchase of shares							(4)
Change in treasury stock arising from change in equity in affiliates accounted for using equity method							(6)
Allocation of treasury stock by share exchange							3,128
Net changes of items other than shareholders' equity	1,130	9	1,965	(5,373)	(2,268)	(734)	(3,002)
Total changes of items during the fiscal year	1,130	9	1,965	(5,373)	(2,268)	(734)	10,111
Balance at the end of the current fiscal year	5,902	4	(1,234)	(5,373)	(701)	25,346	220,397

Current fiscal year (From December 1, 2014 to November 30, 2015)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of the current fiscal year	24,104	30,309	142,489	(1,150)	195,752
Cumulative effects of changes in accounting policies			(320)		(320)
Restated balance	24,104	30,309	142,168	(1,150)	195,432
Changes of items during the fiscal year					
Dividends from surplus			(3,642)		(3,642)
Net income			17,031		17,031
Repurchase of shares		(6)		(266)	(272)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(6)	13,388	(266)	13,115
Balance at the end of the current fiscal year	24,104	30,302	155,557	(1,416)	208,548

	Accumulated other comprehensive income					Minority interests	Total net assets
	Unrealized holding gains (losses) on securities	Unrealized gains (losses) on hedges	Foreign currency translation adjustments	Accumulated adjustments for retirement benefits	Total accumulated other comprehen-sive income		
Balance at the beginning of the current fiscal year	5,902	4	(1,234)	(5,373)	(701)	25,346	220,397
Cumulative effects of changes in accounting policies						(12)	(332)
Restated balance	5,902	4	(1,234)	(5,373)	(701)	25,333	220,064
Changes of items during the fiscal year							
Dividends from surplus							(3,642)
Net income							17,031
Repurchase of shares							(272)
Net changes of items other than shareholders' equity	3,428	(13)	681	2,130	6,226	6,522	12,749
Total changes of items during the fiscal year	3,428	(13)	681	2,130	6,226	6,522	25,864
Balance at the end of the current fiscal year	9,330	(8)	(552)	(3,243)	5,525	31,856	245,929

(d) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Cash flows from operating activities		
Income before income taxes and minority interests	24,575	28,663
Depreciation and amortization	16,132	19,094
Losses on impairment of fixed assets	586	373
Amortization of goodwill	14	229
Retirement benefit expenses	—	1,222
Equity in losses (earnings) of affiliates	102	(134)
Losses (gains) on valuation of investment securities	4	9
Losses on valuation of investments in capital of subsidiaries and affiliates	—	257
Gains on negative goodwill	(406)	(105)
Losses (gains) on step acquisitions	(4)	(830)
Losses (gains) on change in equity	—	(1,197)
Losses (gains) on extinguishment of tie-in shares	—	(901)
Increase (decrease) in reserves for retirement benefits	(2,315)	—
Decrease (increase) in prepaid pension costs	15,736	—
Increase (decrease) in liabilities for retirement benefits	2,523	473
Decrease (increase) in assets for retirement benefits	(16,198)	(1,653)
Increase (decrease) in reserves for sales rebates	22	(112)
Increase (decrease) in reserves for directors' bonuses	(26)	56
Increase (decrease) in reserves for bonuses	(72)	340
Increase (decrease) in allowances for doubtful accounts	(77)	(89)
Interest and dividends income	(540)	(572)
Interest expenses	296	314
Losses (gains) on sales of investment securities	(45)	52
Losses (gains) on sales and disposal of fixed assets	784	1,258
Decrease (increase) in notes and accounts receivable — trade	(3,419)	8,854
Decrease (increase) in inventories	(3,215)	(1,151)
Increase (decrease) in notes and accounts payable — trade	2,613	(12,687)
Increase (decrease) in accounts payable — other	414	(2,736)
Increase (decrease) in accrued consumption taxes	2,473	(802)
Increase (decrease) in long-term accounts payable	(201)	(73)
Other	372	(323)
Sub-total	40,128	37,830
Interest and dividends income received	594	627
Interest paid	(296)	(314)
Income taxes paid	(6,034)	(10,049)
Net cash provided by (used in) operating activities	34,392	28,094

(Millions of yen)

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Cash flows from investing activities		
Purchases of securities	(10,000)	(10,000)
Proceeds from redemption of securities	10,000	10,000
Purchases of tangible fixed assets	(28,243)	(30,032)
Purchases of intangible fixed assets	(1,252)	(1,529)
Subsidy income	—	416
Purchases of investment securities	(1,092)	(157)
Proceeds from sales of investment securities	133	178
Proceeds from redemption of investment securities	1,946	—
Purchases of shares of subsidiaries and affiliates	(2,184)	—
Proceeds from sales of shares of subsidiaries and affiliates	—	58
Acquisition of subsidiaries' shares	(35)	(21)
Proceeds from sales of subsidiaries' shares	432	30
Proceeds from acquisition of subsidiaries' shares resulting in change in scope of consolidation	70	44
Net decrease (increase) in short-term loans receivable	49	(82)
Payments of long-term loans receivable	(48)	(21)
Collection of long-term loans receivable	53	19
Payments into time deposits	(20)	(98)
Proceeds from withdrawal of time deposits	—	117
Other	(657)	(102)
Net cash provided by (used in) investing activities	(30,847)	(31,181)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,530)	(541)
Repayment of lease obligations	(1,332)	(1,753)
Proceeds from long-term loans payable	4,610	1,303
Repayment of long-term loans payable	(1,010)	(1,466)
Proceeds from share issuance to minority shareholders	—	181
Cash dividends paid	(3,369)	(3,642)
Cash dividends paid to minority shareholders	(513)	(550)
Repurchase of shares	(4)	(79)
Purchase of treasury shares of subsidiaries	—	(551)
Net cash provided by (used in) financing activities	(3,149)	(7,101)
Effects of exchange rate changes on cash and cash equivalents	429	235
Increase (decrease) in cash and cash equivalents	825	(9,952)
Cash and cash equivalents at the beginning of the fiscal year	43,963	44,788
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	5
Cash and cash equivalents at the end of the fiscal year	*1 44,788	*1 34,841

Notes

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

1. Consolidated subsidiaries

The Company has fifty-four consolidated subsidiaries in the current fiscal year. The principal consolidated subsidiaries are Kewpie Egg Corporation, Deria Foods Co., Ltd., Kewpie Jyozo Co., Ltd., K.R.S. Corporation, Kanae Foods Co., Ltd., Gourmet Delica Co., Ltd., Salad Club, Inc. and Aohata Corporation.

In the current fiscal year, the number of consolidated subsidiaries increased by two because the Company acquired shares of Aohata Corporation and Nantong Kewpie Foods Co., Ltd. was newly established.

There are twenty unconsolidated subsidiaries, and the principal company is K. LP 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 three affiliated companies. The principal affiliated company accounted for by the equity method is Summit Oil Mill Co., Ltd. In the current fiscal year, the number of affiliated companies accounted for by the equity method decreased by two because Aohata Corporation became the Company's consolidated subsidiary and Henningsen Van Den Burg B.V. was no longer applied as an affiliated company due to the sale of its shares.

The investments in twenty unconsolidated subsidiaries including K. LP Corporation and in three affiliated companies including AK Franchise System Co., Ltd. not to be accounted for by the equity method are excluded from the scope of application of the equity method, because the total amounts of net income and earned surplus (based on the Company's ownership percentage) do not have a significant effect on the consolidated financial statements.

3. Closing date of consolidated subsidiaries

The closing date of seven foreign consolidated subsidiaries is September 30, that of one domestic consolidated subsidiary is October 31, and that of four foreign consolidated subsidiaries is December 31.

Four foreign subsidiaries whose closing date is December 31 are consolidated based on their temporary financial statements at September 30. Other seven foreign subsidiaries and one domestic subsidiary are consolidated based on the financial statements at their balance sheet date.

The Company, however, makes the adjustments needed for consolidating significant transactions with those subsidiaries which have occurred between their financial closing dates and the consolidated financial closing date.

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 cost using the retail method (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.

(d) Long-term prepaid expenses
Long-term prepaid expenses are amortized by the straight-line method.

(3) Accounting for significant deferred assets
All business commencement expenses are expensed when a payment is made.

(4) 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 which attributes to the current fiscal year.
(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.

(5) Accounting for retirement benefits
(a) Method of attributing expected retirement benefits to periods
In calculating retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the current fiscal year on the benefit formula basis.
(b) Accounting for amortization of actuarial gains or losses and prior service costs
Prior service costs are amortized by the straight-line method principally over twelve years based on the average remaining employees' service years.
Actuarial gains or losses are amortized by the straight-line method principally over twelve years based on the average remaining employees' service years at each fiscal year, and their amortizations start from the following fiscal year of the respective accrual years.
In addition, if the amount of pension fund assets exceeds that of retirement benefit obligations for corporate pension plan, it is recognized as assets for retirement benefits on consolidated balance sheet.

(6) 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.

(7) Method and period for amortization of goodwill
As a general rule, goodwill is amortized on a straight-line basis over the period deemed to be valuable. However, goodwill is written off completely in the fiscal year in which it arises if immaterial.

(8) 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.

(9) Other significant matter for the preparation of consolidated financial statements
Consumption taxes are recorded in separate accounts.

Changes in accounting policies

(Application of accounting standard for retirement benefits and related regulations)
The Company and its domestic consolidated subsidiaries have applied the stipulations in the main clause of paragraph 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 of May 17, 2012; hereinafter, the "Accounting Standard") and the main clause of paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of March 26, 2015; hereinafter, the "Guidance") from the beginning of the current fiscal year. Accordingly, the calculation methods of retirement benefit obligations and current service costs have been revised. Specifically the method of attributing expected retirement benefits to each period was changed from the straight-line basis to the benefit formula basis, and the method of determining the discount rate was changed from the method using the average period up to the estimated retirement benefit payment date to the method using the discount rate that reflects the estimated payment period and amount of benefit payment in each period.

In accordance with transitional accounting as stipulated in paragraph 37 of the Accounting Standard, the effect of the changes in the calculation methods for retirement benefit obligations and current service costs was added to or deducted from earned surplus at the beginning of the current fiscal year.

As a result of the above, assets for retirement benefits decreased by ¥47 million, liabilities for retirement benefits increased by ¥460 million, and earned surplus decreased by ¥320 million at the beginning of the current fiscal year. The effects on operating income, ordinary income, and income before income taxes and minority interests for the current fiscal year were immaterial.

The effects of the change on per share information are stated in "Per share information."

Accounting Standards to Be Applied
- Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21 of September 13, 2013)
- Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013)
- Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No. 10 of September 13, 2013)
- Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013)
- Revised Accounting Standard for Earnings Per Share (ASBJ Statement No. 2 of September 13, 2013)
- Revised Guidance on Accounting Standard for Earnings Per Share (ASBJ Guidance No. 4 of September 13, 2013)

1. Outline
The aforementioned accounting standards to be applied pertain to acquisition of additional shares of consolidated subsidiaries. Revisions thereof mainly involve accounting treatment for changes in a parent’s ownership interest in a subsidiary when the parent retains control over the subsidiary,

accounting treatment of acquisition-related costs, presentation of net income, change of the term "minority interests" to "non-controlling interests," and determining provisional accounting treatment.

2. Application schedule
   The Company will apply these revised accounting standards from the beginning of the fiscal year ending November 30, 2016.
   The provisional accounting treatment of the revised standards will be applied to business combinations that are implemented on and after the beginning of the fiscal year starting December 1, 2015.
3. Effect of application of accounting standards
   The effect on the consolidated financial statements as a result of applying the revised standards has not been determined.

Changes in presentation method

(Consolidated balance sheets)
"Lease obligations" was included in "Other" account of "Non-current liabilities" for
the previous fiscal year, but because its amount exceeded 1% of Total liabilities and net assets 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 balance sheets for the previous fiscal year, ¥4,980 million that was presented in "Other" account of "Non-current liabilities" has been reclassified as ¥3,398 million in "Lease obligations" and ¥1,581 million in "Other."

(Consolidated statements of income)
"Business commencement expenses" of "Non-operating expenses" was presented as a separate account for the previous fiscal year, but because its amount was 10% or less of total Non-operating expenses for the current fiscal year, it was changed to be included in "Other" account of Non-operating expenses. 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, ¥189 million that was presented in "Business commencement expenses" account of "Non-operating expenses" has been reclassified as ¥427 million in "Other."

"Gains on step acquisitions" 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, ¥4 million that was presented in "Other" account of "Extraordinary gains" has been reclassified in "Gains on step acquisitions".

"Gains on sales of investment securities" and "Gains on sales of shares of subsidiaries and affiliates" of "Extraordinary gains" were presented as a separate account for the previous fiscal year, but because their amount was 10% or less of total Extraordinary gains for the current fiscal year, they were changed to be included in "Other" account of Extraordinary gains. 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, ¥45 million that was presented in "Gains on sales of investment securities" account and ¥198 million that was presented in "Gains on sales of shares of subsidiaries and affiliates" account of "Extraordinary gains" have been reclassified as ¥244 million in "Other."

(Consolidated Statements of Cash Flows)
"Losses (gains) on step acquisitions" was included in "Other" account of "Cash flows from operating activities" for the previous fiscal year, but because its significance increased, it was changed to be presented as a separate account. In order to reflect this change in presentation method, the consolidated statements of the previous fiscal year have been reclassified.

As a result, in the consolidated statements of cash flows for the previous fiscal year, ¥368 million that was presented in "Other" account of "Cash flows from operating activities" has been reclassified as ¥(4) million in "Losses (gains) on step acquisitions" and ¥372 million in "Other."

Consolidated Balance Sheets

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

	Previous fiscal year (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Investment securities (stocks)	¥ 5,605 million	¥ 2,439 million
Other (Investments in capital)	¥ 709 million	¥ 786 million

*2 Pledged assets and secured debts

Pledged assets are as follows:

	Previous fiscal year (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Buildings and structures	¥ 169 million	¥ 155 million
Land	¥ 1,064 million	¥ 1,064 million
Total	¥ 1,233 million	¥ 1,220 million

Secured debts are as follows:

	Previous fiscal year (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Short-term loans payable	¥ 581 million	¥ 740 million
Long-term loans payable	¥ 981 million	¥ 1,152 million
Total	¥ 1,562 million	¥ 1,893 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 (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Employees (loan)	¥ 402 million	¥ 362 million
Shanghai KRS Logistics Corporation (Guarantee for debtor's contract fulfillment)	¥ 139 million	¥ 108 million
Asato Logistics Corporation (loan)	¥ 122 million	¥ 77 million
AK Franchise System Co., Ltd. (loan)	¥ 77 million	¥ 77 million
Total	¥ 741 million	¥ 626 million

(Note) 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 (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Buildings and structures	¥ 404 million	¥ 572 million
Machinery, equipment and vehicles	¥ 295 million	¥ 608 million
Land	–	¥ 117 million
Other	¥ 381 million	¥ 383 million
Total	¥ 1,081 million	¥ 1,682 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 (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
¥ 302 million	¥ 274 million

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

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Transportation and warehousing expenses	¥ 31,963 million	¥ 33,288 million
Sales promotion expenses	¥ 21,351 million	¥ 23,469 million
Research and development expenses	¥ 3,882 million	¥ 4,201 million
Advertising expenses	¥ 8,020 million	¥ 8,726 million
Payroll expenses	¥ 18,857 million	¥ 20,658 million
Depreciation expenses	¥ 2,115 million	¥ 2,610 million
Provision of reserves for bonuses	¥ 243 million	¥ 453 million
Retirement benefit expenses	¥ 1,739 million	¥ 1,431 million
Provision of allowances for doubtful accounts	¥ (126) million	¥ (6) million

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

Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2016)
¥ 3,882 million	¥ 4,201 million

*4. Gains on change in equity and gains on step acquisitions

Previous fiscal year (From December 1, 2013 to November 30, 2014)

This is a result of having made Tou Kewpie Co., Ltd., a consolidated subsidiary through the Company's acquisition of its shares.

Current fiscal year (From December 1, 2014 to November 30, 2015)

This is mainly a result of having made Aohata Corporation a consolidated subsidiary through the Company's acquisition of its shares.

*5 Gains on extinguishment of tie-in shares

Previous fiscal year (From December 1, 2013 to November 30, 2014)

Not applicable.

Current fiscal year (From December 1, 2014 to November 30, 2015)

This is a result of the Company's consolidated subsidiary Aohata Corporation having concluded the absorption-type merger of Geinan Shokuhin Co., Ltd. and AFC Co., Ltd.

*6 Gains on sales of fixed assets consists of the following:

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Machinery, equipment and vehicles	¥ 103 million	¥ 89 million
Land	¥ —	25 million
Other	¥ 0 million	¥ 12 million
Total	¥ 104 million	¥ 128 million

*7 Losses on disposal of fixed assets consists of the following:

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Buildings and structures	¥ 437 million	¥ 735 million
Machinery, equipment and vehicles	¥ 413 million	¥ 606 million
Other	¥ 32 million	¥ 25 million
Total	¥ 883 million	¥ 1,368 million

*8 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, 2013 to November 30, 2014)

Location	Use	Item	Losses on impairment of fixed assets (millions of yen)
Itami-shi, Hyogo	Factory	Buildings, etc.	586

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 reorganize its production locations including establishing the Kobe Factory in Kobe-shi, Hyogo. In this reorganization plan, the decision was taken to transfer part of the production capabilities at the Company's Itami Factory to the Kobe Factory.

In line with this, the book value of the buildings, etc. of the Itami Factory was written down to its recoverable amount, and the relevant write-down amount is shown as ¥586 million in losses on impairment of fixed assets.

The recoverable amounts are measured according to value in use and the values are calculated according to memorandum values.

Current fiscal year (From December 1, 2014 to November 30, 2015)

Location	Use	Item	Losses on impairment of fixed assets (millions of yen)
Hachioji-shi, Tokyo	Welfare Facility	Land, etc.	219
Sendai-shi, Miyagi	Sales office	Buildings, etc.	83
Takehara-shi, Hiroshima, etc.	Factory	Machinery, equipment, etc.	70
Total			373

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 welfare facilities in Hachioji-shi, Tokyo and sales offices located in Sendai-shi, Miyagi. Also, profitability is deteriorating with respect to factory machinery and equipment in Takehara-shi, Hiroshima and other locations largely due to surging prices for imported raw materials and the adverse effect of exchange rates on business that involves preparing fruit for use in yogurt products.

In line with this, the Company has written down book values to recoverable amounts with respect to land, etc. of the welfare facilities located in Hachioji-shi, Tokyo, sales office buildings, etc. located in Sendai-shi, Miyagi, and factory machinery and equipment, etc. in Takehara-shi, Hiroshima and other locations. The relevant write-down amount is shown as ¥373 million in losses on impairment of fixed assets.

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

Consolidated Statements of Comprehensive Income

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

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Unrealized holding gains (losses) on securities:		
Amount arising during the fiscal year	¥ 1,907 million	¥ 4,947 million
Reclassification adjustments	¥ (8) million	¥ (99) million
Before income tax effects	¥ 1,899 million	¥ 4,848 million
Amount of income tax effects	¥ (675) million	¥ (1,295) million
Unrealized holding gains (losses) on securities	¥ 1,224 million	¥ 3,552 million
Unrealized gains (losses) on hedges:		
Amount arising during the fiscal year	¥ 10 million	¥ (18) million
Reclassification adjustments	—	—
Before income tax effects	¥ 10 million	¥ (18) million
Amount of income tax effects	¥ (4) million	¥ 6 million
Unrealized gains (losses) on hedges	¥ 6 million	¥ (12) million
Foreign currency translation adjustments:		
Amount arising during the fiscal year	¥ 2,304 million	¥ 570 million
Reclassification adjustments	¥ (15) million	¥ 112 million
Foreign currency translation adjustments	¥ 2,289 million	¥ 683 million
Adjustments for retirement benefits:		
Amount arising during the fiscal year	—	¥ 2,453 million
Reclassification adjustments	—	¥ 1,222 million
Before income tax effects	—	¥ 3,675 million
Amount of income tax effects	—	¥ (1,437) million
Adjustments for retirement benefits	—	¥ 2,237 million
Share of other comprehensive income of affiliates accounted for using equity method:		
Amount arising during the fiscal year	¥ 2 million	—
Total other comprehensive income	¥ 3,522 million	¥ 6,461 million

Consolidated Statements of Changes in Net Assets

Previous fiscal year (From December 1, 2013 to November 30, 2014)

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)	3,278,555	23,894	2,169,600	1,132,849
Total	3,278,555	23,894	2,169,600	1,132,849

(Note) The increase of 23,894 shares in the number of shares of common treasury stock is due to an increase of 20,894 shares in treasury stock owned by companies accounted for by the equity method that is attributable to the Company resulting from an increase in the ratio of the Company's ratio of shareholding in companies accounted for by the equity method, and an increase of 3,000 shares due to the acquisition of shares less than one unit.

In addition, the decrease in the number of shares of common treasury stock is due to the Company's allocation of shares using treasury stock in a simplified share exchange in which the Company's consolidated subsidiaries Kewpie Egg Corporation, Kanae Foods Co., Ltd. and Kewpie Jyozo Co., Ltd. were made into wholly owned subsidiaries (on the effective date of June 2, 2014).

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, 2014	Common stock	1,647	11.00	November 30, 2013	February 26, 2014
The Board of Directors' meeting held on June 24, 2014	Common stock	1,721	11.50	May 31, 2014	August 4, 2014

(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 23, 2015	Common stock	1,746	Earned surplus	11.50	November 30, 2014	February 5, 2015

Current fiscal year (From December 1, 2014 to November 30, 2015)

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)	1,132,849	99,469	—	1,232,318
Total	1,132,849	99,469	—	1,232,318

(Note) The increase of 99,469 shares in the number of shares of treasury stock includes an increase of 95,909 shares due to the Company's acquisition of treasury stock owned by Aohata Corporation and treasury stock owned by Aohata Corporation's subsidiary AFC Co., Ltd., in line with making Aohata Corporation, previously accounted for by the equity method, a consolidated subsidiary on December 1, 2014, and also includes an increase of 3,560 shares due to the acquisition of shares less than one unit.

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 23, 2015	Common stock	1,746	11.50	November 30, 2014	February 5, 2015
The Board of Directors' meeting held on June 19, 2015	Common stock	1,897	12.50	May 31, 2015	August 3, 2015

(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 25, 2016	Common stock	2,504	Earned surplus	16.50	November 30, 2015	February 5, 2016

Consolidated Statements of Cash Flows

*1 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 (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Cash and deposits account	¥ 34,815 million	¥ 29,844 million
Time deposits with maturity over three months	¥ (26) million	¥ (3) million
Securities account	¥ 10,000 million	¥ 5,000 million
Cash and cash equivalents at the end of the fiscal year	¥ 44,788 million	¥ 34,841 million

2 Important Non-cash Transactions

Previous fiscal year (From December 1, 2013 to November 30, 2014)

Not applicable.

Current fiscal year (From December 1, 2014 to November 30, 2015)

The following is a breakdown of the increase in assets and liabilities from making Aohata Corporation a consolidated subsidiary.

Current assets	¥8,800 million
Fixed assets	¥5,184 million
Total assets	¥13,984 million
Current liabilities	¥5,093 million
Non-current liabilities	¥546 million
Total liabilities	¥5,640 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 (As of November 30, 2014)		
	Equivalent amount of acquisition cost	Equivalent amount of accumulated depreciation	Equivalent amount of book value
Machinery, equipment and vehicles	1,860	1,807	52
Tangible fixed assets-Other	496	188	307
Total	2,356	1,996	360

(Millions of yen)

	Current fiscal year (As of November 30, 2015)		
	Equivalent amount of acquisition cost	Equivalent amount of accumulated depreciation	Equivalent amount of book value
Machinery, equipment and vehicles	160	160	0
Tangible fixed assets-Other	442	154	288
Total	603	314	288

(2) Equivalent amount of future lease payments

(Millions of yen)

	Previous fiscal year (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Equivalent amount of future lease payments		
Due within one year	77	19
Due over one year	289	269
Total	366	288

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

(Millions of yen)

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Lease payments	379	90
Equivalent amount of depreciation expenses	332	71
Equivalent amount of interest expenses	18	12

(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 (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Due within one year	978	1,227
Due over one year	2,182	8,209
Total	3,161	9,437

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 (6) 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 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, 2014)

	Book value on the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Variance (millions of yen)
(1) Cash and deposits	34,815	34,815	—
(2) Notes and accounts receivable — trade (*1)	81,498		
Allowances for doubtful accounts	(199)		
	81,299	81,299	—
(3) Securities and investment securities	31,765	32,580	814
Total assets	147,879	148,694	814
(4) Notes and accounts payable — trade	53,775	53,775	—
(5) Short-term loans payable	6,481	6,481	—
(6) Accounts payable — other	25,294	25,294	—
(7) Accrued income taxes	5,278	5,278	—
(8) Bonds	10,000	10,078	78
(9) Long-term loans payable	8,010	7,992	(17)
Total liabilities	108,840	108,902	61
Financial derivative transactions (*2)	84	84	—

(*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, 2015)

	Book value on the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Variance (millions of yen)
(1) Cash and deposits	29,844	29,844	—
(2) Notes and accounts receivable — trade (*1)	78,151		
Allowances for doubtful accounts	(171)		
	77,979	77,979	—
(3) Securities and investment securities	28,216	28,216	—
Total assets	136,041	136,041	—
(4) Notes and accounts payable — trade	45,192	45,192	—
(5) Short-term loans payable	7,475	7,475	—
(6) Accounts payable — other	19,153	19,153	—
(7) Accrued income taxes	3,960	3,960	—
(8) Bonds	10,000	10,098	98
(9) Long-term loans payable	7,965	7,922	(42)
Total liabilities	93,746	93,802	56
Financial derivative transactions (*2)	(58)	(58)	—

(*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

Fair values with respect to derivative transactions are calculated based on prices indicated by counterparty financial institutions and other such entities. 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 (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Unlisted stocks	4,802	5,330

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, 2014)

	Within one year (millions of yen)	Over one year to five years (millions of yen)	Over five years to ten years (millions of yen)	Over ten years (millions of yen)
Cash and deposits	34,780	—	—	—
Notes and accounts receivable — trade	81,498	—	—	—
Securities and investment securities				
Other securities with maturity				
Others	10,000	—	—	—
Total	126,278	—	—	—

Current fiscal year (As of November 30, 2015)

	Within one year (millions of yen)	Over one year to five years (millions of yen)	Over five years to ten years (millions of yen)	Over ten years (millions of yen)
Cash and deposits	29,812	—	—	—
Notes and accounts receivable — trade	78,151	—	—	—
Securities and investment securities				
Other securities with maturity				
Others	5,000	—	—	—
Total	112,963	—	—	—

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, 2014)

	Within one year (millions of yen)	Over one year to two years (millions of yen)	Over two years to three years (millions of yen)	Over three years to four years (millions of yen)	Over four years to five years (millions of yen)	Over five years (millions of yen)
Short-term loans payable	6,481	—	—	—	—	—
Bonds	—	—	—	—	10,000	—
Long-term loans payable	1,377	1,417	1,231	777	543	2,663
Lease obligations	1,355	833	705	780	537	405
Total	9,214	2,251	1,937	1,557	11,080	3,068

Current fiscal year (As of November 30, 2015)

	Within one year (millions of yen)	Over one year to two years (millions of yen)	Over two years to three years (millions of yen)	Over three years to four years (millions of yen)	Over four years to five years (millions of yen)	Over five years (millions of yen)
Short-term loans payable	7,475	—	—	—	—	—
Bonds	—	—	—	10,000	—	—
Long-term loans payable	1,621	1,361	1,181	950	617	2,232
Lease obligations	1,391	1,206	1,014	780	489	236
Total	10,488	2,568	2,196	11,731	1,107	2,468

Securities

1. Other securities

Previous fiscal year (As of November 30, 2014)

	Description	Book value on the consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Variance (millions of yen)
Securities whose book value on the consolidated balance sheet exceeds their acquisition cost	(1) Stocks	17,423	8,044	9,379
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	3	2	0
	Sub-total	17,426	8,046	9,379
Securities whose acquisition cost exceeds their book value on the consolidated balance sheet	(1) Stocks	938	1,013	(74)
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	10,000	10,000	—
	Sub-total	10,938	11,013	(74)
Total		28,365	19,060	9,305

(Note) With regard to the Company's shareholdings of unlisted stocks (¥2,597 million reported on the consolidated balance sheet), as these stocks do not have market prices and it is considered extremely difficult to determine their fair values, these stocks are not included in "Other securities" in the above table.

Current fiscal year (As of November 30, 2015)

	Description	Book value on the consolidated balance sheet (millions of yen)	Acquisition cost (millions of yen)	Variance (millions of yen)
Securities whose book value on the consolidated balance sheet exceeds their acquisition cost	(1) Stocks	23,091	8,902	14,189
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	—	—	—
	Sub-total	23,091	8,902	14,189
Securities whose acquisition cost exceeds their book value on the consolidated balance sheet	(1) Stocks	125	143	(18)
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	5,000	5,000	—
	Sub-total	5,125	5,143	(18)
Total		28,216	14,045	14,170

(Note) With regard to the Company's shareholdings of unlisted stocks (¥2,741 million reported on the consolidated balance sheet), as these stocks do not have market prices and it is considered extremely difficult to determine their fair values, these stocks are not included in "Other securities" in the above table.

2. Other securities sold during the fiscal year

Previous fiscal year (From December 1, 2013 to November 30, 2014)

Description	Aggregate sales amount (millions of yen)	Gains (millions of yen)	Losses (millions of yen)
(1) Stocks	150	45	0
(2) Bonds			
(a) Government and local bonds	—	—	—
(b) Corporate bonds	—	—	—
(c) Other	—	—	—
(3) Other	—	—	—
Total	150	45	0

Current fiscal year (From December 1, 2014 to November 30, 2015)

Description	Aggregate sales amount (millions of yen)	Gains (millions of yen)	Losses (millions of yen)
(1) Stocks	180	85	0
(2) Bonds			
(a) Government and local bonds	—	—	—
(b) Corporate bonds	—	—	—
(c) Other	—	—	—
(3) Other	—	—	—
Total	180	85	0

3. Securities for which impairment losses are recognized

Previous fiscal year (From December 1, 2013 to November 30, 2014)

Impairment losses of ¥4 million were recognized for securities (losses of ¥1 million on shares of other securities and ¥2 million on shares without readily determinable fair value).

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, 2014 to November 30, 2015)

Impairment losses of ¥9 million were recognized for securities (losses of ¥1 million on shares of other securities and ¥8 million on shares without readily determinable fair value).

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.

Financial Derivative Transactions

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

Previous fiscal year (As of November 30, 2014)

Classification	Item	Transaction type	Contract amount Total (millions of yen)	Contract amount Over one year (millions of yen)	Fair value (millions of yen)	Gains or losses on valuation (millions of yen)
Transactions other than market transactions	Crude oil	Swap transactions Floating receipt Fixed payment	335	283	93	93

(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, 2015)

Classification	Item	Transaction type	Contract amount Total (millions of yen)	Contract amount Over one year (millions of yen)	Fair value (millions of yen)	Gains or losses on valuation (millions of yen)
Transactions other than market transactions	Crude oil	Swap transactions Floating receipt Fixed payment	283	232	(30)	(30)

(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, 2014)

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	386	—	21

(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, 2015)

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	492	—	0

(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, 2014)

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 Floating receipt Fixed payment	Long-term loans payable	185	157	— (Note 2)
Deferral hedge method	Interest rate swap transactions Floating receipt Fixed payment	Long-term loans payable	1,325	1,225	(30)

(Notes) 1. Fair values are calculated using the prices offered by transacting financial institutions etc.
2. 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, 2015)

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 Floating receipt Fixed payment	Long-term loans payable	157	129	— (Note 2)
Deferral hedge method	Interest rate swap transactions Floating receipt Fixed payment	Long-term loans payable	1,225	1,125	(28)

(Notes) 1. Fair values are calculated using the prices offered by transacting financial institutions etc.
2. 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.

Retirement Benefits

1. Summary of retirement benefit system

   In order to fund the retirement benefits to employees, the Company and some of its consolidated subsidiaries have funded and non-funded defined benefit plans, a retirement benefit advance payment system and a defined contribution plan.

   In the defined benefit corporate pension plans (all of which are funded plans), payments are lump sums or pensions based on salaries and service periods, or lump sums or pensions through a point system.

   In some of the defined benefit corporate pension plans, trusts to cover retirement benefit obligations have been established.

   In the lump-sum retirement grant systems (all of which are non-funded plans), payments as retirement benefits are lump sums based on salaries and service periods, or lump sums through a point system.

   In the defined benefit corporate pension plans and the lump-sum retirement grant systems at some consolidated subsidiaries, liabilities for retirement benefits and retirement benefit expenses are calculated by the simplified method.

2. Defined benefit plan

   (1) Reconciliation between the balance at the beginning of the fiscal year and the balance at the end of the fiscal year of retirement benefit obligations

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Balance of retirement benefit obligations at the beginning of the fiscal year	¥ 68,906 million	¥ 69,408 million
Cumulative effects of changes in accounting policies	—	¥ 507 million
Restated balance		
Service costs	¥ 68,906 million	¥ 69,915 million
Interest costs	¥ 2,685 million	¥ 2,786 million
Actuarial gains or losses incurred	¥ 987 million	¥ 596 million
Retirement benefits paid	¥ 361 million	¥ 265 million
Prior service costs incurred	¥ (3,648) million	¥ (3,671) million
Increase due to change in scope of consolidation	—	¥ 1,691 million
Other	¥ 115 million	¥ 98 million
Balance of retirement benefit obligations at the end of the fiscal year	¥ 69,408 million	¥ 71,682 million

(Note) Retirement benefit expenses of the consolidated subsidiaries that apply the simplified method are included in "Service costs."

   (2) Reconciliation between the balance at the beginning of the fiscal year and the balance at the end of the fiscal year of pension fund assets

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Balance of pension fund assets at the beginning of the fiscal year	¥ 69,718 million	¥ 75,034 million
Expected return on pension fund assets	¥ 1,794 million	¥ 1,929 million
Actuarial gains or losses incurred	¥ 3,446 million	¥ 2,774 million
Contributions by the employer	¥ 3,450 million	¥ 3,447 million
Retirement benefits paid	¥ (3,545) million	¥ (3,553) million
Increase due to change in scope of consolidation	—	¥ 1,261 million
Other	¥ 169 million	¥ 141 million
Balance of pension fund assets at the end of the fiscal year	¥ 75,034 million	¥ 81,034 million

(3) Reconciliation between the balances of retirement benefit obligations and pension fund assets at the end of the fiscal year, and liabilities for retirement benefits and assets for retirement benefits recognized in the consolidated balance sheet

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Retirement benefit obligations for funded plans	¥ 67,422 million	¥ 69,472 million
Pension fund assets	¥ (75,034) million	¥ (81,034) million
	¥ (7,612) million	¥ (11,562) million
Retirement benefit obligations for non-funded plans	¥ 1,986 million	¥ 2,209 million
Net amount of liabilities (assets) recognized in the consolidated balance sheet	¥ (5,626) million	¥ (9,352) million
Liabilities for retirement benefits	¥ 2,581 million	¥ 3,075 million
Assets for retirement benefits	¥ (8,207) million	¥ (12,427) million
Net amount of liabilities (assets) recognized in the consolidated balance sheet	¥ (5,626) million	¥ (9,352) million

(4) Amounts of retirement benefit expenses and their components

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Service costs	¥ 2,685 million	¥ 2,786 million
Interest costs	¥ 987 million	¥ 596 million
Expected return on pension fund assets	¥ (1,794) million	¥ (1,929) million
Amortization of actuarial gains or losses	¥ 1,982 million	¥ 1,263 million
Accrued prior service costs	¥ (647) million	¥ (40) million
Retirement benefit expenses for defined benefit plans	¥ 3,212 million	¥ 2,675 million

(Note) Retirement benefit expenses of the consolidated subsidiaries that apply the simplified method are included in "Service costs."

(5) Adjustments for retirement benefits

The components of the items recorded in adjustments for retirement benefits (before deducting tax effect) are as follows:

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Prior service costs	—	¥ 100 million
Actuarial gains or losses	—	¥ (3,776) million
Total	—	¥ (3,675) million

(6) Accumulated adjustments for retirement benefits

The components of the items recorded in accumulated adjustments for retirement benefits (before deducting tax effect) are as follows:

	Previous fiscal year (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Unrealized prior service costs	¥ 858 million	¥ 958 million
Unrealized actuarial gains or losses	¥ 8,130 million	¥ 4,372 million
Total	¥ 8,988 million	¥ 5,331 million

(7) Pension fund assets

a) Main components of pension fund assets

The ratio of main categories to total pension fund assets is as follows:

	Previous fiscal year (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Bonds	37%	40%
Stocks	35%	33%
Insurance asset (general account)	7%	7%
Cash and deposits	4%	5%
Other	17%	15%
Total	100%	100%

(Note) Total pension fund assets include retirement benefit trusts established for corporate pension plans of 12% for the previous fiscal year and 13% for the current fiscal year..

b) Method to determine long-term expected rate of return

The long-term expected rate of return on pension fund assets is determined in consideration of the present and expected pension fund asset allocation and the present and long-term expected rate of return on the various assets that comprise the pension fund assets.

(8) Actuarial assumptions

Actuarial assumptions

	Previous fiscal year (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Discount rate	1.5%	0.7% to 1.1%
Long-term expected rate of return on pension fund assets	3.0%	1.5% to 3.0%

Expected rates of salary increase are based on an index of salary increase by age, primarily calculated using the base date of May 31, 2011 for the previous fiscal year, and primarily calculated using the base date of May 31, 2014 for the current fiscal year.

3. Defined contribution plans and retirement benefit advance payment systems

At the Company and its consolidated subsidiaries, the required contribution amount to the defined contribution plans is ¥375 million for the previous fiscal year and ¥389 million for the current fiscal year, and the amount paid using the retirement benefit advance payment systems is ¥179 million for the previous fiscal year and ¥175 million for the current fiscal year.

Tax-effect Accounting

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

	Previous fiscal year (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Deferred tax assets		
Unrealized gains	¥ 1,786 million	¥ 1,911 million
Reserves for sales rebates	¥ 336 million	¥ 276 million
Reserves for bonuses	¥ 379 million	¥ 521 million
Accrued social security expenses	¥ 265 million	¥ 285 million
Accrued enterprise taxes	¥ 340 million	¥ 279 million
Liabilities for retirement benefits	¥ 1,248 million	¥ 1,310 million
Established amount for trust to cover retirement benefit obligations	¥ 1,262 million	¥ 1,143 million
Losses on valuation of golf course memberships	¥ 157 million	¥ 147 million
Deficit carried forward on tax	¥ 415 million	¥ 572 million
Losses on impairment of fixed assets	¥ 315 million	¥ 318 million
Other	¥ 2,825 million	¥ 2,837 million
Sub-total deferred tax assets	¥ 9,335 million	¥ 9,603 million
Valuation reserves	¥ (1,221) million	¥ (1,401) million
Total deferred tax assets	¥ 8,114 million	¥ 8,202 million
Deferred tax liabilities		
Assets for retirement benefits	¥ (3,106) million	¥ (4,177) million
Differences on valuation of fixed assets	¥ (846) million	¥ (749) million
Reserves for reduction entry of property by purchase	¥ (1,332) million	¥ (1,303) million
Unrealized holding gains on securities	¥ (2,871) million	¥ (4,394) million
Other	¥ (1,325) million	¥ (1,204) million
Total deferred tax liabilities	¥ (9,482) million	¥ (11,829) million
Net deferred tax assets (liabilities)	¥ (1,368) million	¥ (3,627) 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 (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
Current assets — Deferred tax assets	¥ 2,453 million	¥ 2,699 million
Fixed assets — Deferred tax assets	¥ 1,853 million	¥ 1,630 million
Current liabilities — Deferred tax liabilities	¥ (22) million	¥ (1) million
Non-current liabilities — Deferred tax liabilities	¥ (5,652) million	¥ (7,956) million

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

	Previous fiscal year (As of November 30, 2014)	Current fiscal year (As of November 30, 2015)
The statutory effective tax rate	The details are omitted as the differences between the statutory tax rate and effective tax rate are 5% or less of the statutory tax rate.	35.6%
(Adjustments)		
Changes in valuation reserves		(0.7%)
Expenses not deductible permanently		1.3%
Income not taxable permanently		(0.6%)
Capita levy on inhabitant tax		0.7%
Tax deduction		(1.7%)
Effect of newly consolidated subsidiary(s)		(2.4%)
Effect of merger with unconsolidated subsidiary(s)		(1.1%)
Effect of change in tax rate		(1.1%)
Other		0.9%
Effective tax rate		30.9%

3. Revisions to amounts of deferred tax assets and deferred tax liabilities due to changes to corporate tax rates

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015, resulting in changes to rates of corporate taxation effective from fiscal years beginning on or after April 1, 2015. Accordingly, the effective statutory tax rate used to measure deferred tax assets and deferred tax liabilities changes from the former 35.64% to 33.06% for temporary differences expected to be reversed in the fiscal year beginning on December 1, 2015, and to 32.26% for temporary differences expected to be reversed in fiscal years beginning on or after December 1, 2016.

As a result, the net amounts of deferred tax assets (current assets) and deferred tax liabilities (non-current liabilities) have decreased by ¥150 million and ¥919 million, respectively, while income taxes-deferred (credit) have increased by ¥325 million.

Business Combination

Making a company a consolidated subsidiary by company split

The Company and Aohata Corporation ("Aohata") concluded an absorption-type company split agreement on December 24, 2013, under which Aohata would be the successor company of the business of selling bread related merchandises such as jams, whipped cream and spread, by a company split (the "Company Split"), and it became effective on December 1, 2014. As a result of the Company Split, the Company came to own 45.64% of Aohata's issued shares and Aohata became a consolidated subsidiary of the Company because it came to be under the substantial control of the Company.

1. Outline of the Company Split

(1) Name and description of business of the acquired company

1)	Name	Aohata Corporation
2)	Description of business	Production and sale of jams

(2) Primary reasons for carrying out the Company Split

The Company conducted the Company Split because this would enable Aohata to operate both manufacturing and selling businesses, which would promote its prompt decision-making, unique selling system and rapid product development in consideration of diversifying customer needs and changing preferences. It would also enable the Processed foods business of the Company as a whole to improve market competitiveness. Both companies agreed to the idea that making Aohata a consolidated subsidiary would contribute to the further growth and development of them and to the enhancement of corporate value, because it would lead to many positive changes, such as the further active utilization of each other's management know-how as to endless promotion of the rationalization, integration of both companies' sales channels in and outside of Japan, enhancement of partnership between them in processing fruits, strengthening the Processed foods business and improving profitability of the Company, and strengthening the management base of Aohata through further utilizing the management resources of the Company more than ever.

(3) Effective date of the Company Split

December 1, 2014

(4) Legal form of the Company Split

Absorption-type company split in which the Company became the transferring company and Aohata became the successor company in exchange for shares

(5) Percentages of voting rights owned immediately before the date of the Company Split, additionally acquired on the date of the Company Split, and owned after the acquisition

1)	Percentage of voting rights owned immediately before the date of the Company Split	36.24%
2)	Percentage of voting rights additionally acquired on the date of the Company Split	9.40%
3)	Percentage of voting rights owned after the acquisition	45.64%

(6) Primary basis for determining the acquiring company

The Company was determined as the acquiring company because, as a result of the Company Split, the Company came to own 45.64% of Aohata's total voting rights and Aohata came to be under the substantial control of the Company.

2. Period of business results of the acquired company included in the consolidated financial statements

   From November 1, 2014 to October 31, 2015

3. Calculation of the cost of acquisition of the acquired company

   Cost of acquisition of the acquired company and breakdown of the cost

Market value of the common stock held by the Company immediately before the date of the Company Split	¥4,229 million
Market value of the common stock additionally acquired by the Company on the date of the Company Split	¥2,020 million
Cost of acquisition	¥6,250 million

4. Difference between the cost of acquisition of the acquired company and the total cost of acquisition of individual transactions leading to the acquisition

   Gains on step acquisitions: ¥830 million

5. Amount of goodwill recognized, reason for recognition of goodwill and method and period for amortization

   (1) Amount of goodwill recognized
   ¥1,823 million
   (2) Reason for recognition
   Recognized from future excess earning power expected from future business operations
   (3) Method and period for amortization
   Amortized by the straight-line method over 10 years

6. Amounts and primary components of assets acquired and liabilities assumed as of the date of the Company Split

Current assets	¥8,800 million
Fixed assets	¥5,184 million
Total assets	¥13,984 million
Current liabilities	¥5,093 million
Non-current liabilities	¥546 million
Total liabilities	¥5,640 million

7. Outline of the accounting treatment implemented and the impact of the Company Split on the consolidated statement of income

   In the Company Split, the Company became the transferring company and Aohata became the successor company. However, as Aohata has become the Company's subsidiary, the Company Split is a reverse acquisition that positions the Company as the acquiring company and Aohata as the acquired company 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).

   As a result of the accounting treatment for preparing the consolidated financial statements implemented due to the Company Split, in the current fiscal year, the Company recognized ¥1,118 million of gains on change in equity related to the business subject to the Company Split as extraordinary gains.

8. Reported segment that included divested business

   Processed foods segment

Common control transactions

Aohata Corporation, the Company's consolidated subsidiary, and Geinan Shokuhin Co., Ltd. and AFC Co., Ltd., the Company's unconsolidated subsidiaries, merged effective on October 1, 2015.

1. Summary of the transaction

(1) Names and description of businesses of companies involved in the business combination

1) Names	Aohata Corporation, Geinan Shokuhin Co., Ltd., AFC Co., Ltd.	
2) Description of businesses	Aohata Corporation:	Production and sale of jams
	Geinan Shokuhin Co., Ltd.:	Production and sale of processed agricultural, livestock and seafood products
	AFC Co., Ltd.:	Purchase and sale of processed agricultural and seafood products

(2) Date of the business combination

October 1, 2015

(3) Legal form of the business combination

The business combination was an absorption-type merger with Aohata Corporation as the surviving company and Geinan Shokuhin Co., Ltd. and AFC Co., Ltd. being dissolved. Since the dissolved companies were both wholly owned subsidiaries of Aohata Corporation, there was no issuance of new shares or cash payment associated with the merger.

(4) Name of company after the business combination

Aohata Corporation

(5) Purpose of the transaction

The merger was intended to cope with the changes in the external environment of the Group and to establish the structure aiming to achieve the Medium-term Business Plan.

2. Outline of the accounting treatment implemented and the impact of the merger on the consolidated statement of income

The merger was accounted for as a transaction 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).

As a result of the accounting treatment for preparing the consolidated financial statements implemented due to the merger, in the current fiscal year, the Company recognized ¥901 million of gains on extinguishment of tie-in shares as extraordinary gains.

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 eight to fifty-one years following acquisition and using a discount rate of 0.5% to 2.2%.

3. Changes in amounts of relevant asset retirement obligations

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Balance at the beginning of the fiscal year	¥ 332 million	¥ 653 million
Increase due to purchases of tangible fixed assets	¥ 314 million	¥ 29 million
Adjustments to interest	¥ 6 million	¥ 7 million
Other changes (decrease if in parenthesis)	—	¥ 58 million
Balance at the end of the fiscal year	¥ 653 million	¥ 748 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.

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

Previous fiscal year (From December 1, 2013 to November 30, 2014) (Millions of yen)

	Condiments products	Egg products	Delicatessen products	Processed foods	Fine chemical products	Distribution system	Common business operations	Total	Adjustments	Consoli-dated (Note)
Net sales										
Net sales to outside customers	151,465	99,513	102,225	57,152	10,726	126,789	5,531	553,404	—	553,404
Intersegment net sales or transfers	5,948	6,020	360	1,812	273	23,916	9,447	47,779	(47,779)	—
Total	157,413	105,534	102,586	58,964	11,000	150,706	14,979	601,184	(47,779)	553,404
Segment profit	11,510	3,756	3,279	164	1,030	3,613	982	24,336	7	24,343
Segment assets	91,279	51,842	40,609	33,419	10,663	75,046	9,802	312,663	44,331	356,994
Others										
Depreciation and amortization	4,809	2,745	1,933	1,216	744	4,080	602	16,132	—	16,132
Investment in affiliates accounted for by equity method	1,071	194	—	3,454	—	—	173	4,893	—	4,893
Increase in tangible and intangible fixed assets	8,528	3,551	7,102	2,195	908	6,446	1,379	30,111	—	30,111

(Notes) 1. "Adjustments" of ¥44,331 million in "Segment assets" mainly includes company-wide assets of ¥50,623 million and elimination of intersegment receivables and payables of ¥(5,192) 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" 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, 2014 to November 30, 2015) (Millions of yen)

	Condiments products	Egg products	Delicatessen products	Processed foods	Fine chemical products	Distribution system	Common business operations	Total	Adjustments	Consoli-dated (Note)
Net sales										
Net sales to outside customers	157,056	104,785	109,098	62,255	11,311	127,747	5,937	578,192	—	578,192
Intersegment net sales or transfers	6,798	5,818	218	2,509	298	24,303	10,058	50,005	(50,005)	—
Total	163,855	110,604	109,316	64,765	11,610	152,050	15,995	628,197	(50,005)	578,192
Segment profit (loss)	12,543	5,396	2,749	(268)	350	4,760	900	26,432	8	26,441
Segment assets	96,275	55,706	40,878	42,060	10,523	81,370	10,601	337,417	35,002	372,419
Others										
Depreciation and amortization	5,209	3,328	2,814	1,675	811	4,630	625	19,094	—	19,094
Investment in affiliates accounted for by equity method	1,135	—	—	70	—	—	189	1,395	—	1,395
Increase in tangible and intangible fixed assets	6,714	7,303	5,106	1,870	660	9,814	899	32,369	—	32,369

(Notes) 1. "Adjustments" of ¥35,002 million in "Segment assets" mainly includes company-wide assets of ¥37,769 million and elimination of intersegment receivables and payables of ¥(4,150) 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."

Related Information

Previous fiscal year (From December 1, 2013 to November 30, 2014)

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, 2014 to November 30, 2015)

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, 2013 to November 30, 2014)

(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	235	350	—	—	—	—	—	586	—	586

Current fiscal year (From December 1, 2014 to November 30, 2015)

(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	118	41	0	115	10	85	1	374	—	373

Information on Amortization of Goodwill and Unamortized Balance by Reported Segment

Previous fiscal year (From December 1, 2013 to November 30, 2014)

(Millions of yen)

	Condiments products	Egg products	Delicatessen products	Processed foods	Fine chemical products	Distribution system	Common business operations	Total	Adjustments	Total
Amortization in the current fiscal year	—	—	—	—	7	6	—	14	—	14
Unamortized balance at the end of the current fiscal year	—	—	—	—	140	43	—	183	—	183

Current fiscal year (From December 1, 2014 to November 30, 2015)

(Millions of yen)

	Condiments products	Egg products	Delicatessen products	Processed foods	Fine chemical products	Distribution system	Common business operations	Total	Adjustments	Total
Amortization in the current fiscal year	—	—	—	182	29	17	—	229	—	229
Unamortized balance at the end of the current fiscal year	—	—	—	1,640	110	33	—	1,785	—	1,785

Information on Gains on Negative Goodwill by Reported Segment

Previous fiscal year (From December 1, 2013 to November 30, 2014)

(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	104	301	—	—	—	—	—	406	—	406

Current fiscal year (From December 1, 2014 to November 30, 2015)

(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	—	—	—	—	—	99	5	105	—	105

Related Party Transactions

Related party transactions

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

Directors and corporate auditors, and principal individual shareholders of the company filing the consolidated financial statements, etc.

Previous fiscal year (From December 1, 2013 to November 30, 2014)

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 corporate auditors 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% owning, directly 14.2% owned, directly 7.8% owned, indirectly	Purchase of products, sale of products and payment of brand usage fees Interlocking directors or corporate auditors	Purchase of products	482	Notes and accounts payable–trade	64
							Sale of products	46	Notes and accounts receivable–trade	5
							Payment of brand usage fee	780	Accounts payable–other	0
							Rental of real estate	12		
							Share exchange	3,128		
The companies of which the directors or corporate auditors and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Tohka Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	7.8% owned, directly	Rental of offices and purchase of lease assets Interlocking directors or corporate auditors	Rental of real estate	220	Investments and other assets (Other)	184
									Accounts payable-other	0
							Purchase of lease assets	22	Current liabilities (Other)	15
									Lease obligations (fixed)	33
The companies of which the directors or corporate auditors 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% owning, directly	Sale of products, payment of sales promotion expenses and rental of real estate Interlocking directors or corporate auditors	Sale of products	427	Notes and accounts receivable–trade	18
							Payment of sales promotion expenses	36	Accounts payable–other	6
							Subscription to capital increase through third party allocation of shares	171		
The companies of which the directors or corporate auditors 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 and sales promotion expenses, and sale of products Interlocking directors or corporate auditors	Payment of advertising expenses	6,969	Accounts payable–other	1,465
							Payment of sales promotion expenses	116		
							Sale of products	241	Notes and accounts receivable–trade	52
							Purchase of tangible fixed assets	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 corporate auditors 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	137	Notes and accounts receivable–trade	28
The companies of which the directors or corporate auditors 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 Interlocking directors or corporate auditors	Payment of IT-related expenses Purchase of software Purchase of tangible fixed assets	1,879 632 16	Accounts payable–other	359
The companies of which the directors or corporate auditors 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	96	Investments and other assets (Other)	117
The companies of which the directors or corporate auditors 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	1.3% owned, directly	Rental of the company dormitories Interlocking directors or corporate auditors	Rental of real estate	65		

(Notes) Transaction's term and policy

1. In principle, 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, 2014 to November 30, 2015)

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 corporate auditors 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% owning, directly 14.2% owned, directly 7.8% owned, indirectly	Purchase of products, sale of products and payment of brand usage fees Interlocking directors or corporate auditors	Purchase of products	438	Notes and accounts payable–trade	62
							Sale of products	31	Notes and accounts receivable–trade	3
							Payment of brand usage fee	720	Accounts payable–other	0
							Rental of real estate	11		
The companies of which the directors or corporate auditors and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Tohka Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	7.8% owned, directly	Rental of offices and purchase of lease assets Interlocking directors or corporate auditors	Rental of real estate	233	Investments and other assets (Other)	181
									Accounts payable-other	0
							Purchase of lease assets	26	Current liabilities (Other)	18
									Lease obligations (fixed)	38
The companies of which the directors or corporate auditors 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 and sales promotion expenses, and sale of products Interlocking directors or corporate auditors	Payment of advertising expenses	7,189	Accounts payable–other	1,728
							Payment of sales promotion expenses	73		
							Sale of products	95	Notes and accounts receivable–trade	9

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 corporate auditors 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	147	Notes and accounts receivable–trade	46
The companies of which the directors or corporate auditors and their close relatives own the majority of voting rights (including subsidiaries of the companies)	To Solutions Co., Ltd. (Note 5)	Shinjuku-ku, Tokyo	90	Planning, development, sale, maintenance and operational support of computer systems	20.0% owning, directly	Consignment of calculation work Interlocking directors or corporate auditors	Payment of IT-related expenses Purchase of software Purchase of tangible fixed assets	1,983 902 19	Accounts payable–other	392
The companies of which the directors or corporate auditors and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Yu Shokai Co., Ltd. (Note 6)	Shibuya-ku, Tokyo	10	Business of renting property	None	Rental of offices	Rental of real estate	96	Investments and other assets (Other)	117
The companies of which the directors or corporate auditors and their close relatives own the majority of voting rights (including subsidiaries of the companies)	T&A Co., Ltd. (Note 7)	Shibuya-ku, Tokyo	100	Business of renting property	1.3% owned, directly	Rental of the company dormitories Interlocking directors or corporate auditors	Rental of real estate	61		

(Notes) Transaction’s term and policy

1. In principle, determined in the same way as a general transaction following individual discussions taking market price etc. into consideration.
2. Amounts in the ending balance include consumption taxes and those of the trading amount exclude them.
3. Amane Nakashima, senior executive 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, senior executive 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, senior executive managing director of the Company, and his close relatives own the majority of the voting rights owns 80.0% of the voting rights directly.
6. Amane Nakashima, senior executive managing director of the Company, and his close relatives own 100.0% of the voting rights directly.
7. Amane Nakashima, senior executive 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 corporate auditors, and principal individual shareholders of the company filing the consolidated financial statements, etc.

Previous fiscal year (From December 1, 2013 to November 30, 2014)

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 corporate auditors 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% owning, directly 14.2% owned, directly 7.8% owned, indirectly	Purchase of products and sale of products Interlocking directors or corporate auditors	Purchase of products	755	Notes and accounts payable-trade	125
							Sale of products	51	Notes and accounts receivable-trade	5
The companies of which the directors or corporate auditors and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Tohka Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	7.8% owned, directly	Rental of offices and purchase of lease assets Interlocking directors or corporate auditors	Rental of real estate	1,403	Current assets (Other)	36
									Investments and other assets (Other)	406
							Purchase of fixed assets	1,339		
							Purchase of lease assets	719	Current liabilities (Other)	123
									Lease obligations (fixed)	611
The companies of which the directors or corporate auditors 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 Interlocking directors or corporate auditors	Payment of advertising expenses	40	Accounts payable-other	12
The companies of which the directors or corporate auditors 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 and purchase of products	Sale of products	279	Notes and accounts receivable-trade	18
							Purchase of products	11	Notes and accounts payable-trade	5
The companies of which the directors or corporate auditors and their close relatives own the majority of voting rights (including subsidiaries of the companies)	To Solutions Co., Ltd. (Note 5)	Shinjuku-ku, Tokyo	90	Planning, development, sale, maintenance and operational support of computer systems	20.0% owning, directly	Consignment of calculation work Interlocking directors or corporate auditors	Payment of IT-related expenses	865	Accounts payable-other	80
							Purchase of software	159		

(Notes) Transaction's term and policy

1. In principle, determined in the same way as a general transaction following individual discussions taking market price etc. into consideration.
2. Amounts in the ending balance include consumption taxes and those of the trading amount exclude them.
3. Amane Nakashima, senior executive 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, senior executive 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, senior executive managing director of the Company, and his close relatives own the majority of the voting rights owns 80.0% of the voting rights directly.

Current fiscal year (From December 1, 2014 to November 30, 2015)

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 corporate auditors 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% owning, directly 14.2% owned, directly 7.8% owned, indirectly	Purchase of products and sale of products Interlocking directors or corporate auditors	Purchase of products	689	Notes and accounts payable-trade	69
							Sale of products	57	Notes and accounts receivable-trade	6
The companies of which the directors or corporate auditors and their close relatives own the majority of voting rights (including subsidiaries of the companies)	Tohka Co., Ltd. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	7.8% owned, directly	Rental of offices and purchase of lease assets Interlocking directors or corporate auditors	Rental of real estate	1,317	Current assets (Other)	20
									Investments and other assets (Other)	356
							Purchase of lease assets	690	Current liabilities (Other)	119
									Lease obligations (fixed)	583
							Payment of lease cancellation penalties	26		
The companies of which the directors or corporate auditors 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 Interlocking directors or corporate auditors	Payment of advertising expenses	83	Accounts payable-other	40
							Sale of products	38	Accounts receivable-trade	4
The companies of which the directors or corporate auditors 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 and purchase of products	Sale of products	261	Notes and accounts receivable-trade	24
							Purchase of products	24		
The companies of which the directors or corporate auditors and their close relatives own the majority of voting rights (including subsidiaries of the companies)	To Solutions Co., Ltd. (Note 5)	Shinjuku-ku, Tokyo	90	Planning, development, sale, maintenance and operational support of computer systems	20.0% owning, directly	Consignment of calculation work Interlocking directors or corporate auditors	Payment of IT-related expenses	1,052	Accounts payable-other	70
							Purchase of software	224		
							Provision of services	17	Notes and accounts receivable-trade	1

(Notes) Transaction's term and policy

1. In principle, determined in the same way as a general transaction following individual discussions taking market price etc. into consideration.
2. Amounts in the ending balance include consumption taxes and those of the trading amount exclude them.
3. Amane Nakashima, senior executive 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, senior executive 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, senior executive 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 (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Net assets per share (yen)	1,284.36	1,410.53
Net income per share (yen)	88.69	112.21

(Notes) 1. "Net income per share – diluted" is not presented because of no issue of potential shares.

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

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Total net assets (millions of yen)	220,397	245,929
Amount subtracted from total net assets (millions of yen)	25,346	31,856
(Minority interests)	(25,346)	(31,856)
Net assets attributable to common stock at the end of the fiscal year (millions of yen)	195,051	214,073
Number of shares of common stock at the end of the fiscal year (thousand shares)	151,867	151,767

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

	Previous fiscal year (From December 1, 2013 to November 30, 2014)	Current fiscal year (From December 1, 2014 to November 30, 2015)
Net income (millions of yen)	13,366	17,031
Amounts not attributable to common shareholders (millions of yen)	—	—
Net income attributable to common stock (millions of yen)	13,366	17,031
Weighted average number of shares of common stock (thousand shares)	150,703	151,783

4. As described in "Notes "Changes in accounting policies" (Application of accounting standard for retirement benefits and related regulations) of V. Financial Information, Consolidated Financial Statements," the accounting standard for retirement benefits and the related regulations were applied in accordance with the transitional accounting stipulated in paragraph 37 of the Accounting Standard for Retirement Benefits.

As a result, net assets per share decreased by ¥2.11 in the current fiscal year. The effect on net income per share was immaterial.

Significant Subsequent Events

Not applicable

(e) Consolidated Supplementary Statements

1. Description of bonds

Corporate name	Issue	Issue date	Beginning balance (millions of yen)	Ending balance (millions of yen)	Interest rate per annum (%)	Pledged	Maturity date
The Company	The 2nd Unsecured Bonds	February 15, 2012	10,000	10,000	0.777	None	February 15, 2019

(Note) The aggregate amount that will be redeemed in annual maturities after the consolidated closing date is as follows:

Within one year (millions of yen)	Over one year to two years (millions of yen)	Over two years to three years (millions of yen)	Over three years to four years (millions of yen)	Over four years to five years (millions of yen)	Over five years (millions of yen)
—	—	—	10,000	—	—

2. Description of bank loans etc.

Item	Beginning balance (millions of yen)	Ending balance (millions of yen)	Average interest rate per annum (%)	Repayment date
Short-term loans payable	6,481	7,475	0.540	—
Current portion of long-term loans payable	1,377	1,621	0.580	—
Current portion of lease obligations	1,355	1,391	1.988	—
Long-term loans payable	6,632	6,343	0.840	From December 2016 to January 2028
Long-term lease obligations	3,262	3,727	2.031	From December 2016 to May 2027
Other interest-bearing debt	—	—	—	—
Total	19,110	20,559	—	—

(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 to two years (millions of yen)	Over two years to three years (millions of yen)	Over three years to four years (millions of yen)	Over four years to five years (millions of yen)	Over five years (millions of yen)
Long-term loans payable	1,361	1,181	950	617	2,232
Lease obligations	1,206	1,014	780	489	236

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 Ordinance on 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)	135,580	282,902	431,565	578,192
Income before income taxes and minority interests (millions of yen)	7,526	15,311	22,982	28,663
Net income (millions of yen)	5,084	9,772	14,030	17,031
Net income per share (yen)	33.49	64.38	92.44	112.21

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Net income per share (yen)	33.49	30.88	28.06	19.77

Independent Auditors' Audit Report and Internal Control Audit Report

February 26, 2016

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

Ernst & Young ShinNihon LLC

Designated and Limited Engagement Partner — Masayuki Miyairi
Certified Public Accountant
(signed and sealed)

Designated and Limited Engagement Partner — Junya Abe
Certified Public Accountant
(signed and sealed)

Designated and Limited Engagement Partner — Yoshiyuki Sakuma
Certified Public Accountant
(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, 2014 to November 30, 2015, 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, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

<*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, 2015 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 completely 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, 2015 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 Ordinary 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 shares less than one unit:	
Handling office	(Special account) Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department 4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo
Agent	(Special account) Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department 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. URL for public notice: http://www.kewpie.co.jp/company/
Shareholder privileges	The Company provides an annual gift of its product(s) in early March to those shareholders who are recorded in the shareholder registry as of November 30 and have held at least one trading unit (100 shares) of the Company's shares under the same shareholder number for three or more consecutive years (in other words, registered in the shareholder registry as of May 31 and November 30 under the same shareholder number on at least seven consecutive occasions), in accordance with the gift criteria presented below. Gift criteria Number of shares held — Contents of gift 100 shares to 499 shares — Company product(s) valued at ¥1,000 500 shares to 999 shares — Company product(s) valued at ¥2,000 1,000 shares or more — Company product(s) valued at ¥3,000 * 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 register as of May 31 and November 30 under the same shareholder number on seven or more consecutive occasions. Only in March 2016, the Company will offer this gift of its product(s) to those shareholders who are recorded in the shareholder registry as of November 30 and have held at least one trading unit (100 shares) of the Company's shares under the same shareholder number for two or more consecutive years (in other words, registered in the shareholder registry as of May 31 and November 30 under the same shareholder number on at least five consecutive occasions).

(Notes) 1. The calculating method below shall be used to determine fees for purchase of shares less than one 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 less than one unit.
   (1) Rights listed in items of Article 189, Paragraph 2 of the Companies Act
   (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 Companies Act to request acquisition of shares with rights to acquire new shares

The information contained in this report is derived from Kewpie Corporation's (the "Company") Management's Report on Internal Control over Financial Reporting in Japanese filed with the Commissioner of the Financial Services Agency on February 27, 2016 in accordance with the Financial Instruments and Exchange Law, and has been translated into English for the convenience of readers outside Japan.

Document title:	Management's Report on Internal Control over Financial Reporting
Corporate Name:	KEWPIE KABUSHIKI-KAISHA
English Corporate Name:	Kewpie Corporation
Name and Title of Representative:	Minesaburo Miyake Representative Director and President Corporate Officer
Location of Head Office:	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo 150-0002, Japan

1. Basic Framework of Internal Control over Financial Reporting

The Representative Director and President Corporate Officer Minesaburo Miyake is responsible for designing and operating the Company's internal control over financial reporting. He designs and operates internal control over financial reporting in accordance with the basic framework of internal control presented in "On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" issued by the Business Accounting Council.

Internal control achieves its objectives to a reasonable extent given that all individual components of internal control are integrated and function as a whole. Internal control over financial reporting for consolidated financial statements may not completely prevent or detect misstatements in financial reporting.

2. Scope of Assessment, Assessment Date and Assessment Procedure

Assessment of internal control over financial reporting was carried out as of November 30, 2015, which is the final day of the Company' business year, in accordance with generally accepted assessment standards for internal control over financial reporting.

In this assessment, the business processes to be assessed are selected after an assessment of internal control that has a significant impact on overall financial reporting on a consolidated basis ("company-level internal control") is carried out, and in consideration of the results of the said assessment. In assessing the said business processes, an assessment of the effectiveness of internal control is conducted by identifying the key controls that would have a material impact on the reliability of financial reporting after analyzing the selected business processes and by assessing the status of design and operation of the said key controls.

The scope of assessment of internal control over financial reporting is determined to be the scope that is necessary from the viewpoint of materiality of the impact on the reliability of financial reporting regarding the Company, its consolidated subsidiaries and its equity-method affiliates. The materiality of the impact on the reliability of financial reporting is determined in consideration of the materiality of quantitative and qualitative impacts. The scope of assessment of business process-level internal control is determined reasonably in light of the results of an assessment of company-level internal control carried out with respect to the Company and its 19 consolidated subsidiaries. Other consolidated subsidiaries and equity-method affiliates are not included in the scope of assessment of company-level internal control as they are deemed to be immaterial in terms of quantitative and qualitative materiality.

To determine the scope of assessment of business process-level internal control, "significant business locations" are selected. They are composed of business locations determined in descending order based on their net sales levels in the previous fiscal year (after elimination of intra-group transactions) until their combined amount reaches approximately two thirds of consolidated net sales in the previous fiscal year (as a result, three companies were selected), as well as other significant outsourced business locations. At the selected significant business locations, business processes leading to net sales, accounts receivable—trade, inventories and accounts payable—trade which are deemed as accounting items that are closely associated with a company's business purpose, are included in the scope of the assessment. In addition, the scope of assessment includes other business locations as well as selected significant business locations with respect to certain business processes. Specifically, business processes that have a high risk of misstatement and relate to significant accounting items involving estimates and forecasts, and business processes relating to a business or operation dealing with high-risk transactions, are added to the scope of assessment as business processes with substantial significance in terms of effects on financial reporting, regardless of whether they occur at selected significant business locations.

3. Assessment Result

As a result of the above assessment, we judge that the Company's internal control over its financial reporting is effective as of November 30, 2015.

American Depositary Receipts:

- Ratio (ADR : ORD): 1 : 2
- Exchange: OTC (Over-the-Counter)
- Symbol: KWPCY
- CUSIP: 493054100
- Depositary:
  - The Bank of New York Mellon
  - 101 Barclay Street FL22W, New York, NY 10286, U.S.A.
  - Tel: (212) 815-2042
  - U.S. toll free: 888-269-2377 (888-BNY-ADRS)
  - URL: www.adrbnymellon.com