Annual Report
2016

December 1, 2015 to November 30, 2016

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 28, 2017 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, 2016

Period ended		Nov. 2012	Nov. 2013	Nov. 2014	Nov. 2015	Nov. 2016
Net sales	(millions of yen)	504,997	530,549	553,404	549,774	552,306
Ordinary income	(millions of yen)	24,467	23,749	25,368	27,224	31,364
Profit attributable to owners of parent	(millions of yen)	12,291	12,567	13,366	16,973	17,093
Comprehensive income	(millions of yen)	15,935	19,256	18,968	26,159	10,955
Total net assets	(millions of yen)	195,928	210,285	220,397	244,717	245,861
Total assets	(millions of yen)	306,515	334,655	356,994	373,017	385,914
Net assets per share	(yen)	1,141.68	1,230.32	1,284.36	1,403.05	1,420.63
Earnings per share	(yen)	82.09	83.94	88.69	111.82	113.47
Earnings per share – diluted	(yen)	—	—	—	—	—
Equity ratio	(%)	55.8	55.0	54.6	57.1	55.1
Return on equity	(%)	7.4	7.1	7.0	8.3	8.0
Price earnings ratio	(times)	14.6	17.3	21.9	26.4	23.8
Cash flows from operating activities	(millions of yen)	33,246	27,369	34,392	28,094	45,260
Cash flows from investing activities	(millions of yen)	(24,434)	(21,897)	(30,847)	(31,181)	(32,046)
Cash flows from financing activities	(millions of yen)	7,022	(2,307)	(3,149)	(7,101)	(5,805)
Cash and cash equivalents at the end of the fiscal year	(millions of yen)	40,387	43,963	44,788	34,841	40,790
Number of regular full-time employees, and average number of temporary employees in brackets		12,425 [11,154]	12,598 [11,316]	12,933 [11,840]	13,478 [11,519]	14,095 [11,150]

(Notes) 1. Consumption taxes are not included in net sales.
2. Figures presented for the fiscal year ended November 30, 2015, have been retrospectively adjusted to reflect changes in accounting policy with respect to policies for recording net sales, taking effect from current fiscal year.
3. The “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013) and other standards have been applied, and “net income” has been changed to “profit attributable to owners of parent.”
4. Earnings per share – diluted is not presented for the period ended November 30, 2013 to the period ended November 30, 2016 because of no issue of potential shares.
5. Earnings per share – diluted is not presented for 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, 2016

Period ended	Nov. 2012	Nov. 2013	Nov. 2014	Nov. 2015	Nov. 2016
Net sales (millions of yen)	230,554	236,213	237,655	210,426	205,102
Ordinary income (millions of yen)	12,163	11,023	10,992	11,472	12,973
Profit (millions of yen)	8,290	6,978	6,905	7,910	9,161
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)	134,016	139,767	147,461	152,916	152,232
Total assets (millions of yen)	207,351	222,219	238,781	228,291	242,768
Net assets per share (yen)	894.99	933.42	970.75	1,007.57	1,017.15
Annual dividends per share, and interim dividends per share in brackets (yen)	20.0 [9.5]	22.0 [11.0]	23.0 [11.5]	29.0 [12.5]	34.5 [15.0]
Earnings per share (yen)	55.37	46.61	45.78	52.12	60.82
Earnings per share – diluted (yen)	—	—	—	—	—
Equity ratio (%)	64.6	62.9	61.8	67.0	62.7
Return on equity (%)	6.3	5.1	4.8	5.3	6.0
Price earnings ratio (times)	21.7	31.2	42.4	56.7	44.4
Dividend payout ratio (%)	36.1	47.2	50.2	55.6	52.6
Number of regular full-time employees, and average number of temporary employees in brackets	2,599 [760]	2,580 [799]	2,549 [918]	2,520 [963]	2,510 [926]

(Notes) 1. Consumption taxes are not included in net sales.
2. Figures presented for the fiscal year ended November 30, 2015, have been retrospectively adjusted to reflect changes in accounting policy with respect to policies for recording net sales, taking effect from current fiscal year.
3. Earnings 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-six 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 reportable segments.

Business category	The Company and principal companies	Major handling items / services
Condiments products	Kewpie Corporation Q&B Foods, Inc. Dispen Pak Japan Co., Inc. Hangzhou Kewpie Corporation Kpack Co., Ltd. BEIJING KEWPIE 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 others
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	Shiba Seisakusyo Co., Ltd.	Sale of food production equipment

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.
Kpack Co., Ltd.
Dispen Pak Japan Co., Inc.
Deft Co., Ltd.
Other

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

Delicatessen products
Kewpie Corporation
Deria Foods Co., Ltd.
Gourmet Delica Co., Ltd
Salad Club, Inc.
Shunsai Deli Co., Ltd.
Other

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

Fine chemical products
Kewpie Corporation
Tou Kewpie Co., Ltd.

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

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

Overseas

Condiments products
Hangzhou Kewpie Corporation
Q&B Foods, Inc.
BEIJING KEWPIE CO., LTD.
Kewpie (Thailand) Co., Ltd.
Other

Egg products
Henningsen Foods, Inc.
Other

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 10	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	777 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]	Employee 1	None	Consignment of storage and transportation of products and raw materials of Group companies	Leases of offices, 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	745 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 2	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 2 Employees 3	241 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 2	Liabilities for guarantee 66 million yen	None	None
Gourmet Delica Co., Ltd.	Chofu-shi, Tokyo	98 million yen	Production and sale of delicatessen foods	100.0	D or A 2 Employees 8	6,322 million yen	Sale of products	Leases of offices
Hashikami Kewpie Co., Ltd.	Hashikami-cho, Sannohe-gun, Aomori	10 million yen	Production and processing of foods; outsourced work	100.0	Employees 1	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 2	455 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 offices and factories
Shiba Seisakusyo Co., Ltd.	Kawasaki-ku, Kawasaki-shi, Kanagawa	10 million yen	Production of machinery and equipment	100.0	Employees 5	None	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)	Employees 6	529 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 4	None	Sale of products	Leases of offices
K.System Co., Ltd.	Machida-shi, Tokyo	50 million yen	Consigned clerical work	80.0	Employees 6	None	Consignment of clerical work	Leases of offices
Kpack Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	30 million yen	Production and sale of condiments	100.0	Employees 6	None	Purchase of products	Leases of offices
Tosu Kewpie Co., Ltd.	Tosu-shi, Saga	10 million yen	Production and processing of foods; outsourced work	100.0	Employees 2	None	Consignment of production	Leases of factories
Hangzhou Kewpie Corporation	Zhejiang Province, China	140 million yuan	Production and sale of foods	66.4 (7.1)	D or A 1 Employees 4	None	None	None
S.Y. Promotion Co., Ltd.	Koto-ku, Tokyo	200 million yen	Transportation	88.4 (51.0)	Employee 2	None	Consignment of transportation services	None
Seto Delica Co., Ltd.	Seto-shi, Aichi	30 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 4	519 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	Chofu-shi, Tokyo	82 million yen	Warehousing and transportation	100.0 (100.0)	None	None	None	None
BEIJING KEWPIE 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 2	122 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 3 Employees 5	None	None	None
Shunsai Deli Co., Ltd.	Akishima-shi, Tokyo	20 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 8	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	176 million yen	None	None
Kewpie Vietnam Co., Ltd.	Binh Duong, Vietnam	256.4 billion dong	Production and sale of condiments	80.0	Employees 3	168 million yen	None	None
Enshu Delica Co., Ltd.	Mori-machi, Shuchi-gun, Shizuoka	20 million yen	Processing and sale of fresh vegetables	51.0 (51.0)	Employees 3	707 million yen	Purchase of raw materials	Leases of land
PT. Kewpie Indonesia	West Java, Indonesia	255.8 billion rupiah	Production and sale of condiments	60.0 (3.5)	Employees 3	None	None	None
Kewpie-Egg World Trading Co., Ltd.	Chofu-shi, Tokyo	100 million yen	Sale of egg and processed egg	100.0 (51.0)	D or A 3 Employees 4	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	448 million yen	None	None
Tou Kewpie Co., Ltd.	Chofu-shi, Tokyo	10 million yen	Mail-order business	70.0	Employees 3	377 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 1	None	Purchase of products	Leases of offices
Nantong Kewpie Corporation (Note 1)	Jiangsu Province, China	184 million yuan	Production and sale of vinegar, processed egg and salads	100.0	Employees 6	None	None	None
Kewpie Poland Sp. z o.o.	Warsaw, Poland	350 thousand Polish zloty	Production and sale of condiments	100.0	Employees 5	229 million yen	None	None
Fresh Delica Network. Co., Ltd.	Akishima-shi, Tokyo	20 million yen	Freight forwarding business	100.0 [100.0]	Employees 4	None	None	None
Other: 1								

(Notes) 1. Kewpie Egg Corporation, K.R.S. Corporation, Kanae Foods Co., Ltd., and Nantong Kewpie Corporation 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 of 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 ¥77,805 million
(2) Ordinary income ¥4,832 million
(3) Profit ¥3,224 million
(4) Total net assets ¥21,771 million
(5) Total assets ¥32,088 million

Net sales of 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	257 million yen	Purchase of products	None
To Solutions Co., Ltd.	Chofu-shi, 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 offices and 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	20.9 (7.9)	D or A 2	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, 2016)

Number of employees
14,095 (11,150)

(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

The accounting policy with respect to policies for recording net sales has been changed beginning with the current fiscal year, and accordingly year-on-year comparisons have been calculated using figures to which the retrospective adjustment has been applied. For further details, refer to the subsection “Changes in accounting polices” under “V. Financial Information, (1) Consolidated financial statements, Notes.”

(1) Business performance (consolidated)

◊ General

During the fiscal year ending November 30, 2016, the Japanese economy gained support from an ongoing modest recovery of corporate earnings and the employment environment. However, uncertainties with respect to the future outlook persisted amid adverse factors such as foreign exchange and stock market volatility as well as sluggish personal consumption.

In the food industry, consumption was affected by diverse patterns of consumption brought about by shifting consumer lifestyle and a surge in vegetable prices due to unfavorable weather conditions.

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 been making a group-wide effort to further boost corporate value through four management policies, which stem from the aim of making the most of our unique capabilities and an ability to create new products, markets and demand, in the three-year Medium-term Business Plan starting from the fiscal year ended November 30, 2016. The policies consist of strengthening our management base, enhancing our cost competitiveness, creating added value, and taking up challenges in new fields. These policies are designed to achieve dramatic growth by pursuing new challenges for the Group.

• Net sales

The Delicatessen products business had strong sales, and as a result consolidated net sales rose by ¥2,532 million (0.5%) year on year to ¥552,306 million.

• Profit

Operating income increased by ¥3,464 million (13.1%) year on year to ¥29,818 million, and ordinary income increased by ¥4,140 million (15.2%) year on year to ¥31,364 million, as a result of efforts geared to expanding our range of value-added products and making cost improvements, as well as effects of the changes in depreciation method.

Profit attributable to owners of parent increased by ¥120 million (0.7%) year on year to ¥17,093 million, despite having generated ordinary gains of ¥2,849 million as a result of having made Aohata Corporation a consolidated subsidiary and having merged with subsidiaries of Aohata Corporation in the previous fiscal year.

◊ Business overview by segment

[Breakdown of net sales] (Millions of yen)

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)	Change (amount)	Change (ratio)
Condiments products	142,163	144,099	1,936	1.4%
Egg products	104,642	102,204	(2,438)	(2.3)%
Delicatessen products	100,437	111,799	11,362	11.3%
Processed foods	57,534	51,252	(6,282)	(10.9)%
Fine chemical products	11,311	10,863	(448)	(4.0)%
Distribution system	127,747	126,926	(821)	(0.6)%
Common business operations	5,937	5,160	(777)	(13.1)%
Total	549,774	552,306	2,532	0.5%

(Note) Figures presented for the previous fiscal year have been adjusted retrospectively to reflect changes in policies for recording net sales.

[Breakdown of operating income] (Millions of yen)

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)	Change (amount)	Change (ratio)
Condiments products	12,479	13,668	1,189	9.5%
Egg products	5,396	5,483	87	1.6%
Delicatessen products	2,750	3,465	715	26.0%
Processed foods	(292)	517	809	—
Fine chemical products	350	1,031	681	194.6%
Distribution system	4,760	4,889	129	2.7%
Common business operations	900	763	(137)	(15.2)%
Adjustments	8	—	(8)	—
Total	26,354	29,818	3,464	13.1%

(Note) Figures presented for the previous fiscal year have been adjusted retrospectively to reflect changes in policies for recording net sales.
Operating income for the current fiscal year increased by ¥2,395 million in comparison with operating income calculated under the previous method, as a result of the change in the depreciation method for tangible fixed assets and the change in the useful life and residual value. Effects of this change to each reported segment have been disclosed in the subsection "Segment Information" under "V. Financial Information, (1) Consolidated financial statements, Notes."

Condiments products
- Overseas sales expanded while in Japan sales of mayonnaise was firm, leading to increased sales.
- Operating income increased largely due to higher sales and cost improvements.

Egg products
- Sales decreased due to a downturn in the market price for hen's eggs in the US and Japan, but value-added products were strong.
- Operating income increased due to price revisions in Japan along with growth in value-added products, and despite a downturn in the market price for hen's eggs in the US weighing on operating income.

Delicatessen products
- Sales increased due to a merchandise transfer from the Processed foods business and expansion into new sales channels in areas such as home delivery and restaurants.
- Operating income increased as a result of factors including higher income associated with sales growth and cost improvements.

Processed foods
- Sales decreased as a result of a merchandise transfer to the Delicatessen products business, but sales of baby foods and other products were strong.
- Operating income increased due to growth of value added products and the elimination of unprofitable products.

Fine chemical products

- Sales decreased due to a decline in shipments of EPA for medical use, but sales of hyaluronic acid were strong.
- Operating income increased due to cost improvements largely with respect to raw material procurement, and also due to growth in sales of hyaluronic acid for medical use.

Distribution system

- Sales decreased due to a decline in business with existing customers largely resulting from changes to distribution systems of our business partners.
- Operating income increased as a result of efforts to streamline storage and delivery operations, and despite the effects of the decrease in business with existing customers and cost increases attributable to operations of new distribution locations.

Common business operations

- Both sales and operating income decreased due to lower sales of production equipment to food manufacturers.

(2) Cash flows

Cash and cash equivalents at the end of the current fiscal year amounted to ¥40,790 million, which represents an increase of ¥5,949 million from the end of the previous fiscal year.

Status of cash flows

– Net cash provided by operating activities came to ¥45,260 million for the current fiscal year, up from ¥28,094 million for the previous fiscal year. This was the result of profit before income taxes of ¥30,290 million, depreciation and amortization of ¥18,254 million and income taxes paid of ¥8,888 million.

– Net cash used in investing activities amounted to ¥32,046 million, compared with ¥31,181 million used in the previous fiscal year. This was the result of purchases of tangible fixed assets of ¥31,148 million and purchases of intangible fixed assets of ¥1,290 million.

– Net cash used in financing activities amounted to ¥5,805 million, compared with ¥7,101 million used in the previous fiscal year. This was the result of a net increase in loans payable of ¥5,384 million, a repayment of lease obligations of ¥1,350 million, dividend payments of ¥4,749 million and repurchase of shares of ¥4,734 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 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. Under the plan, we aim to achieve dramatic growth by pursuing new challenges.

(2) Main strategies in Japan and overseas

In Japan		Overseas
<Create added value> • Create value that captures needs • Utilize and develop sales channels • Strengthen core product proposals	<Enhance our cost competitiveness> • Streamline production, sales and distribution • Technologically revolutionize product manufacturing • Strengthen raw material buying power	<Penetrate KEWPIE brand> • Make proposals that capture area-specific 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-specific 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 business foundations 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 business foundations 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 receiving a mandate from 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 ended 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 25, 2017 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 104th Ordinary General Meeting of Shareholders on February 24, 2017. The continuous adoption of the Defense Plan was approved at the 104th 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. It is not contemplated that any cash will be delivered as a consideration for the acquisition of the stock acquisition rights held by any person not having the right to exercise the stock acquisition rights.

(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 107th Ordinary General Meeting of Shareholders to be held no later than February 29, 2020.

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

Condiments for salads (mayonnaise and dressings) is the product category with the highest degree of contribution to both sales and profits for the Group.

Consequently, in the event of a shrinkage in the 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 the short term, the volume of consumption of condiments for salads is affected by fluctuations in the prices of vegetables.

To reduce such effects, the Group is working to develop and expand the scale of its other product category.

Regarding condiments for salads, 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 expanding 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.

Fluctuations in the 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.

The Group's procurement of eggs and edible oils entails measures to ensure that we have the necessary volume, at a reasonable cost. Accordingly, our procurement of eggs is conducted under a 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 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.

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

To prevent the occurrence 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, 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.

On the other hand, 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.

Nevertheless, 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 China, the US 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 Distribution system business for the current fiscal year amounted to ¥126.9 billion (23.0% of total net sales), and operating income came to ¥4.9 billion (16.0% of total operating income). This growth was mostly attributed to K.R.S. Corporation and its subsidiaries.

The Company currently holds 46.0% 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 52.0%). 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, we are confident that it will contribute to raising the corporate value of the Group as a whole to maintain the status of K.R.S. Corporation as a consolidated subsidiary.

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 to contribute to better and healthier dietary lifestyles of people from around the world. 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, Kanae Foods Co., Ltd., 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 CO., LTD., Hangzhou Kewpie Corporation, 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. Accordingly, it carries out such R&D activities with the aims of creating technologies, raw materials and ingredients full of originality, using such technologies to impress customers through our products, and bringing about innovations with respect to the lifestyles of customers worldwide through food products.

The Company's R&D Division makes the most of Group-wide synergies in R&D and strengthens the Group's ability to create added value by making use of the Sengawa Kewport facility whose role is that of "manufacturing and new value creation" within the Group office. In the area of external collaboration, the Group vigorously pursues open innovation with research institutes both in Japan and overseas, and accelerated high-value R&D.

In October, the New Business Development Team was established within the Institute of Product Development to promote moves geared to developing new markets and new product categories from newly developed technologies in collaboration with entities such as the Division of Marketing and related departments and divisions.

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 production environments and standardized 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 ¥4,028 million.

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

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

During the current fiscal year, thirty-five presentations were made and seven 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 effect of egg shell membrane enzyme hydrolysate on human dermal fibroblasts	Japanese Society of Anti-Aging Medicine	
Additional consumption of one egg per day increases serum lutein plus zeaxanthin concentration and lowers oxidized low-density lipoprotein in moderately hypercholesterolemic males.	The 48th Annual Scientific Meeting of the Japan Atherosclerosis Society	Ochanomizu University
Intramolecular disulfide bonds formation of biomolecule with mediated electrolysis reaction	The Electrochemical Society of Japan	Tokyo University of Agriculture and Technology
Arginine suppresses heat-induced aggregation of hen egg-white proteins	Protein Science Society of Japan	University of Tsukuba
Evaluation of the stable enteral nutrient prepared using various emulsifiers	The Pharmaceutical Society of Japan	Meiji Pharmaceutical University
Various types of prepared foods are found to meet requirements of Japanese Dysphagia Diet 2013 by the JSDR dysphagia diet committee tested by sensory analysis and texture measurement	The 22nd Annual Meeting of the Japanese Society of Dysphagia Rehabilitation	Japan Women's University, Kanagawa Institute of Technology, etc.
The odor reduction effect by the acetic acid bacteria enzyme	Japan Association on Odor Environment	
The relation between the amount of starch and the smoothness of potato by the difference in potato varieties	The Japanese Society for Food Science and Technology	
The effect of egg shells fertilization in wet-field rice cultivation on taste of rice	The Japanese Society for Food Science and Technology	Nagoya University, Niigata University of Pharmacy and Applied Life Sciences
Disulfide bond formation in Ovalbumin by anodic oxidation	The Japanese Society for Food Science and Technology	Tokyo University of Agriculture and Technology

Title	Annual Meeting	Collaborator
Properties of electro oxidized egg white	The Japanese Society for Food Science and Technology	Tokyo University of Agriculture and Technology
Behavior and interaction of proteins in egg white under whipping	The Japanese Society for Food Science and Technology	University of Shizuoka
Behavior of proteins of spray-dried egg white under whipping	The Japanese Society for Food Science and Technology	University of Shizuoka
Effects of mayonnaise addition on the physical properties and taste of pudding	The Japan Society of Cookery Science	
The study on the flavor of eggs over short and long periods	The Japan Society of Cookery Science	Tokyo Kasei University
The effect of koku taste in mayonnaise on salt reduction	The Japan Society of Cookery Science	
Japanese style mayonnaise decreases plasma low-density lipoprotein concentration in Malaysian people.	28th Summer Research Meeting on Fat, Oil and Cholesterol	The National University of Malaysia, University of Malaya, etc.
Topical antimicrobial efficacy of lysophosphatidylcholine for clinical isolates of MRSA	MRSA Forum	Tokyo Medical University
Nutrition support using condiments products for smell changes experienced by patients undergoing chemotherapy (3rd report) : Results of patients meal questionnaires	20th Japan Society of Metabolism and Clinical Nutrition Annual Academic Meeting	Shukutoku University, National Cancer Center Hospital
Inactivation of human norovirus using heat denatured lysozyme	112th Japanese Society for Food Hygiene and Safety Academic Lectures	Tokyo University of Marine Science and Technology Tokyo Medical University
Inactivation of hepatitis A virus using heat denatured lysozyme and washing foodborne virus contaminated berries	112th Japanese Society for Food Hygiene and Safety Academic Lectures	Tokyo University of Marine Science and Technology
Effect of ethanol on the inactivating effect of human norovirus and its mechanism	112th Japanese Society for Food Hygiene and Safety Academic Lectures	Tokyo University of Marine Science and Technology
Prediction of Denaturation Level of Spray-dried Egg Yolk during Processing and Storage	20th International Drying Symposium	Kyoto University
The taste enhancing effects of egg peptides increasing in high temperature storage mayonnaise	Association for Chemoreception Sciences (AChemS)	Korea Food Research Institute
The effects of egg white peptides ingestion for long distance runners on muscle-fatigue in endurance training	10th the International Conference on Strength Training 2016	Hokkaido University of Education, Kanagawa University
Dynamic Structure Analysis of Egg Yolk Denaturation with Phosphorus-31 Nuclear Magnetic Resonance	International Egg Symposium	Tokyo University of Agriculture and Technology

<Essays>

Title	Journal of Publication	Collaborator
The effect of the consumption of egg on serum lipids and antioxidant status in healthy subjects	Journal of Nutritional Science and Vitaminology Vol.62 No.5, 361-365	Ochanomizu University
Oral hyaluronan relieves knee pain: a review	Nutrition Journal	The University of Tokyo
Effects of a Japan Diet Intake Program on Metabolic Parameters in Middle-Aged Men: A Pilot Study	Journal of Atherosclerosis and Thrombosis	Japan Women's University
Anodic oxidative modification of egg white for heat treatment	Journal of Agricultural and Food Chemistry 64(34), 6503-6507	Tokyo University of Agriculture and Technology
Viability of murine norovirus in salads and dressings and its inactivation using heat-denatured lysozyme	International Journal of Food Microbiology Vol.233, page 29-33	Tokyo University of Marine Science and Technology
Comparing effects of soybean oil- and palm olein-based mayonnaise consumption on the plasma lipid and lipoprotein profiles in human subjects: a double-blind randomized controlled trial with cross-over design.	Lipids in health and disease Vol.15 No.131	The National University of Malaysia, University of Malaya, etc.
Anodic Oxidative Disulfide Bond Formation in Egg Protein	Electroanalysis Volume 28, Issue 11 Pages 2737–2742	Tokyo University of Agriculture and Technology

<Condiments products>
With respect to condiments, we enhanced product strengths through progress made toward improving our mainstay and core products. We managed to extend the best-before period of mayonnaise for household use by improving production processes, thereby making it possible to always deliver delicious-tasting mayonnaise to our customers. Those initiatives were well received particularly from the respect of making it possible to cut down on food wastage. With our *Kewpie Half* and our *Deep-Roasted Sesame Dressing* long-selling products, we successfully improved and revitalized the items through product renewal efforts that involved making them even more flavorful.

With respect to taking on new challenges, we launched the sales of *Flaxseed oil mayonnaise* which is geared to meeting demands of customers amid the social trend of increasingly health-conscious consumers. This is our first product in the condiments category under the Japanese government's "Foods with Function Claims" system. To address the issue of deteriorating flavor which flaxseed oil is prone to, we make the product using anti-oxidation technology developed over many years, thereby resulting in a delicious and readily-available mayonnaise that acts as an effective source of α-linolenic acid.

In the dressings category, in terms of items that could generate interest in the notion of custom salads linked to the Salad Strategy, we engaged in the development of items that could be integral with respect to proposing ways of expanding the concept of salad, in terms of power salads and Cobb salads, and accordingly launched the sales of our *Cobb Salad Dressing* and *KUROGOMA & GOKOKU Dressing* for household use, and our *Fruit Vinegar Dressing (Apple)* and *Choregi Salad Dressing* for the food services market. We have also developed our *Citrus Seasoned Vinegar for Pickles* marinade to address demand for pickles as well as salads, and we made progress in offering solutions with respect to more ways of eating vegetables.

A consolidated subsidiary Kewpie Jyozo Co., Ltd. has been developing products that draw more value from Western-style vinegars, and has accordingly launched the sales of its *Apple Vinegar* and its *White Wine Vinegar* products featuring rich aromas and full-bodied flavors.

With respect to commercial-use condiments, we launched the sales of *Jelly style sauce (tomato flavor)*, three products in the *Nanban-sauce (thick and spicy sauce)* series, and *All-around Japanese sauce (grilled flying fish broth)* seasoning. In the business of delicatessen food seasonings for industrial use we launched the sales of *Vegetable soup stock* sauce.

<Egg products>

As for *KEWPIE-NO-TAMAGO* brand products for the household market, we launched sales of two products, *Potato salad with a boiled egg*, and *Macaroni salad with a boiled egg*. Sales in the Egg products business grew steadily as a result of item enhancement efforts in this product series. We conducted test marketing in the Tokyo metropolitan area, and accordingly verified acceptability, of our *Fluffy Egg Omelet*, which is made using technology developed over many years for processing of eggs with a soft-boiled texture.

We began selling a revamped version of our unique *Snowman soft-boiled egg* product to the food services market. As a poached-egg substitute for eggs Benedict and for Carbonara sauce toppings, which have been improved to offer better and richer taste, the product has been very well received by those involved with busy and short-staffed restaurant kitchens and delicatessen food factories. We launched the sales of our *Round omelet* Japanese-style omelet product, which is now being used in retail bakeries, to address the current popularity of sandwiches with Japanese-style seasoned egg roll omelet.

With respect to products used in place of shell eggs by the food services market, and which help ensure peace of mind in terms of food hygiene while reducing the need for labor, we launched sales of our *Seasoned egg roll base*, *Frozen egg for steamed egg hotchpotch*, and *Frozen egg for pudding*. Because these products offer the substantial convenience of frozen goods in single-use 100 g to 200 g sizes, they are sold through wholesale channels and also stocked by supermarkets for commercial-use shoppers.

We have been promoting development of products that contribute to delivering various solutions to our customers, and in that regard entities such as bakery product companies, convenience store (CVS) delicatessen food vendors, back-yard delicatessen operations of mass-merchandise stores, and food service companies continue to use our food items in the form of private brand (PB) products including our liquid egg for commercial use, soft and moist egg products, scrambled eggs, egg spread, and Japanese-style omelet (*tamago yaki*).

We have launched the sales of our *High gel type dried egg white "K type No. 200"* offering the binding capacity of the highest level in the world and used by meat processors that manufacture ham, sausages and other such items. In regard to this product, we have begun to receive inquiries regarding customer needs on matters that involve improving product texture and providing cost reductions. In addition, we launched the sales of *Dried Egg Whites (for Confectioneries)* with greatly increased foaming properties, geared to the retail confectionery market.

<Delicatessen products>

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

In delicatessen foods, sales have been boosted in part by item expansion that includes new categories of product looking toward new sales channels (home delivery and business offices), chilled rice products manufactured by Gourmet Delica Co., Ltd., and delicatessen foods (using ingredients such as organic vegetables, quinoa and flaxseed oil) catering to the health consciousness trend.

As for packaged salads (cut vegetables), we launched sales of packaged salads made with kale which is a popular vegetable used as an ingredient in smoothies. Also with respect to offering new food options, we launched sales of *VEGEPASTA (vegetable pasta)* products (two items) and salad toppings made with quinoa (two items), and we also sold a revamped version of our packaged salads of one meal completion type. These products have also contributed to sales.

In the area of long shelf life (LL) salads for commercial use, we revamped and launched the sales of *DAICHI NO HAGUKUMI POTATO SALAD (new type of potato salad)* product featuring a rich flavor accented with the essence of mellow white-grape vinegar. This product was launched in order to enhance the potato salad category of our newly released *Salad by Kewpie* brand.

<Processed foods>

Our development efforts in the Processed foods business involve close collaboration between the product development units of our respective Group companies and the Company's own 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.

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 (NB) 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.

With respect to commercial-use products, we launched the sales of our *Demiglace sauce (High Grade)* made using authentic culinary techniques, our *Carbonara sauce* made with carefully selected egg yolks, and our *Nasi Goreng Base* for fried rice made using no sticky technology for fried rice.

For hospitals and other medical facilities, we also launched sales of our flavorful *Frozen nursing care foods* product line and our *Toromi Fine* product which is now easier to use.

With respect to household-use products, we reworked our manufacturing process for *Italiante Basil Sauce* made with basil from Japan, and launched sales of the revamped product which now offers a greater sense of freshness.

As for challenges we have taken on in terms of creating new markets, we launched the sales of our *Yasai Gisshiri Bar* for people seeking a ready source of vegetables in their diet, and our *Lumi Run* protein drink for women, made using lactic fermented egg white.

Using their own original raw materials and production facilities, our Group companies have been developing 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.

<Fine chemical products>

In the Fine chemical products business, in addition to carrying out development efforts in our existing fields of hyaluronic acid, egg components and EPA (eicosapentaenoic acid for medical use), in the current fiscal year we also took on challenges in development linked to new businesses.

In our existing fields of business, we engaged in the development of high molecular weight fermented hyaluronic acid for use as a raw material in pharmaceuticals, moved forward in registering it as a pharmaceutical raw material, and launched sales of it both in Japan and overseas.

With respect to challenges linked to new business opportunities, we launched sales of our *YO・I・TO・KI* food product which mitigates the negative effects of alcohol consumption. The product is the first of its kind in the world to use acetic acid bacteria enzyme, and was developed as a result of having focused our attention on the alcohol degrading enzyme found in acetic acid bacteria which produces the vinegar that is used as a raw material in mayonnaise.

Also, we commenced mail-order sales of *K Blanche*, an alcohol disinfectant spray. It contains heat-denatured lysozyme derived from egg whites which effectively deactivate the norovirus, and was discovered through research conducted jointly with Tokyo University of Marine Science and Technology.

Our overseas product development efforts involved initiating locally-based production and sales of our traditional egg-yolk type *Kewpie Mayonnaise* in the US and Europe.

In the US, we launched the sales of mayonnaise offered in ordinary American supermarkets rather than in Asian grocery stores, and also developed and launched sales of our Japanese-style *Yuzu-Kosho Dressing* as well as new flavors featuring an ethnic, spicy essence.

Moreover, in Southeast Asia we launched sales of our popular *Deep-roasted Sesame Dressing* of the container volume of 500 ml, and in Indonesia we launched sales of *matcha* green-tea flavored chocolate spread.

As a result of the above, research and development expenses for the Group in the current fiscal year amounted to ¥4,028 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 period-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 ¥2,532 million (0.5%) year on year to ¥552,306 million on a consolidated basis.

Breaking this down into reportable segments, sales of the Condiments products segment increased by ¥1,936 million (1.4%) year on year to ¥144,099 million. This was mainly attributable to steady growth in operations in China, as well as firm results from mayonnaise in the domestic market. Sales in the Egg products segment decreased ¥2,438 million (2.3%) year on year to ¥102,204 million despite growth in sales of value-added products utilizing soft-boiled egg techniques, as a result of a downturn in the hen's egg market both in the U.S. and Japan. In the Delicatessen products segment, sales increased ¥11,362 million (11.3%) year on year to ¥111,799 million. The increase was attributable to our expansion into home delivery routes and other new sales channels, initiatives taken to reinforce production systems, as well as a merchandise transfer from the Processed foods segment.

b) Operating income

Operating income increased by ¥3,464 million (13.1%) year on year to ¥29,818 million.

Breaking this down into reportable segments, operating income for the Condiments products segment increased by ¥1,189 million (9.5%) year on year to ¥13,668 million. This was largely due to higher sales and cost improvements. In the Delicatessen products segment, operating income increased ¥715 million (26.0%) year on year to ¥3,465 million, mainly as a result of growth of delicatessen foods and cut vegetables business as well as cost improvements, and also due to the effects of changes in the depreciation method. In the Processed foods segment, operating income increased ¥809 million year on year to ¥517 million, as a result of having achieved growth of value-added products and having eliminated unprofitable products.

c) Ordinary income

Net non-operating income increased by ¥675 million year on year mainly due to increase in subsidy income and reversal of allowances for doubtful accounts. Ordinary income increased by ¥4,140 million (15.2%) year on year to ¥31,364 million.

d) Profit attributable to owners of parent

Extraordinary gains/losses amounted to a loss of ¥2,425 million due to extraordinary gains of ¥2,849 million in the previous fiscal year from making Aohata Corporation into a consolidated subsidiary, and merger with Aohata Corporation's subsidiaries.

As a result of the above, profit before income taxes amounted to ¥30,290 million, an increase of ¥1,714 million (6.0%) year on year. Income taxes amounted to ¥11,245 million, income taxes — deferred to minus ¥989 million and profit attributable to non-controlling interests to ¥2,941 million. Consequently, profit attributable to owners of parent rose by ¥120 million (0.7%) year on year to ¥17,093 million.

Earnings per share for the current fiscal year came to ¥113.47 (compared with ¥111.82 for the previous fiscal year), and return on equity (ROE) came to 8.0% (compared with 8.3% for the previous fiscal year).

(3) Financial condition

a) Assets

Current assets increased by ¥1,642 million year on year to ¥150,160 million. This was mainly due to a ¥5,950 million increase in cash and deposits, a ¥3,017 million decrease in notes and accounts receivable - trade, and a ¥1,509 million decrease in purchased goods and products.

Fixed assets increased by ¥11,256 million year on year to ¥235,754 million mainly due to a ¥16,563 million increase in tangible fixed assets, a ¥1,139 million decrease in investment securities, and a ¥5,014 million decrease in assets for retirement benefits.

As a result of the above, total assets increased by ¥12,897 million year on year to ¥385,914 million.

b) Liabilities and net assets

Total liabilities increased by ¥11,754 million year on year to ¥140,053 million. This was mainly attributable to a ¥3,446 million increase in accounts payable — other, and a ¥3,056 million increase in accrued income taxes, a ¥6,155 million increase in long-term loans payable and a ¥2,821 million decrease in deferred tax liabilities (non-current liabilities).

The ending balance of interest-bearing debt increased by ¥5,507 million year on year to ¥36,066 million.

Net assets rose by ¥1,144 million year on year to ¥245,861 million mainly due to a ¥12,344 million increase in earned surplus, ¥4,707 million in purchase of treasury shares, a ¥3,395 million decrease in foreign currency translation adjustments, ¥4,231 million decrease in accumulated adjustments for retirement benefits and a ¥1,460 million increase in non-controlling interests.

As a result, the equity ratio declined by 2.0 percentage points to 55.1%, and net assets per share rose by ¥17.58 to ¥1,420.63.

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 2012	Fiscal year 2013	Fiscal year 2014	Fiscal year 2015	Fiscal year 2016
Equity ratio (%)	55.8	55.0	54.6	57.1	55.1
Equity ratio based on market value (%)	58.6	65.1	82.6	120.1	104.8
Interest-bearing debt to cash flows ratio (year)	0.7	0.9	0.8	1.1	0.8
Interest coverage ratio (times)	165.0	105.1	116.0	89.5	146.4

Figures presented for the fiscal year ended November 30, 2015, have been adjusted retrospectively to reflect changes in policies for recording net sales.

(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 ¥32,968 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	16,249	Augmenting and streamlining facilities for production of mayonnaise, dressings
Egg products	2,961	Augmenting and streamlining facilities for production of liquid egg, egg spread, thick omelet
Delicatessen products	2,124	Augmenting and streamlining facilities for production of salads, delicatessen foods
Processed foods	2,571	Augmenting and streamlining facilities for production of bottled, canned and/or retort pouch foods
Fine chemical products	413	Augmenting and streamlining facilities for production of hyaluronic acid, EPA
Distribution system	7,853	Warehouse facilities, vehicles
Common business operations	794	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, 2016 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 (m²)	Lease assets	Other	Total	
Hashikami Factory (Hashikami-cho, Sannohe-gun, Aomori)	Condiments products Egg products Delicatessen products Processed foods	For foods	621	301	553 (46,365)	—	35	1,510	1 (—)
Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Condiments products Processed foods Fine chemical products	For foods	6,495	3,657	3,734 (221,051)	60	164	14,111	299 (161)
Nakagawara Factory (Fuchu-shi, Tokyo)	Condiments products Processed foods	For foods	5,084	1,612	405 (43,484)	4	109	7,216	151 (101)
Fujiyoshida Factory (Fujiyoshida-shi, Yamanashi)	Condiments products Processed foods	For foods	1,468	484	272 (59,399)	—	23	2,250	1 (3)
Koromo Factory (Toyota-shi, Aichi)	Condiments products Egg products	For foods	1,157	1,810	16 (37,876)	1	35	3,021	153 (175)
Itami Factory (Itami-shi, Hyogo)	Condiments products Egg products Processed foods	For foods	1,412	1,020	2,337 (37,919)	8	30	4,809	48 (158)
Kobe Factory (Higashinada-ku, Kobe-shi, Hyogo)	Condiments products	For foods	7,432	1,941	1,601 (16,776)	10	121	11,107	91 (1)
Izumisano Factory (Izumisano-shi, Osaka)	Condiments products Processed foods	For foods	796	497	663 (18,576)	—	30	1,987	65 (79)
Tosu Factory (Tosu-shi, Saga)	Condiments products Processed foods	For foods	2,662	770	363 (53,958)	—	16	3,812	1 (—)
Head Office (Shibuya-ku, Tokyo)	—	For others	797 [5,550]	—	— (—)	152	398	1,348	720 (169)
Complex of facilities (Chofu-shi, Tokyo)	—	For others	7,293	188	138 (16,510)	2	583	8,207	277 (10)
Tokyo Branch and other 8 branches and 17 sales offices	—	For others	81 [17,090]	0	— (—)	—	26	108	703 (69)

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	
Kobe Distribution Center (Higashinada-ku, Kobe-shi, Hyogo)	Distribution system	For warehousing and distribution system	4,841	577	6,075 (47,252)	—	23	11,517	— (—)

(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 (m²)	Lease assets	Other	Total	
Kewpie Egg Corporation	Head Office, Factory and Office, etc. (Chofu-shi, Tokyo, etc.)	Egg products	For foods	3,396	3,650	2,843 (68,248)	—	203	10,094	974 (144)
Deria Foods Co., Ltd.	Head Office and Branch, etc. (Chofu-shi, Tokyo, etc.)	Delicatessen products	For foods	2,430	66	217 (13,790)	41	21	2,777	170 (44)
Kewpie Jyozo Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Condiments products	For foods	1,357	758	2,163 (69,749)	22	52	4,355	210 (117)
K.R.S. Corporation	Head Office and Branch Office, etc. (Chofu-shi, Tokyo, etc.)	Distribution system	For warehousing and distribution system	9,322	2,936	12,067 (202,281)	1,106	666	26,098	645 (287)
Co-op Foods Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Processed foods	For foods	2,023	1,071	281 (72,428)	19	49	3,444	163 (255)
Kanae Foods Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Egg products	For foods	1,718	1,874	2,162 (45,997)	—	106	5,861	396 (710)
Zen-noh Kewpie Egg-station Co., Ltd.	Head Office and Factory (Goka-machi, Sashima-gun, Ibaraki, etc.)	Egg products	For foods	774	757	396 (10,315)	—	19	1,948	145 (155)
Gourmet Delica Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Delicatessen products	For foods	5,033	702	2,261 (56,576)	1,306	60	9,364	338 (1,429)
Dispen Pak Japan Co., Inc.	Head Office and Factory (Minami-Ashigara-shi, Kanagawa, etc.)	Condiments products	For foods	274	607	836 (7,697)	—	19	1,739	103 (93)
Potato Delica Co., Ltd.	Head Office and Factory, etc. (Azumino-shi, Nagano, etc.)	Delicatessen products	For foods	1,030	349	518 (32,654)	380	14	2,294	97 (190)
S.Y. Promotion Co., Ltd.	Head Office and Office (Koto-ku, Tokyo, etc.)	Distribution system	For warehousing and distribution system	700	2,365	2,240 (107,834)	—	26	5,333	440 (125)
Salad Club, Inc.	Head Office, Factory, Office and Branch, etc. (Chofu-shi, Tokyo, etc.)	Delicatessen products	For foods	579	812	117 (9,782)	15	14	1,539	235 (677)
K.Tis Corporation	Head Office and Office (Chofu-shi, Tokyo, etc.)	Distribution system	For warehousing and distribution system	352	1,309	1,878 (46,502)	32	16	3,589	1,300 (327)
Shunsai Deli Co., Ltd.	Head Office and Office (Akishima-shi, Tokyo, etc.)	Delicatessen products	For foods	632	585	200 (4,761)	109	57	1,585	205 (607)
Green Message Co., Ltd.	Head Office and Factory (Yamato-shi, Kanagawa)	Delicatessen products	For foods	1,122	468	— (—)	—	22	1,612	24 (105)

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	
Aohata Corporation	Head Office, Factory and Office, etc. (Takehara-shi, Hiroshima, etc.)	Processed foods	For foods	1,643	1,211	1,331 (53,752)	—	93	4,279	339 (222)

(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	517	656	18 (56,170)	179	252	1,625	181 (—)
Hangzhou Kewpie Corporation	Zhejiang Province, China	Condiments products	For foods	563	1,075	— (—)	—	100	1,738	618 (—)
BEIJING KEWPIE CO., LTD.	Beijing, China	Condiments products	For foods	872	853	— (—)	—	24	1,751	601 (—)
Kewpie (Thailand) Co., Ltd.	Bangkok, Thailand	Condiments products	For foods	447	481	124 (105,004)	—	445	1,500	1,018 (8)
PT. Kewpie Indonesia	West Java, Indonesia	Condiments products	For foods	538	275	323 (25,902)	4	22	1,164	68 (31)

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

1. "Other" listed under Book value includes tools, furniture and fixtures (construction in progress is excluded), and the amounts exclude consumption taxes.
2. The figures in brackets under Buildings and structures indicate the total area (m^2) of leased properties.
3. Under Number of employees, the figures in parentheses indicate the number of temporary employees.

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, 2016)	Filing date (Feb. 28, 2017)		
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, 2016)

Trade name	Address	Number of the Company's shares held (A) (thousand)	Ratio of (A) to the total number of issued shares (%)
Nakashimato Co., Ltd.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	19,441	12.71
Tohka Co., Ltd.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	11,872	7.76
Japan Trustee Service Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	5,721	3.74
Trust & Custody Services Bank, Ltd.: trustee of sub-trust of Mizuho Trust & Banking Co., Ltd. Employee Retirement Benefit Trust Account for Mizuho Bank, Ltd.	8-12, Harumi 1-chome, Chuo-ku, Tokyo	4,827	3.15
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	4,795	3.13
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	—	62,663	40.96

(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 March 15, 2016 (Repurchase period: From March 16, 2016 to May 31, 2016)	2,310,100	5,172,313,900
Treasury stock held prior to the current fiscal year	—	—
Shares repurchased during the current fiscal year	2,100,000	4,701,900,000
Total remaining number and value of shares resolved to be repurchased	210,100	470,413,900
Percentage of unexercised portion as of final day of the current fiscal year (%)	9.1	9.1
Shares repurchased during the specified period	—	—
Percentage of unexercised portion as of the document filing date (%)	9.1	9.1

(Note) The repurchased shares of treasury stock presented above are acquired by means of tender offer, pursuant to the resolution adopted at the Board of Directors' meeting held on March 15, 2016.

1. Board of Directors' resolution regarding the treasury stock acquisition
   Type of shares to be purchased: Common stock
   Total number of shares to be purchased: 2,310,100 shares (maximum)
   Total acquisition price: ¥5,172,313,900 (maximum)
   Acquisition period: From March 16, 2016 to May 31, 2016
2. Summary of the purchases, etc.
   Period of the purchases, etc.: From March 16, 2016 to April 13, 2016
   Date of public notice of the commencement of the tender offer: March 16, 2016
   Price of the purchases, etc.: ¥2,239 per common stock
   Commencement date of settlement: May 11, 2016
3. Result of the purchases
   Total number of shares acquired: 2,100,000 shares
   Aggregate acquisition prices: ¥4,701,900,000

(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	1,673	4,947,620
Shares repurchased during the specified period	238	654,426

(Note) "Shares repurchased during the specified period" does not include shares resulting from the repurchase of shares less than one unit between February 1, 2017 and the document filing date of the Annual Securities Report.

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

Item	Current fiscal year		Specified period	
	Number of shares	Total disposal value (yen)	Number of shares	Total disposal value (yen)
Number of shares repurchased via solicitation	—	—	—	—
Number of repurchased shares retired	—	—	—	—
Repurchased shares transferred via a merger, share exchange or division of the company	—	—	—	—
Other	—	—	—	—
Balance of treasury stock held	3,333,991	—	3,334,229	—

(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, 2017 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 the amounts to be paid in dividends, the Company will maintain a consolidated dividend payout ratio of at least 30% in principle, and target a ratio of consolidated DOE ratio of at least 2.2%.

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 ¥19.50 per share. The annual dividends will be ¥34.50 per share, which includes the interim dividend of ¥15 paid in August, for an increase of ¥5.50 per share in comparison with the previous fiscal year.

As a result, the Company's consolidated dividend payout ratio and consolidated DOE came to 30.4% and 2.4% 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 view.

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.

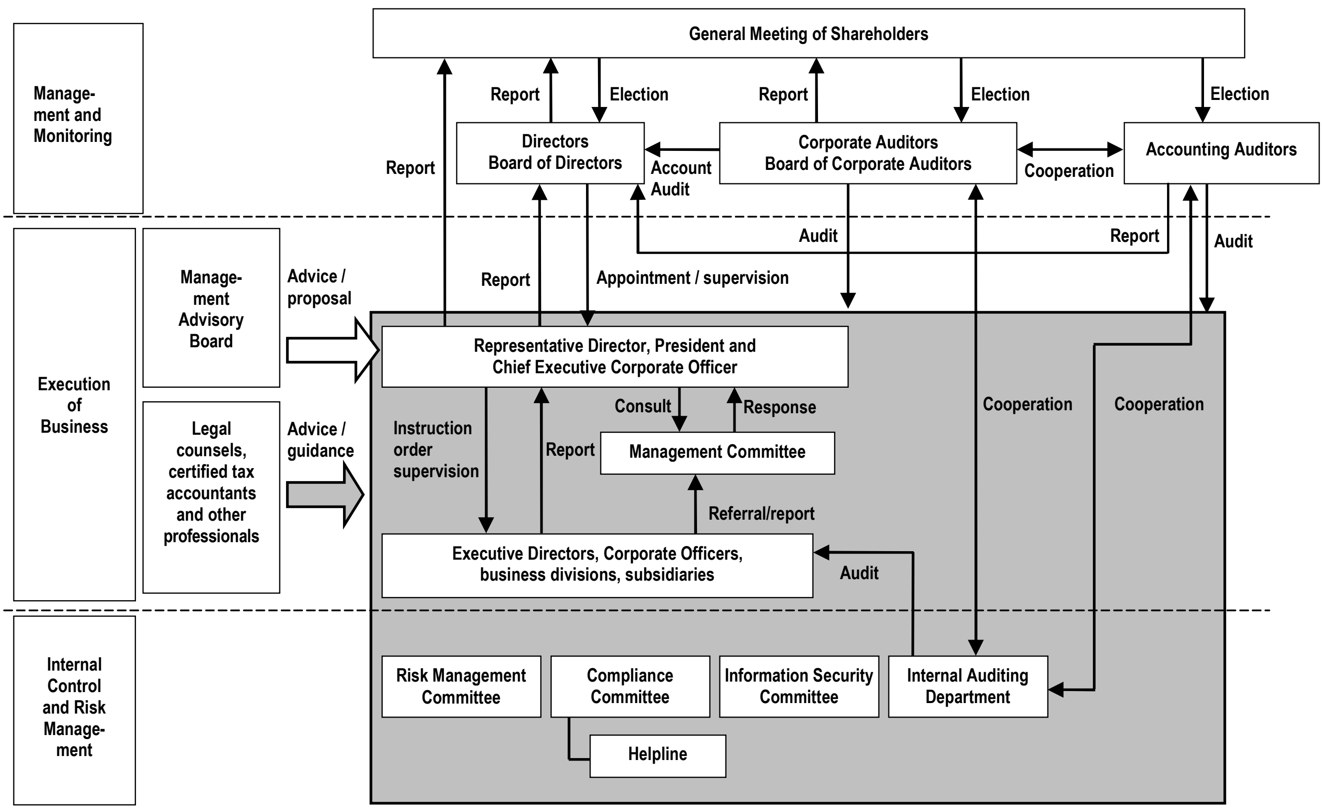
The managements of the nine subsidiaries that form the core of the Group regularly participate in meetings of the Management Council. Participants in these meetings work to further advance Group management by such means as holding debates on Group policies.

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 Corporate Governance System of the Group



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 building 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, third-party bodies or corporate auditors, 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 financing. 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.

Progress made in operating the internal control system

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
   - To address risks associated with potential instances of bribery, the Company has formulated the "Kewpie Group Basic Policy on Anti-Bribery," and has taken other action that includes formulating anti-bribery regulations at offices of our overseas subsidiaries.
   - The Company has been laying the groundwork toward adopting internal reporting systems at its respective subsidiaries in China and Southeast Asia.

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 (all of 91 business sites in Japan and overseas have acquired FSSC 22000 certification).
   - At its business offices in Japan and overseas, the Company has been conducting crisis management training sessions and media training sessions, and has also formulated business continuity plans (BCP) at respective companies overseas.
   - The Company has prepared a checklist for use in assessing the numerous employment agencies used by the Group, and has been making progress with respect to assessment of new and existing business partners.

c) System to ensure effective execution of duties
   - The Company has formulated and disclosed its "Corporate Governance Guidelines," and has had an external organization conduct assessments with respect to the effectiveness of its Board of Directors.
   - The Board of Directors and the Management Council have reviewed the matters that are to be deliberated and reported, with the aim of ensuring that important managerial matters are adequately discussed and shared at meetings of the two bodies.
   - The Company has reorganized operations to accelerate the pace of Group Collaboration and has been promoting the establishment of systems for overcoming challenges. At the same time, the Company has been actively reassigning personnel laterally across different business operations and sectors in order to develop professionals who will take charge in the future and in order to ensure the success of the Group's diverse workforce.
   - The Company has established the Kobe Factory to act as a manufacturing location for condiments products in West Japan, has been promoting consolidation of items produced in the Kansai and Chubu regions, and has been working to enhance cost competitiveness through efforts that include promoting introduction of robotics into some factories.

d) System necessary to ensure properness of operations in the corporate group
   - To instill in its employees the Group's Philosophy and Policies, the contents of which were reviewed in the previous fiscal year, the Company has established a place for explanation and discussion at business sites in Japan and overseas.

- In addition to carrying out compliance focused employee awareness surveys (carried out every other year. Approx. 12,000 participants this time), the Company put effort into countermeasures based on the results of said surveys.

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, accounting auditors and the Internal Auditing Department, as well as attending meetings of the Risk Management Committee, the Compliance Committee and other such bodies.

<u>Risk management system</u>

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 officer in charge of the Operation Promote Department or a person who is appointed by the officer in charge of the Operation Promote Department, with administrative work performed by the Operation Promote 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.

Lawyers, accounting auditors, and other third parties

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

In addition, the Company's auditing firm — Ernst & Young ShinNihon LLC — as part of its normal duties as an accounting auditor, provides the Company with advice relating to problems in the sphere of the Company's accounts and general management. (The 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 fifty other qualified persons, including twenty-four CPAs and twenty-six 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 product quality, environmental protection, safety and labor.

(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 corporate auditor at Sumitomo Corporation and outside audit & supervisory board member of Sompo Holdings, Inc., and the Company has business relationships with each of these two companies. However, each of these is regular business relationships and there are no special interests between the Company and any of these two 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 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 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 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 outside directors), corporate auditor (excluding 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) Policies and Procedures for Election of Directors and Corporate Auditor

<Policy for nomination of Director candidates>

The Board of Directors of the Company, in working to follow the mandate of the shareholders, shall have the responsibility to respect the Company’s corporate philosophy, promote sustainable corporate growth and the improvement of corporate value over the medium- to long-term, and enhance earnings power and capital efficiency. Concerning the election of Directors, the Board of Directors has set forth the following criteria through which the persons deemed capable of fulfilling these responsibilities are nominated as candidates.

(Inside Director)

1. Must respect the corporate philosophy of the Company and embody its values.
2. Must possess abundant knowledge on domestic and international market trends concerning the Group business.
3. Must have a strong ability for objective managerial judgment and business execution that will contribute beneficially to the Group's management direction.

(Outside Director)

1. Must provide a guiding role in particular fields, such as legal affairs, corporate management, overseas business, human resource development, and CSR and have a lot of experience and expertise in these fields.
2. Must be very familiar with the corporate philosophy and business of the Company, and possess the ability to express opinions, provide guidance and advice, and carry out supervision with respect to the inside Directors when deemed timely and appropriate to do so.
3. Must secure sufficient time to perform his or her duties as an outside Director of the Company.

<Policy for nomination of Corporate Auditor candidates>

The Corporate Auditors, in working to follow the mandate of the shareholders, have responsibilities to strive to prevent occurrences of infringements of laws and regulations and the

Articles of Incorporation and maintain and improve the soundness of the Group's management and its trust from society. Concerning the election of Corporate Auditors, the Board of Directors has set forth the following criteria through which the persons deemed capable of fulfilling these responsibilities are nominated as candidates.

(Inside Corporate Auditor)

1. Must respect the corporate philosophy of the Company and embody its values.
2. Must maintain a stance of fairness and possess the capability to fulfill auditing duties.
3. Must have an overall grasp of the Group operations and be able to propose management tasks.

(Outside Corporate Auditor)

1. Must provide a guiding role in particular fields, such as legal affairs, corporate management, accounting, overseas business, human resource development, and CSR and have a lot of experience and expertise in these fields.
2. Must be very familiar with corporate philosophy and business of the Company, and possess the ability to express opinions, provide guidance, and carry out supervision with respect to the Directors from an objective and fair standpoint.
3. Must secure sufficient time to perform his or her duties as an outside Corporate Auditor of the Company.

<Procedures for Nomination of Corporate Officers>

Concerning the nomination of candidates for Directors and Corporate Auditors, the Representative Director shall consider and recommend the candidates at an internal management meeting, which comprises full-time Directors, and the recommended candidates are reviewed and decided upon at a Board of Directors meeting.

As for decisions regarding the organizational structure of the Company and the composition of its personnel, and so forth, the Representative Director will establish opportunities to exchange opinions with outside corporate officers as required.

As for Corporate Auditors, election propositions for the General Meeting of Shareholders must be approved by the Board of Corporate Auditors pursuant to stipulations in the Companies Act.

(e) 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)	446	363	83	12
Corporate auditors (excluding outside corporate auditors)	51	51	—	2
Outside directors and outside corporate auditors	56	56	—	7

(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. Bonuses are not paid to the outside directors.

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.

The rationale and calculation methods with respect to compensation of the directors and corporate auditors are as follows:

1. Rationale and procedures for compensation of Directors, Corporate Auditors, and Corporate Officers
   1) The Company institutes a compensation system for compensation of Directors and Corporate Officers that is configured by monthly remuneration and bonuses, which are linked with the company's financial performance and reflects his or her responsibilities and achievements.
   2) The Company establishes opportunity for exchange of opinion with outside Directors and outside Corporate Auditors about the rationale behind the way the compensation system is designed, and raises its transparency and fairness.
   3) The total amount of bonuses paid to Directors must be approved at a general meeting of shareholders.
   4) The compensations of outside Directors and Corporate Auditors (inside and outside) shall respectively be fixed amounts and no bonuses will be paid.
2. Calculation method for monthly remuneration
   1) A monthly remuneration of a consistent amount will be paid for Director duties to inside Directors; provided, however that a separate, additional remuneration be provided to the individuals with representative authority.
   2) The monthly remuneration for Corporate Officers should be set at a suitable level that takes into consideration the Company's management environment, etc. and correspond to the rank (President and Chief Executive Corporate Officer, Senior Executive Corporate Officer, Executive Corporate Officer, and Senior Corporate Officer).
3. Calculation method for Corporate Officers' (contract-of-mandate type) bonuses
   1) The bonus amount is calculated according to the rank of the Corporate Officer, using consolidated operating income and the goal attainment levels of the individual and assigned division of responsibility as an indicator.
   2) Bonuses based on single-year performance (calculation method for the 2016-2018 medium-term business plan)
      When calculating bonuses for the 2016-2018 medium-term business plan, the weighting for the bonus calculation is raised primarily according to the results of efforts to achieve quantitative targets and KPI (key performance indicators).
   3) Bonuses based on the target numerical values of the 2016-2018 medium-term business plan
      The Company will consider the addition of an incentive bonus based on indicators or coefficients when numerical targets are achieved.

(f) Status of shareholdings

(i) Investment shares held for purposes other than pure investment
Number of issues: 121 issues
Total book value on the balance sheet: ¥20,873 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
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

Current fiscal year

Specified investment shares

Issue	Number of shares	Book value on the balance sheet (millions of yen)	Purpose of shareholding
Nichirei Corporation	1,554,500	3,598	To strengthen trading relationship
Saha Pathanapibul Public Co., Ltd.	16,072,583	2,310	To strengthen business relationship
Kato Sangyo Co., Ltd.	840,300	2,118	To strengthen trading relationship
Nisshin Seifun Group Inc.	1,003,981	1,609	To strengthen trading relationship
Kikkoman Corporation	374,000	1,309	To strengthen trading relationship
Ono Pharmaceutical Co., Ltd.	385,000	975	To strengthen business relationship
Kirin Holdings Company, Limited	507,000	945	To strengthen trading relationship
Seven & i Holdings Co., Ltd.	124,600	552	To strengthen trading relationship
Sumitomo Mitsui Financial Group, Inc.	112,483	473	To maintain stable trading relationship with financial institution
Yoshinoya Holdings Co., Ltd.	294,178	458	To strengthen trading relationship
Inageya Co., Ltd.	306,639	436	To strengthen trading relationship
Taisho Pharmaceutical Holdings Co., Ltd.	39,600	386	To strengthen business relationship
Mizuho Financial Group, Inc.	1,807,200	366	To maintain stable trading relationship with financial institution
Mitsubishi UFJ Financial Group, Inc.	495,500	331	To maintain stable trading relationship with financial institution
Toho Co., Ltd.	110,000	274	To strengthen trading relationship
Casio Computer Co., Ltd.	181,000	270	To strengthen business relationship
Kadoya Sesame Mills Incorporated	50,000	167	To strengthen trading relationship
Showa Sangyo Co., Ltd.	268,000	157	To strengthen trading relationship
KAGOME CO., LTD.	54,200	145	To strengthen trading relationship
Morozoff Limited	300,000	136	To strengthen trading relationship
Dai-Ichi Life Holdings, Inc.	74,200	136	To strengthen business relationship
FamilyMart UNY Holdings Co., Ltd.	18,950	135	To strengthen trading relationship
Nakamuraya Co., Ltd.	28,379	135	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	2,948	Power to exercise voting rights
Seven & i Holdings Co., Ltd.	485,000	2,150	Power to exercise voting rights
Mitsubishi Shokuhin Co., Ltd.	299,000	985	Power to exercise voting rights
Sumitomo Corporation	654,000	892	Power to exercise voting rights
Kyowa Hakko Kirin Co., Ltd.	475,000	775	Power to exercise voting rights
Yamato Holdings Co., Ltd.	219,000	504	Power to exercise voting rights
Aeon Co., Ltd.	220,000	346	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.

(g) 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.

However the limitation of liability is applicable only in cases where the outside directors and outside corporate auditors have performed their respective duties in good faith and without gross negligence.

(h) 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.

(i) 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.

(j) 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.

(k) 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) Fees for auditing certificated public accountants

(a) Details of fees for auditing certificated public accountants

Classification	Previous fiscal year		Current fiscal year	
	Fees for audit or attestation services (millions of yen)	Fees for non-audit services (millions of yen)	Fees for audit or attestation services (millions of yen)	Fees for non-audit services (millions of yen)
The Company	90	22	90	2
Consolidated subsidiaries	78	14	79	3
Total	168	36	169	5

(b) Other important details on fees
Fees 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 ¥46 million for audit services and ¥5 million for non-audit services, in the previous fiscal year, and ¥59 million for audit services and ¥0 million for non-audit services, in the current fiscal year.

(c) Non-audit services performed by auditing certificated public accountants for the Company
(Previous fiscal year)
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), and paid fees to the auditing certificated public accountants for those services.

(Current fiscal year)
For services other than those provided in Article 2, Paragraph 1 of the Certified Public Accountants Law, the Company entrusts to the auditing certificated public accountants advisory services regarding preparation of the English-language financial statements, and pays fees to the auditing certificated public accountants for those services.

(d) Policy for determining fees for auditing
The fees 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, 2015 to November 30, 2016) 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, 2015)		Current fiscal year (As of November 30, 2016)
Assets				
Current assets				
Cash and deposits		29,844		35,794
Notes and accounts receivable — trade		78,151		75,134
Securities		5,000		5,000
Purchased goods and products		17,178		15,669
Work in process		979		972
Raw materials and supplies		10,247		9,229
Deferred tax assets		3,297		3,264
Other		3,996		5,268
Allowances for doubtful accounts		(176)		(173)
Total current assets		148,518		150,160
Fixed assets				
Tangible fixed assets				
Buildings and structures	*4	168,599	*4	179,789
Accumulated depreciation		(95,402)		(99,764)
Net book value	*2	73,196	*2	80,024
Machinery, equipment and vehicles	*4	155,974	*4	161,169
Accumulated depreciation		(121,743)		(122,204)
Net book value		34,231		38,965
Land	*2, *4	47,468	*2, *4	48,099
Lease assets		7,734		8,102
Accumulated depreciation		(2,950)		(3,427)
Net book value		4,784		4,675
Construction in progress		3,742		7,238
Other	*4	13,542	*4	14,820
Accumulated depreciation		(10,150)		(10,444)
Net book value		3,392		4,375
Total tangible fixed assets		166,815		183,378
Intangible fixed assets				
Goodwill		1,785		1,563
Computer software		3,176		3,129
Other		697		982
Total intangible fixed assets		5,659		5,675
Investments and other assets				
Investment securities	*1	28,547	*1	27,408
Long-term loans receivable		492		450
Assets for retirement benefits		12,427		7,413
Deferred tax assets		1,630		1,984
Other	*1	9,424	*1	9,657
Allowances for doubtful accounts		(499)		(213)
Total investments and other assets		52,023		46,700
Total fixed assets		224,498		235,754
Total assets		373,017		385,914

(Millions of yen)

	Previous fiscal year (As of November 30, 2015)	Current fiscal year (As of November 30, 2016)
Liabilities		
Current liabilities		
Notes and accounts payable — trade	45,192	47,050
Short-term loans payable	*2 9,096	*2 8,301
Accounts payable — other	18,628	22,074
Accrued expenses	13,273	12,809
Accrued income taxes	3,960	7,016
Deferred tax liabilities	1	1
Reserves for sales rebates	821	749
Reserves for bonuses	1,541	1,826
Reserves for directors' bonuses	169	160
Other reserves	89	91
Other	2,094	2,162
Total current liabilities	94,870	102,245
Non-current liabilities		
Bonds	10,000	10,000
Long-term loans payable	*2 6,343	*2 12,498
Lease obligations	3,727	3,774
Deferred tax liabilities	7,956	5,135
Liabilities for retirement benefits	3,075	3,893
Asset retirement obligations	748	1,112
Other	1,578	1,392
Total non-current liabilities	33,429	37,807
Total liabilities	128,299	140,053
Net assets		
Shareholders' equity		
Paid-in capital	24,104	24,104
Capital surplus	30,302	30,300
Earned surplus	154,421	166,765
Treasury stock	(1,416)	(6,123)
Total shareholders' equity	207,412	215,047
Accumulated other comprehensive income		
Unrealized holding gains (losses) on securities	9,330	8,916
Unrealized gains (losses) on hedges	(8)	79
Foreign currency translation adjustments	(552)	(3,947)
Accumulated adjustments for retirement benefits	(3,243)	(7,474)
Total accumulated other comprehensive income	5,525	(2,426)
Non-controlling interests	31,780	33,240
Total net assets	244,717	245,861
Total liabilities and net assets	373,017	385,914

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

(Millions of yen)

		Previous fiscal year (From December 1, 2014 to November 30, 2015)		Current fiscal year (From December 1, 2015 to November 30, 2016)
Net sales		549,774		552,306
Cost of sales	*1	432,489	*1	428,848
Gross profit		117,285		123,457
Selling, general and administrative expenses	*2, *3	90,931	*2, *3	93,639
Operating income		26,354		29,818
Non-operating income				
Interest income		121		79
Dividends income		450		458
Equity in earnings of affiliates		134		295
Subsidy income		—		291
Reversal of allowances for doubtful accounts		6		274
Other		1,021		948
Total non-operating income		1,734		2,347
Non-operating expenses				
Interest expenses		314		311
Other		548		490
Total non-operating expenses		863		801
Ordinary income		27,224		31,364
Extraordinary gains				
Gains on sales of investment securities		105		396
Gains on sales of fixed assets	*4	128	*4	160
Compensation income		86		158
Gains on change in equity	*5	1,197		—
Gains on extinguishment of tie-in shares	*6	901		—
Gains on step acquisitions	*5	830		—
Gains on negative goodwill		105		—
Other		462		15
Total extraordinary gains		3,816		730
Extraordinary losses				
Losses on disposal of fixed assets	*7	1,368	*7	1,178
Losses on valuation of investment securities		9		320
Losses on impairment of fixed assets	*8	373	*8	89
Losses on liquidation of subsidiaries and affiliates		261		—
Losses on valuation of investments in capital of subsidiaries and affiliates		257		—
Other		195		215
Total extraordinary losses		2,465		1,804
Profit before income taxes		28,576		30,290
Income taxes		8,860		11,245
Income taxes — deferred		17		(989)
Total income taxes		8,878		10,255
Profit		19,697		20,034
Profit attributable to non-controlling interests		2,724		2,941
Profit attributable to owners of parent		16,973		17,093

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Profit	19,697	20,034
Other comprehensive income		
Unrealized holding gains (losses) on securities	3,552	(375)
Unrealized gains (losses) on hedges	(12)	113
Foreign currency translation adjustments	683	(4,179)
Adjustments for retirement benefits	2,237	(4,638)
Total other comprehensive income	* 6,461	* (9,079)
Comprehensive income	26,159	10,955
(Breakdown)		
Comprehensive income attributable to owners of parent	23,199	9,141
Comprehensive income attributable to non-controlling interests	2,959	1,814

(c) Consolidated Statements of Changes in Net Assets
Previous 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			(1,398)		(1,398)
Restated balance	24,104	30,309	141,091	(1,150)	194,354
Changes of items during the fiscal year					
Dividends from surplus			(3,642)		(3,642)
Profit attributable to owners of parent			16,973		16,973
Repurchase of shares		(6)		(266)	(272)
Changes in equity in controlled subsidiaries					
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(6)	13,330	(266)	13,057
Balance at the end of the current fiscal year	24,104	30,302	154,421	(1,416)	207,412

	Accumulated other comprehensive income					Non-controlling 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						(43)	(1,441)
Restated balance	5,902	4	(1,234)	(5,373)	(701)	25,302	218,955
Changes of items during the fiscal year							
Dividends from surplus							(3,642)
Profit attributable to owners of parent							16,973
Repurchase of shares							(272)
Changes in equity in controlled subsidiaries							
Net changes of items other than shareholders' equity	3,428	(13)	681	2,130	6,226	6,477	12,704
Total changes of items during the fiscal year	3,428	(13)	681	2,130	6,226	6,477	25,762
Balance at the end of the current fiscal year	9,330	(8)	(552)	(3,243)	5,525	31,780	244,717

Current fiscal year (From December 1, 2015 to November 30, 2016)

(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	30,302	154,421	(1,416)	207,412
Cumulative effects of changes in accounting policies					—
Restated balance	24,104	30,302	154,421	(1,416)	207,412
Changes of items during the fiscal year					
Dividends from surplus			(4,749)		(4,749)
Profit attributable to owners of parent			17,093		17,093
Repurchase of shares				(4,706)	(4,706)
Changes in equity in controlled subsidiaries		(2)			(2)
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(2)	12,343	(4,706)	7,635
Balance at the end of the current fiscal year	24,104	30,300	166,765	(6,123)	215,047

	Accumulated other comprehensive income					Non-controlling 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 comprehensive income		
Balance at the beginning of the current fiscal year	9,330	(8)	(552)	(3,243)	5,525	31,780	244,717
Cumulative effects of changes in accounting policies							—
Restated balance	9,330	(8)	(552)	(3,243)	5,525	31,780	244,717
Changes of items during the fiscal year							
Dividends from surplus							(4,749)
Profit attributable to owners of parent							17,093
Repurchase of shares							(4,706)
Changes in equity in controlled subsidiaries							(2)
Net changes of items other than shareholders' equity	(414)	88	(3,395)	(4,230)	(7,951)	1,460	(6,491)
Total changes of items during the fiscal year	(414)	88	(3,395)	(4,230)	(7,951)	1,460	1,143
Balance at the end of the current fiscal year	8,916	79	(3,947)	(7,474)	(2,426)	33,240	245,861

(d) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Cash flows from operating activities		
Profit before income taxes	28,576	30,290
Depreciation and amortization	19,094	18,254
Losses on impairment of fixed assets	373	89
Amortization of goodwill	229	221
Retirement benefit expenses	1,222	993
Equity in losses (earnings) of affiliates	(134)	(295)
Losses (gains) on valuation of investment securities	9	320
Losses on valuation of investments in capital of subsidiaries and affiliates	257	—
Gains on negative goodwill	(105)	—
Losses (gains) on step acquisitions	(830)	—
Losses (gains) on change in equity	(1,197)	—
Losses (gains) on extinguishment of tie-in shares	(901)	—
Increase (decrease) in liabilities for retirement benefits	473	154
Decrease (increase) in assets for retirement benefits	(1,653)	(1,837)
Increase (decrease) in reserves for sales rebates	(112)	(71)
Increase (decrease) in reserves for directors’ bonuses	56	(9)
Increase (decrease) in reserves for bonuses	340	334
Increase (decrease) in allowances for doubtful accounts	(89)	(287)
Interest and dividends income	(572)	(538)
Interest expenses	314	311
Losses (gains) on sales of investment securities	52	(396)
Losses (gains) on sales and disposal of fixed assets	1,258	1,025
Decrease (increase) in notes and accounts receivable — trade	8,854	2,114
Decrease (increase) in inventories	(1,151)	1,905
Increase (decrease) in notes and accounts payable — trade	(12,687)	2,072
Increase (decrease) in accounts payable — other	(3,262)	1,416
Increase (decrease) in accrued consumption taxes	(802)	(450)
Increase (decrease) in long-term accounts payable	(73)	(185)
Other	288	(1,646)
Sub-total	37,830	53,787
Interest and dividends income received	627	670
Interest paid	(314)	(309)
Income taxes paid	(10,049)	(8,888)
Net cash provided by (used in) operating activities	28,094	45,260

(Millions of yen)

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Cash flows from investing activities		
Purchases of securities	(10,000)	—
Proceeds from redemption of securities	10,000	—
Purchases of tangible fixed assets	(30,032)	(31,148)
Purchases of intangible fixed assets	(1,529)	(1,290)
Purchases of investment securities	(157)	(123)
Proceeds from sales of investment securities	178	653
Proceeds from sales of shares of subsidiaries and affiliates	58	—
Acquisition of subsidiaries' shares	(21)	—
Proceeds from sales of subsidiaries' shares	30	—
Proceeds from acquisition of subsidiaries' shares resulting in change in scope of consolidation	44	—
Net decrease (increase) in short-term loans receivable	(82)	333
Payments of long-term loans receivable	(21)	(39)
Collection of long-term loans receivable	19	24
Payments into time deposits	(98)	(3)
Proceeds from withdrawal of time deposits	117	3
Other	313	(456)
Net cash provided by (used in) investing activities	(31,181)	(32,046)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(541)	(1,312)
Repayment of lease obligations	(1,753)	(1,350)
Proceeds from long-term loans payable	1,303	8,640
Repayment of long-term loans payable	(1,466)	(1,942)
Proceeds from share issuance to non-controlling interests	181	254
Cash dividends paid	(3,642)	(4,749)
Cash dividends paid to non-controlling interests	(550)	(610)
Repurchase of shares	(79)	(4,734)
Purchase of treasury shares of subsidiaries	(551)	—
Net cash provided by (used in) financing activities	(7,101)	(5,805)
Effects of exchange rate changes on cash and cash equivalents	235	(1,458)
Increase (decrease) in cash and cash equivalents	(9,952)	5,949
Cash and cash equivalents at the beginning of the fiscal year	44,788	34,841
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	5	—
Cash and cash equivalents at the end of the fiscal year	* 34,841	* 40,790

Notes

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

1. Consolidated subsidiaries

The Company has fifty-six 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 Fresh Delica Network. Co., Ltd. and Kewpie Poland Sp. z o.o. were 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, profit (loss), 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.

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 profit (loss) 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 eight foreign consolidated subsidiaries is September 30, 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 eight foreign subsidiaries 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.

From the current fiscal year the closing date of Aohata Corporation is changed to November 30, which is the same as the consolidated financial closing date. Accordingly, for consolidation purposes, the accounting period of Aohata Corporation for the year under review was for 13 months (from November 1, 2015 to November 30, 2016), and the difference was adjusted through the consolidated statements of income.

4. Accounting policies

(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 depreciated by the straight-line method.

The main useful lives are as follows.

Buildings:	2–50 years
Machinery and equipment:	2–17 years

(b) Intangible fixed assets (excluding lease assets)

Intangible fixed assets are amortized by the straight-line method.

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 policy (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 plan 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, etc.

(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 expensed as incurred 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

(Adoption of revised accounting standards regarding business combinations)
Effective from the current fiscal year, the Company has applied the “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, September 13, 2013), the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, September 13, 2013) and the “Accounting Standard for Business Divestitures” (ASBJ Statement No. 7, September 13, 2013), etc. As a result, the Company changed the method of recording the amount of difference caused by changes in the Company’s ownership interests in subsidiaries in the case of subsidiaries under ongoing control of the Company to one in which it is recorded as capital surplus, and the method of recording acquisition-related costs to one in which they are recorded as expenses for the fiscal year in which they are incurred. Furthermore, for business combinations carried out on or after the beginning of the current fiscal year, the Company changed the accounting method to one in which the review of the cost amounts to be allocated resulting from the finalization of the provisional accounting treatment is reflected in the consolidated financial statements for the fiscal year to which the date of business combination belongs. In addition, the Company changed the presentation method for “net income” and other related items, and changed the presentation of “minority interests” to “non-controlling interests.” To reflect these changes, the Company has reclassified its full-year consolidated financial statements for the previous fiscal year.

In the consolidated statement of cash flows for the current fiscal year, cash flows on acquisition or sales of shares of subsidiaries that do not result in a change in the scope of consolidation were included in the “Cash flows from financing activities” category, and cash flows on costs related to acquisition of shares of subsidiaries resulting in a change in the scope of consolidation or costs arising in association with acquisition or sales of shares of subsidiaries that do not result in a change in the scope of consolidation were included in the “Cash flows from operating activities” category.

Application of the Accounting Standard for Business Combinations, etc. is in line with the transitional measures provided for in paragraph 58-2 (4) of the Accounting Standard for Business Combinations, paragraph 44-5 (4) of the Accounting Standard for Consolidated Financial Statements and paragraph 57-4 (4) of the Accounting Standard for Business Divestitures. The Company is applying the said standard, etc. prospectively from the beginning of the current fiscal year.

The effect of this change on consolidated financial statements is immaterial.

(Changes to policies for recording net sales)
The Group used to record part of expenses payable to counterparties for the purpose of sales promotion (hereinafter referred to as "sales promotion expenses, etc.") under “selling, general and administrative expenses” by mostly including them in sales promotion expenses when the amount payable is fixed. From the current fiscal year, the Group has changed the method to deduct the sales promotion expenses, etc. from net sales when recording sales.

In the business environment surrounding the Group, there was increasing competition, constantly requiring the Group to incur sales promotion expenses, etc. As a result, it becomes necessary for the Group to ensure more timely and appropriate profit control by clarifying the correlation between the sales promotion activity and sales.

In this business environment, the Group took the opportunity to formulate a Medium-term Business Plan starting from the current year to again verify the coverage of sales promotion expenses, etc. and the actual status of transactions, in order to review the policies for recording net sales, which is one of the important indices to measure business performance for the Group. It shed light on the status that sales promotion expenses, etc. comprise a part of sales conditions. Accordingly, the Group concluded that the method to record net sales after deducting sales promotion expenses, etc. at the time when sales are recorded should more appropriately reflect the business performance. At the same time, the Group reviewed the method of managing sales and sales promotion expenses, etc. and pushed forward with designing a framework for operational process reviews and building a system. As the framework is now in place, the Group has implemented the change.

The changes in the accounting policy have been applied retrospectively and the consolidated financial statements for the previous fiscal year were adjusted to reflect the retrospective application.

As a result, compared with those prior to retrospective application, net sales and gross profit for the previous fiscal year decreased ¥28,417 million, respectively; selling, general and administrative expenses declined ¥28,330 million; operating income, ordinary income and profit before income taxes decreased ¥86 million, respectively. On the other hand, in the consolidated balance sheets of the previous fiscal year, accrued expenses and deferred tax assets (current assets) increased ¥2,335 million and ¥598 million, respectively.

Reflecting the cumulative impact on the amount of net assets at the beginning of the previous fiscal year, the earned surplus at the beginning of that year decreased ¥1,077 million.

Segment information and the impact of this change on per share information are outlined in the section titled "(Segment Information)" and "(Per Share Information)".

(Changes in accounting policies that are difficult to distinguish from the changes in accounting estimates, and changes in accounting estimates)

Changes to depreciation method for tangible fixed assets and revision of useful life and residual value

The Group changed its depreciation method for tangible fixed assets to the straight-line method from the current fiscal year from the declining balance method mainly used in the past.

In the Foods business, following the termination of production at the Sengawa Factory in 2011, the Group proceeded with gradual reorganization of production locations by consolidating the production capabilities of core products in the condiments products for home use line into Goka Factory. In addition, in accordance with the Medium-term Business Plan that started in the current fiscal year, the Group plans to implement a drastic reorganization of its production locations, centering operations in a Kobe Factory equipped with a state-of-the-art production facility. The Group expects to be able to use the production facility efficiently and consistently by concentrating production of core products there.

For the Distribution system business, the Group determined that the ratio of generic warehouse facilities has increased and that stable operation at the warehouse facilities could be expected going forward due to the standardization, equalization and simplication of their operations made possible by investments in large-size facilities, which are the crux of the joint distribution business. The Group also determined that transport equipment such as vehicles could be expected to operate stably over their use life by applying limitations to a driver's on-duty hours.

As a result, the Group has concluded that distribution of expenses using the straight-line method is the depreciation method that reflects the reality of the Group. Furthermore, as a result of another review on the expected period of use and the disposal value of tangible fixed assets, the Group has changed the useful life of some of the transport equipment such as vehicles to from between 8 to 15 years, depending upon the type of equipment, even though to date the Group had been depreciating this equipment using a useful life of 4 years. The residual value of tangible fixed assets (excluding some transport equipment such as vehicles) have also been changed to ¥1, the memorandum value.

With these changes described above, operating income for the current fiscal year increased ¥2,395 million, and ordinary income and profit before income taxes increased ¥2,440 million, respectively, compared with those by the previous method.

The impact on segment information is outlined in the section titled "(Segment Information)".

(Accounting Standards Not Yet Applied)

Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No. 26, March 28, 2016)

(1) Summary

ASBJ’s Guidance on Recoverability of Deferred Tax Assets was formulated after the transferal of authority on the practical guidelines on accounting and practical guidelines for auditing (sections related to accounting treatment), related to tax-effect accounting, of the Japanese Institute of Certified Public Accountants (JICPA) to the ASBJ. ASBJ basically continues to apply the framework of classifying entities into five categories and assessing the amount of deferred tax assets to be recorded according to those classifications prescribed principally within the JICPA Auditing Committee Report

No. 66, “Audit Treatment for Judgment of Recoverability of Deferred Tax Assets” among the practical guidelines above. It does however make some necessary changes to category criteria and the handling of the amount of deferred tax assets to be recorded, and it provides guidance for the application of the “Accounting Standards for Tax-Effect Accounting” (Business Accounting Council) for the recoverability of deferred tax assets.

(Revisions to category conditions and the handling of the amount of deferred tax assets recorded)

- Accounting treatments of entities not satisfying any of the category criteria from “Category 1” to “Category 5”
- Category criteria of “Category 2” and “Category 3”
- Accounting treatments of unscheduled deductible temporary differences for entities in “Category 2”
- Accounting treatments for reasonably estimable period for taxable income before temporary differences for entities in “Category 3” and
- Accounting treatments for entities satisfying the category criteria of “Category 4” and also falling in “Category 2” or “Category 3”

(2) Application schedule

This ASBJ Guidance will be applied from the beginning of the fiscal year beginning on or after December 1, 2016.

(3) Effect of application of accounting standard

The Group is currently evaluating the effect of applying this ASBJ Guidance on its consolidated financial statements.

Changes in presentation method

(Consolidated statements of income)

“Reversal of allowances for doubtful accounts” was included in “Other” account of “Non-operating income” for the previous fiscal year, but because its amount exceeded 10% of total Non-operating income 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, ¥6 million that was presented in “Other” account of “Non-operating income” has been reclassified in “Reversal of allowances for doubtful accounts”.

“Losses on valuation of derivatives” and “Foreign exchange losses” of “Non-operating expenses” were 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, ¥129 million that was presented in “Losses on valuation of derivatives” account and ¥94 million that was presented in “Foreign exchange losses” account of “Non-operating expenses” have been reclassified as ¥548 million in “Other.”

“Gains on sales of investment securities” and “Compensation income” were included in “Other” account of “Extraordinary gains” for the previous fiscal year, but because their 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, ¥105 million that was presented in "Other" account and ¥86 million that was presented in "Other" account of "Extraordinary gains" have been reclassified in "Gains on sales of investment securities" and "Compensation income", respectively.

"Subsidy income" of "Extraordinary gains" was presented as a separate account for the previous fiscal year, but because its amount was 10% or less of total "Extraordinary gains" for the current fiscal year, it was 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, ¥416 million that was presented in "Subsidy income" account of "Extraordinary gains" has been reclassified as ¥462 million in "Other."

"Losses on valuation of investment securities" was included in "Other" account of "Extraordinary losses" for the previous fiscal year, but because its amount exceeded 10% of total Non-operating income 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, ¥9 million that was presented in "Other" account of "Extraordinary losses" has been reclassified in "Losses on valuation of investment securities".

(Consolidated Statements of Cash Flows)

"Subsidy income" account of "Cash flows from investing activities" was presented as a separate account for the previous fiscal year, but because its materiality has decreased for the current fiscal year, it was changed to be included in "Other" 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 cash flows for the previous fiscal year, ¥416 million that was presented in "Subsidy income" account of "Cash flows from investing activities" has been reclassified in "Other."

Consolidated Balance Sheets

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

	Previous fiscal year (As of November 30, 2015)	Current fiscal year (As of November 30, 2016)
Investment securities (stocks)	¥ 2,439 million	¥ 2,600 million
Other (Investments in capital)	¥ 786 million	¥ 786 million

*2 Pledged assets and secured debts

Pledged assets are as follows:

	Previous fiscal year (As of November 30, 2015)	Current fiscal year (As of November 30, 2016)
Buildings and structures	¥ 155 million	¥ 124 million
Land	¥ 1,064 million	¥ 1,064 million
Total	¥ 1,220 million	¥ 1,188 million

Secured debts are as follows:

	Previous fiscal year (As of November 30, 2015)	Current fiscal year (As of November 30, 2016)
Short-term loans payable	¥ 740 million	¥ 814 million
Long-term loans payable	¥ 1,152 million	¥ 804 million
Total	¥ 1,893 million	¥ 1,618 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, 2015)	Current fiscal year (As of November 30, 2016)
Employees (loan)	¥ 362 million	¥ 326 million
Shanghai KRS Logistics Corporation (Guarantee for debtor's contract fulfillment)	¥ 108 million	¥ 65 million
AK Franchise System Co., Ltd. (loan)	¥ 77 million	¥ 55 million
Asato Logistics Corporation (loan)	¥ 77 million	¥ 33 million
Total	¥ 626 million	¥ 480 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, 2015)	Current fiscal year (As of November 30, 2016)
Buildings and structures	¥ 572 million	¥ 572 million
Machinery, equipment and vehicles	¥ 608 million	¥ 650 million
Land	¥ 117 million	¥ 117 million
Other	¥ 383 million	¥ 383 million
Total	¥ 1,682 million	¥ 1,723 million

Consolidated Statements of Income

*1 The inventory balance at the end of the fiscal year is presented after book values were written down when their carrying amounts become unrecoverable and the following losses on valuation of inventories are included in cost of sales.

Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
¥ 274 million	¥ 452 million

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

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Transportation and warehousing expenses	¥ 24,970 million	¥ 24,986 million
Sales promotion expenses	¥ 3,457 million	¥ 3,684 million
Research and development expenses	¥ 4,201 million	¥ 4,028 million
Advertising expenses	¥ 8,726 million	¥ 8,736 million
Payroll expenses	¥ 20,658 million	¥ 21,439 million
Depreciation expenses	¥ 2,610 million	¥ 2,777 million
Provision of reserves for bonuses	¥ 453 million	¥ 512 million
Retirement benefit expenses	¥ 1,431 million	¥ 1,294 million
Provision of allowances for doubtful accounts	¥ (6) million	¥ (18) million

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

Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
¥ 4,201 million	¥ 4,028 million

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

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Machinery, equipment and vehicles	¥ 89 million	¥ 103 million
Land	¥ 25 million	¥ 45 million
Other	¥ 12 million	¥ 12 million
Total	¥ 128 million	¥ 160 million

*5 Gains on change in equity and gains on step acquisitions

Previous 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.

Current fiscal year (From December 1, 2015 to November 30, 2016)

Not applicable.

*6 Gains on extinguishment of tie-in shares

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

This is mainly 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.

Current fiscal year (From December 1, 2015 to November 30, 2016)

Not applicable.

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

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Buildings and structures	¥ 735 million	¥ 567 million
Machinery, equipment and vehicles	¥ 606 million	¥ 557 million
Other	¥ 25 million	¥ 53 million
Total	¥ 1,368 million	¥ 1,178 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, 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 monitored.

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, etc. 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.

As a result, 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 of ¥373 million is recorded as losses on impairment of fixed assets.

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

Current fiscal year (From December 1, 2015 to November 30, 2016)

Location	Use	Item	Losses on impairment of fixed assets (millions of yen)
Tokorozawa-shi, Saitama	Sales office	Refrigerating equipment, etc.	47
Morimachi, Shuchi-gun, Shizuoka	Factory	Land	39
Others			2
Total			89

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 monitored.

During the current fiscal year, the Company changed its intended use of the sales office located in Tokorozawa-shi, Saitama, in accordance with respective changes in business partners. Also, the Company took the decision to sell land located in Morimachi, Shuchi-gun, Shizuoka.

As a result, the Company has written down book values to recoverable amounts with respect to refrigerating equipment, etc. of the sales office located in Tokorozawa-shi, Saitama, and land of the factory located in Morimachi, Shuchi-gun, Shizuoka. The relevant write-down amount of ¥89 million is recorded as losses on impairment of fixed assets.

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

Consolidated Statements of Comprehensive Income

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

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Unrealized holding gains (losses) on securities:		
Amount arising during the fiscal year	¥ 4,947 million	¥ (495) million
Reclassification adjustments	¥ (99) million	¥ (362) million
Before income tax effects	¥ 4,848 million	¥ (857) million
Amount of income tax effects	¥ (1,295) million	¥ 482 million
Unrealized holding gains (losses) on securities	¥ 3,552 million	¥ (375) million
Unrealized gains (losses) on hedges:		
Amount arising during the fiscal year	¥ (18) million	¥ 165 million
Reclassification adjustments	—	—
Before income tax effects	¥ (18) million	¥ 165 million
Amount of income tax effects	¥ 6 million	¥ (51) million
Unrealized gains (losses) on hedges	¥ (12) million	¥ 113 million
Foreign currency translation adjustments:		
Amount arising during the fiscal year	¥ 570 million	¥ (4,179) million
Reclassification adjustments	¥ 112 million	—
Foreign currency translation adjustments	¥ 683 million	¥ (4,179) million
Adjustments for retirement benefits:		
Amount arising during the fiscal year	¥ 2,453 million	¥ (7,620) million
Reclassification adjustments	¥ 1,222 million	¥ 993 million
Before income tax effects	¥ 3,675 million	¥ (6,626) million
Amount of income tax effects	¥ (1,437) million	¥ 1,987 million
Adjustments for retirement benefits	¥ 2,237 million	¥ (4,638) million
Total other comprehensive income	¥ 6,461 million	¥ (9,079) million

Consolidated Statements of Changes in Net Assets

Previous 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

Current fiscal year (From December 1, 2015 to November 30, 2016)

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)	1,232,318	2,101,673	—	3,333,991
Total	1,232,318	2,101,673	—	3,333,991

(Note) The increase of 2,101,673 shares in the number of shares of treasury stock includes 2,100,000 shares due to the Company's acquisition of treasury stock pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act as applied by replacing the relevant terms pursuant to the provisions of Article 459, Paragraph 1 of the said Act, and also includes 1,673 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 25, 2016	Common stock	2,504	16.50	November 30, 2015	February 5, 2016
The Board of Directors' meeting held on June 24, 2016	Common stock	2,245	15.00	May 31, 2016	August 8, 2016

(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, 2017	Common stock	2,918	Earned surplus	19.50	November 30, 2016	February 3, 2017

Consolidated Statements of Cash Flows

* Reconciliation 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, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Cash and deposits account	¥ 29,844 million	¥ 35,794 million
Time deposits with maturity over three months	¥ (3) million	¥ (3) million
Securities account	¥ 5,000 million	¥ 5,000 million
Cash and cash equivalents at the end of the fiscal year	¥ 34,841 million	¥ 40,790 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 policies (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, 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

(Millions of yen)

	Current fiscal year (As of November 30, 2016)		
	Equivalent amount of acquisition cost	Equivalent amount of accumulated depreciation	Equivalent amount of book value
Machinery, equipment and vehicles	—	—	—
Tangible fixed assets-Other	442	171	271
Total	442	171	271

(2) Equivalent amount of future lease payments

(Millions of yen)

	Previous fiscal year (As of November 30, 2015)	Current fiscal year (As of November 30, 2016)
Equivalent amount of future lease payments		
Due within one year	19	269
Due over one year	269	—
Total	288	269

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

(Millions of yen)

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Lease payments	90	29
Equivalent amount of depreciation expenses	71	17
Equivalent amount of interest expenses	12	10

(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 non-cancellable operating lease transactions

(Millions of yen)

	Previous fiscal year (As of November 30, 2015)	Current fiscal year (As of November 30, 2016)
Due within one year	1,227	1,559
Due over one year	8,209	8,650
Total	9,437	10,209

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, etc., 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 policies (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 customers, and manage the due dates and outstanding balances for individual customers. 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, etc., 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 financing

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 estimated 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, described 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 and variances thereof are shown below. However, items for which it is considered extremely difficult to measure the fair values are not included in the following table (See note 2).

Previous 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	18,628	18,628	—
(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	93,221	93,277	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.

(*3) As described in "Changes in accounting policies", the changes to policies for recording net sales have been retrospectively applied. The amounts presented for accounts payable – other and total liabilities for the previous fiscal year have been retrospectively adjusted.

Current fiscal year (As of November 30, 2016)

	Book value on the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Variance (millions of yen)
(1) Cash and deposits	35,794	35,794	—
(2) Notes and accounts receivable — trade (*1)	75,134		
Allowances for doubtful accounts	(168)		
	74,966	74,966	—
(3) Securities and investment securities	27,182	27,182	—
Total assets	137,943	137,943	—
(4) Notes and accounts payable — trade	47,050	47,050	—
(5) Short-term loans payable	6,137	6,137	—
(6) Accounts payable — other	22,074	22,074	—
(7) Accrued income taxes	7,016	7,016	—
(8) Bonds	10,000	10,135	135
(9) Long-term loans payable	14,662	14,685	23
Total liabilities	106,941	107,100	158
Financial derivative transactions (*2)	88	88	—

(*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.

(Note) 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 substantially 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 substantially 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 substantially 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, 2015)	Current fiscal year (As of November 30, 2016)
Unlisted stocks	5,330	5,225

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, 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	—	—	—

Current fiscal year (As of November 30, 2016)

	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	35,744	—	—	—
Notes and accounts receivable — trade	75,134	—	—	—
Securities and investment securities				
Other securities with maturity				
Others	5,000	—	—	—
Total	115,879	—	—	—

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, 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

Current fiscal year (As of November 30, 2016)

	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	6,137	—	—	—	—	—
Bonds	—	—	10,000	—	—	—
Long-term loans payable	2,164	1,984	1,869	1,879	2,091	4,673
Lease obligations	1,480	1,249	1,040	763	363	357
Long-term accounts payable	1	1	1	1	1	3
Total	9,784	3,235	12,910	2,644	2,457	5,034

Securities

1. Other securities

Previous 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.

Current fiscal year (As of November 30, 2016)

	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	21,937	8,601	13,336
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	—	—	—
	Sub-total	21,937	8,601	13,336
Securities whose acquisition cost exceeds their book value on the consolidated balance sheet	(1) Stocks	244	264	(19)
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	5,000	5,000	—
	Sub-total	5,244	5,264	(19)
Total		27,182	13,865	13,316

(Note) With regard to the Company's shareholdings of unlisted stocks (¥2,475 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, 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

Current fiscal year (From December 1, 2015 to November 30, 2016)

Description	Aggregate sales amount (millions of yen)	Gains (millions of yen)	Losses (millions of yen)
(1) Stocks	654	396	—
(2) Bonds			
(a) Government and local bonds	—	—	—
(b) Corporate bonds	—	—	—
(c) Other	—	—	—
(3) Other	—	—	—
Total	654	396	—

3. Securities for which impairment losses are recognized

Previous 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.

Current fiscal year (From December 1, 2015 to November 30, 2016)

Impairment losses of ¥320 million were recognized for securities (¥320 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, 2015)

Classification	Item	Transaction type	Contract amount		Fair value (millions of yen)	Gains or losses on valuation (millions of yen)
			Total (millions of yen)	Over one year (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.

Current fiscal year (As of November 30, 2016)

Classification	Item	Transaction type	Contract amount		Fair value (millions of yen)	Gains or losses on valuation (millions of yen)
			Total (millions of yen)	Over one year (millions of yen)		
Transactions other than market transactions	Crude oil	Swap transactions Floating receipt Fixed payment	232	180	(49)	(49)

(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, 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.

Current fiscal year (As of November 30, 2016)

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	905	—	81
	Purchased forward exchange contracts– Polish zloty	Equity investments in overseas subsidiaries	4,486	—	82

(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, 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.

Current fiscal year (As of November 30, 2016)

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	129	100	— (Note 2)
Deferral hedge method	Interest rate swap transactions Floating receipt Fixed payment	Long-term loans payable	1,125	1,025	(26)

(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 plans

   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 payment 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 payment 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, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Balance of retirement benefit obligations at the beginning of the fiscal year	¥ 69,408 million	¥ 71,682 million
Cumulative effects of changes in accounting policies	¥ 507 million	—
Restated balance		
Service costs	¥ 69,915 million	¥ 71,682 million
Interest costs	¥ 2,786 million	¥ 2,995 million
Actuarial gains or losses incurred	¥ 596 million	¥ 597 million
Retirement benefits paid	¥ 265 million	¥ 5,101 million
Prior service costs incurred	¥ (3,671) million	¥ (3,421) million
Increase due to change in scope of consolidation	¥ 1,691 million	—
Other	¥ 98 million	¥ 156 million
Balance of retirement benefit obligations at the end of the fiscal year	¥ 71,682 million	¥ 77,111 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 plan assets

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Balance of pension plan assets at the beginning of the fiscal year	¥ 75,034 million	¥ 81,034 million
Expected return on pension plan assets	¥ 1,929 million	¥ 2,022 million
Actuarial gains or losses incurred	¥ 2,774 million	¥ (2,656) million
Contributions by the employer	¥ 3,447 million	¥ 3,272 million
Retirement benefits paid	¥ (3,553) million	¥ (3,221) million
Increase due to change in scope of consolidation	¥ 1,261 million	—
Other	¥ 141 million	¥ 178 million
Balance of pension plan assets at the end of the fiscal year	¥ 81,034 million	¥ 80,631 million

(3) Reconciliation between the balances of retirement benefit obligations and pension plan 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, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Retirement benefit obligations for funded plans	¥ 69,472 million	¥ 74,681 million
Pension plan assets	¥ (81,034) million	¥ (80,631) million
	¥ (11,562) million	¥ (5,949) million
Retirement benefit obligations for non-funded plans	¥ 2,209 million	¥ 2,429 million
Net amount of liabilities (assets) recognized on the consolidated balance sheet	¥ (9,352) million	¥ (3,519) million
Liabilities for retirement benefits	¥ 3,075 million	¥ 3,893 million
Assets for retirement benefits	¥ (12,427) million	¥ (7,413) million
Net amount of liabilities (assets) recognized on the consolidated balance sheet	¥ (9,352) million	¥ (3,519) million

(4) Amounts of retirement benefit expenses and their components

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Service costs	¥ 2,786 million	¥ 2,995 million
Interest costs	¥ 596 million	¥ 597 million
Expected return on pension plan assets	¥ (1,929) million	¥ (2,022) million
Amortization of actuarial gains or losses	¥ 1,263 million	¥ 909 million
Amortization prior service costs	¥ (40) million	¥ 84 million
Retirement benefit expenses for defined benefit plans	¥ 2,675 million	¥ 2,563 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 tax effect) are as follows:

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Prior service costs	¥ 100 million	¥ (84) million
Actuarial gains or losses	¥ (3,776) million	¥ 6,710 million
Total	¥ (3,675) million	¥ 6,626 million

(6) Accumulated adjustments for retirement benefits

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

	Previous fiscal year (As of November 30, 2015)	Current fiscal year (As of November 30, 2016)
Unrecognized prior service costs	¥ 958 million	¥ 874 million
Unrecognized actuarial gains or losses	¥ 4,372 million	¥ 11,083 million
Total	¥ 5,331 million	¥ 11,957 million

(7) Pension plan assets

a) Main components of pension plan assets

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

	Previous fiscal year (As of November 30, 2015)	Current fiscal year (As of November 30, 2016)
Bonds	40%	39%
Stocks	33%	34%
Insurance assets (general account)	7%	7%
Cash and deposits	5%	6%
Other	15%	14%
Total	100%	100%

(Note) Total pension plan assets include retirement benefit trusts established for corporate pension plans of 13% 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 plan assets is determined in consideration of the present and expected pension plan asset allocation and the present and long-term expected rate of return on the various assets that comprise the pension plan assets.

(8) Actuarial assumptions

Major actuarial assumptions

	Previous fiscal year (As of November 30, 2015)	Current fiscal year (As of November 30, 2016)
Discount rate	0.7% to 1.1%	0.2% to 0.6%
Long-term expected rate of return on pension plan assets	1.5% to 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, 2014.

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 ¥389 million for the previous fiscal year and ¥419 million for the current fiscal year, and the amount paid under the retirement benefit advance payment systems is ¥175 million for the previous fiscal year and ¥170 million for the current fiscal year.

Tax-effect Accounting

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

	Previous fiscal year (As of November 30, 2015)	Current fiscal year (As of November 30, 2016)
Deferred tax assets		
Unrealized gains	¥ 1,911 million	¥ 1,927 million
Reserves for sales rebates	¥ 276 million	¥ 247 million
Accrued expenses (sales promotion expenses)	¥ 598 million	¥ 716 million
Reserves for bonuses	¥ 521 million	¥ 471 million
Accrued social security expenses	¥ 285 million	¥ 263 million
Accrued enterprise taxes	¥ 279 million	¥ 464 million
Liabilities for retirement benefits	¥ 1,310 million	¥ 710 million
Established amount for trust to cover retirement benefit obligations	¥ 1,143 million	¥ 1,084 million
Losses on valuation of golf course memberships	¥ 147 million	¥ 149 million
Tax loss carryforwards	¥ 572 million	¥ 651 million
Depreciation	¥ 2 million	¥ 1,164 million
Losses on impairment of fixed assets	¥ 318 million	¥ 287 million
Other	¥ 2,835 million	¥ 2,640 million
Sub-total deferred tax assets	¥ 10,201 million	¥ 10,781 million
Valuation allowance	¥ (1,401) million	¥ (1,512) million
Total deferred tax assets	¥ 8,800 million	¥ 9,269 million
Deferred tax liabilities		
Assets for retirement benefits	¥ (4,177) million	¥ (1,580) million
Differences on valuation of fixed assets	¥ (749) million	¥ (713) million
Reserves for reduction entry of property by purchase	¥ (1,303) million	¥ (1,221) million
Unrealized holding gains on securities	¥ (4,394) million	¥ (3,927) million
Other	¥ (1,204) million	¥ (1,716) million
Total deferred tax liabilities	¥ (11,829) million	¥ (9,158) million
Net deferred tax assets (liabilities)	¥ (3,029) million	¥ 111 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, 2015)	Current fiscal year (As of November 30, 2016)
Current assets — Deferred tax assets	¥ 3,297 million	¥ 3,264 million
Fixed assets — Deferred tax assets	¥ 1,630 million	¥ 1,984 million
Current liabilities — Deferred tax liabilities	¥ (1) million	¥ (1) million
Non-current liabilities — Deferred tax liabilities	¥ (7,956) million	¥ (5,135) million

(Note) As described in "Changes in accounting policies", the changes to policies for recording net sales have been retrospectively applied. The amounts presented for deferred tax assets for the previous fiscal year have been retrospectively adjusted.

2. The reconciliation between the statutory tax rate and effective tax rate

	Previous fiscal year (As of November 30, 2015)	Current fiscal year (As of November 30, 2016)
Statutory tax rate	35.6%	The reconciliation is omitted as the differences between the statutory tax rate and effective tax rate are 5% or less of the statutory tax rate.
(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	(1.0%)	
Other	1.0%	
Effective tax rate	31.1%	

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. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act, etc." (Act No. 13 of 2016) were enacted in the Diet on March 29, 2016, resulting in reduction in rates of corporate taxation effective from fiscal years beginning on or after April 1, 2016. Accordingly, the statutory tax rate used to measure deferred tax assets and deferred tax liabilities changes from the previous fiscal year's 32.26% to 30.86% for temporary differences expected to be reversed in the fiscal years beginning on December 1, 2016 and December 1, 2017, and to 30.62% for temporary differences expected to be reversed in fiscal years beginning on or after December 1, 2018.

As a result, the net amounts of deferred tax assets (current assets) and deferred tax liabilities (non-current liabilities) have decreased by ¥105 million and ¥485 million, respectively, while income taxes-deferred (credit) have increased by ¥85 million.

Business Combination

Not applicable.

Asset Retirement Obligations

Asset retirement obligations recorded on the consolidated balance sheets

1. Summary of relevant asset retirement obligations

The obligation 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 then using the yield on government bonds corresponding to that time period as the discount rate.

3. Changes in amounts of relevant asset retirement obligations

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Balance at the beginning of the fiscal year	¥ 653 million	¥ 748 million
Increase due to purchases of tangible fixed assets	¥ 29 million	¥ 407 million
Adjustments to interest	¥ 7 million	¥ 7 million
Other changes (decrease if in parenthesis)	¥ 58 million	¥ —
Balance at the end of the fiscal year	¥ 748 million	¥ 1,163 million

Segment Information

Segment Information

1. Outline of reportable segments

   The reportable segments of the Company are components of the group for which discrete financial information is available and which are regularly reviewed by the Board of Directors to make decisions about the allocation of resources and to assess their performance. These segments are determined 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 others
Distribution system:	Transportation and warehousing of food products
Common business operations:	Sale of food products and food production equipment

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

   Accounting treatment applied to the reportable 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 reportable segment is based on operating income. Intersegment net sales and transfers are based on prevailing market price.

   (Changes to policies for recording net sales)
   As described in "Changes in accounting policies", the changes to policies for recording net sales have been retrospectively applied. Due to the changes, net sales and segment profits for the previous fiscal year respectively decreased ¥14,892 million and ¥63 million in the "Condiments products"; decreased ¥143 million and ¥0 million in the "Egg products"; decreased ¥8,660 million and increased ¥1 million in the "Delicatessen products"; and decreased ¥4,721 million and ¥24 million in the "Processed foods".

   (Changes to depreciation method for tangible fixed assets and revision of useful life and residual value)
   Due to the changes to depreciation method for tangible fixed assets and revision of useful life and residual value, segment profits for the current fiscal year increased ¥166 million in the "Condiments products"; increased ¥489 million in the "Egg products"; increased ¥591 million in the "Delicatessen products"; decreased ¥21 million in the "Processed foods"; increased ¥115 million in the "Fine chemical products"; increased ¥1,141 million in the "Distribution system"; and decreased ¥86 million in the "Common business operations", respectively, compared with those by the previous method.

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

Previous 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 external customers	142,163	104,642	100,437	57,534	11,311	127,747	5,937	549,774	—	549,774
Intersegment net sales or transfers	6,798	5,818	218	2,509	298	24,303	10,058	50,005	(50,005)	—
Total	148,962	110,460	100,656	60,044	11,610	152,050	15,995	599,780	(50,005)	549,774
Segment profit (loss)	12,479	5,396	2,750	(292)	350	4,760	900	26,345	8	26,354
Segment assets	96,275	55,706	40,911	42,099	10,523	81,370	10,601	337,488	35,528	373,017
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 ¥35,528 million in “Segment assets” mainly includes company-wide assets of ¥38,295 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.”

Current fiscal year (From December 1, 2015 to November 30, 2016) (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 external customers	144,099	102,204	111,799	51,252	10,863	126,926	5,160	552,306	—	552,306
Intersegment net sales or transfers	7,265	5,826	284	2,167	298	25,002	10,353	51,200	(51,200)	—
Total	151,364	108,030	112,084	53,420	11,161	151,929	15,514	603,506	(51,200)	552,306
Segment profit (loss)	13,668	5,483	3,465	517	1,031	4,889	763	29,818	—	29,818
Segment assets	105,316	51,772	43,479	37,952	10,051	90,484	10,323	349,381	36,533	385,914
Others										
Depreciation and amortization	5,159	3,044	2,342	1,785	642	4,618	661	18,254	—	18,254
Investment in affiliates accounted for by equity method	1,264	—	—	83	—	—	207	1,555	—	1,555
Increase in tangible and intangible fixed assets	16,249	2,961	2,124	2,571	413	7,853	794	32,968	—	32,968

(Notes) 1. "Adjustments" of ¥36,533 million in "Segment assets" mainly includes company-wide assets of ¥41,971 million and elimination of intersegment receivables and payables of ¥(4,644) 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."

Related Information

Previous 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 external 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 that accounted for 10% or more of net sales reported in the consolidated statements of income.

Current fiscal year (From December 1, 2015 to November 30, 2016)

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 external 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 that accounted for 10% or more of net sales reported in the consolidated statements of income.

Information on Losses on Impairment of Fixed Assets by Reportable Segment

Previous 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	373	—	373

Current fiscal year (From December 1, 2015 to November 30, 2016)

(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	—	—	—	—	—	47	42	89	—	89

Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

Previous 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

Current fiscal year (From December 1, 2015 to November 30, 2016)

(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	10	—	221	—	221
Unamortized balance at the end of the current fiscal year	—	—	—	1,458	81	23	—	1,563	—	1,563

Information on Gains on Negative Goodwill by Reportable Segment

Previous 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

Current fiscal year (From December 1, 2015 to November 30, 2016)

Not applicable.

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, 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	Transaction 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 Sale of products Payment of brand usage fee Rental of real estate	438 31 720 11	Notes and accounts payable–trade Notes and accounts receivable–trade Accounts payable–other	62 3 0
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 Purchase of lease assets	233 26	Investments and other assets (Other) Accounts payable-other Current liabilities (Other) Lease obligations (fixed)	181 0 18 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	Payment of advertising expenses Payment of sales promotion expenses Sale of products	7,189 73 95	Accounts payable–other Notes and accounts receivable–trade	1,728 9

Description	Corporate / individual name	Address	Paid-in capital (millions of yen)	Principal business	Percentage of voting rights	Business relationship	Transaction	Transaction 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) 1. In principle, transaction's term is 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 transaction 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.

Current fiscal year (From December 1, 2015 to November 30, 2016)

Description	Corporate / individual name	Address	Paid-in capital (millions of yen)	Principal business	Percentage of voting rights	Business relationship	Transaction	Transaction 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 13.0% owned, directly 7.9% owned, indirectly	Purchase of products, sale of products and payment of brand usage fees Interlocking directors or corporate auditors	Purchase of products	383	Notes and accounts payable–trade	52
							Sale of products	57	Notes and accounts receivable–trade	11
							Payment of brand usage fee	720		
							Rental of real estate	10		
							Repurchase of shares (Note 8)	4,701		
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	7.9% owned, directly	Rental of offices and purchase of lease assets Interlocking directors or corporate auditors	Rental of real estate	978	Investments and other assets (Other)	946
							Purchase of tangible fixed assets	809	Accounts payable-other	6
							Purchase of lease assets	18	Current liabilities (Other)	20
									Lease obligations (fixed)	35
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	6,930	Accounts payable–other	1,717
							Payment of sales promotion expenses	83		
							Purchase of supplies	14		
							Purchase of tangible fixed assets	24		
							Sale of products	69	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	Transaction 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	108	Notes and accounts receivable–trade	27
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)	Chofu-shi, 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 Rental of real estate	1,982 445 268 39	Accounts payable–other	278
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	1.4% owned, directly	Rental of the company dormitories Interlocking directors or corporate auditors	Rental of real estate	61		

(Notes)
1. In principle, transaction's term is 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 transaction amount exclude them.
3. Amane Nakashima, chairman 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, chairman 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, chairman 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, chairman of the Company, and his close relatives own 100.0% of the voting rights directly.
7. Amane Nakashima, chairman of the Company, and his close relatives own 89.5% of the voting rights directly.
8. The repurchase of shares involves the Company's acquisition of 2,100,000 shares its common stock by means of tender offer for ¥2,239 per share, pursuant to the resolution adopted at the Board of Directors' meeting held on March 15, 2016.

(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, 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	Transaction 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) 1. In principle, transaction’s term is 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 transaction 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, 2015 to November 30, 2016)

Description	Corporate / individual name	Address	Paid-in capital (millions of yen)	Principal business	Percentage of voting rights	Business relationship	Transaction	Transaction 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 13.0% owned, directly 7.9% owned, indirectly	Purchase of products and sale of products Interlocking directors or corporate auditors	Purchase of products	578	Notes and accounts payable-trade	75
							Sale of products	84	Notes and accounts receivable-trade	14
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	7.9% owned, directly	Rental of offices and purchase of lease assets Interlocking directors or corporate auditors	Rental of real estate	1,275	Current assets (Other)	4
									Investments and other assets (Other)	233
							Purchase of lease assets	214	Current liabilities (Other)	37
									Lease obligations (fixed)	176
							Payment of lease cancellation penalties	25		
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	324	Accounts payable-other	97
							Sale of products	18	Notes and accounts receivable-trade	1
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	264	Notes and accounts receivable-trade	15
							Purchase of products	47		
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)	Chofu-shi, 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	1,035	Accounts payable-other	103
							Purchase of software	179		
							Purchase of tangible fixed assets	38		
							Provision of services	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)	MINATO Singapore Pte Ltd (Note 6)	Singapore	1,000,000 Singapore dollars	Sale of imported liquor and foods in Singapore	None	Sale of products and purchase of products Interlocking directors or corporate auditors	Sale of products	54	Notes and accounts receivable-trade	10

(Notes) 1. In principle, transaction's term is 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 transaction amount exclude them.

3. Amane Nakashima, chairman 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, chairman 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, chairman of the Company, and his close relatives own the majority of the voting rights owns 80.0% of the voting rights directly.
6. The company of which Amane Nakashima, chairman of the Company, and his close relatives own the majority of the voting rights owns 95.0% of the voting rights directly.

Per Share Information

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Net assets per share (yen)	1,403.05	1,420.63
Earnings per share (yen)	111.82	113.47

(Notes) 1. "Earnings 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, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Total net assets (millions of yen)	244,717	245,861
Amount subtracted from total net assets (millions of yen)	31,780	33,240
(Non-controlling interests)	(31,780)	(33,240)
Net assets attributable to common stock at the end of the fiscal year (millions of yen)	212,937	212,620
Number of shares of common stock at the end of the fiscal year (thousand shares)	151,767	149,666

3. Calculation basis of earnings per share is as follows.

	Previous fiscal year (From December 1, 2014 to November 30, 2015)	Current fiscal year (From December 1, 2015 to November 30, 2016)
Profit attributable to owners of parent (millions of yen)	16,973	17,093
Amounts not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent attributable to common stock (millions of yen)	16,973	17,093
Weighted average number of shares of common stock (thousand shares)	151,783	150,636

4. As described in "Changes in accounting policies", the changes to policies for recording net sales have been retrospectively applied. As a result, total net assets decreased by ¥1,211 million, net assets per share decreased by ¥7.48, profit attributable to owners of parent and profit attributable to owners of parent attributable to common stock decreased by ¥58 million, and earnings per share decreased by ¥0.39, respectively, in the previous fiscal year.

Significant Subsequent Events

1. Establishment of a general incorporated foundation and disposition of treasury stock

   At the meeting of the Board of Directors held on December 26, 2016, the Company resolved to establish Kewpie Mirai Tamago Foundation, a general incorporated foundation (hereinafter, the "Foundation") and, in order to fund the activities of the Foundation through dividends, etc. of the Company's stock, transfer 1,500,000 shares of treasury stock to a trust established by the Company at a disposition price of ¥1 per share.

   The disposition of the shares of treasury stock is subject to the approval at its 104th Ordinary General Meeting of Shareholders held on February 24, 2017.

(1) Establishment of new foundation

(a) Purpose of establishment

To contribute to the realization of a healthy society by actively supporting a wide range of activities by organizations that contribute to society with a focus on food education as a means to work toward finding solutions to issues faced by society related to food.

(b) Outline of the foundation

(i)	Name:	Kewpie Mirai Tamago Foundation
(ii)	Activities:	To support organizations that conduct food-related activities to contribute to society, with a focus on food education, among others
(iii)	Funding for activities:	Approximately ¥50 million per year Activities of the Foundation will be funded from the funds to be received as the beneficiary of the trust to which the shares of treasury stock will be transferred as described in (2) below.
(iv)	Date of establishment:	April 2017 (scheduled)

(2) Disposition of shares of treasury stock

(a) Purpose and reason for the disposition

The Company resolved to establish the Foundation at the meeting of the Board of Directors held on December 26, 2016. In order to fund the activities of the Foundation through dividends, etc. of the Company's stock, shares of treasury stock will be transferred to a trust established by the Company by way of third-party allotment.

(b) Outline of disposition

(i)	Number of shares to be disposed of:	1,500,000 shares of common stock
(ii)	Disposition price:	¥1 per share
(iii)	Amounts of funds raised:	¥1,500,000
(iv)	Method of offering or disposition:	Disposition by way of third-party allotment
(v)	Disposition to:	Japan Trustee Services Bank, Ltd. (sub-trustee, with Sumitomo Mitsui Trust Bank, Limited as trustee)
(vi)	Disposition date:	To be decided
(vii)	Other:	

The disposition of the shares of treasury stock is subject to a special resolution on a favorable issuance of shares at the 104th Ordinary General Meeting of Shareholders held on February 24, 2017. Other details regarding the disposition will be resolved at a meeting of the Board of Directors following the Ordinary General Meeting of Shareholders.

2. Business obtained through transfer

The Company decided to acquire businesses of production and sales centered on mayonnaise and other condiments from a condiment production company in Poland, Mosso Kwaśniewscy Sp.J., and a wholly-owned subsidiary of the Company "Kewpie Poland Sp. z o.o." (the corporate name is planned to be changed to "Mosso Kewpie Poland Sp. z o.o.") and Mosso Kwaśniewscy Sp.J. concluded a business transfer agreement on September 29, 2016, and the business was obtained through transfer on January 12, 2017.

(1) Outline of business combination

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

(i) Company to acquire business

Name: Kewpie Poland Sp. z o.o.
(consolidated subsidiary of the Company)

Description of businesses: Production and sales centered on mayonnaise and other condiments

(ii) Company to transfer business

Name: Mosso Kwaśniewscy Sp.J.

Description of businesses: Production and sales centered on mayonnaise and other condiments

(b) Primary reason for business combination

The primary reason for the business combination is to accelerate the Group's European expansion by acquiring brands, production centers and sales channels in Eastern Europe.

(c) Date of the business combination

January 12, 2017

(d) Legal form of the business combination

Business acquisition

(e) Name of company after the business combination

Planned to be changed to Mosso Kewpie Poland Sp. z o.o.

(f) Primary basis for deciding upon the company acquired

Kewpie Poland Sp. z.o.o., a consolidated subsidiary of the Company, acquired a production and sales business centered on mayonnaise and other condiments through transfer in exchange for cash.

(2) Cost of acquisition of the acquired company and the breakdown thereof by consideration type

Consideration for acquisition cannot be disclosed due to the Company's obligation to maintain confidentiality regarding the agreement with the counterparty.

(3) Details and amount of major acquisition-related costs

Fee and commissions to advisors	¥64 million

(4) Amount of goodwill recognized, reason for recognition of goodwill and method and period for amortization

Under calculation.

(5) Amounts and primary components of assets acquired and liabilities assumed as of the date of the business combination

Under calculation.

3. Important investments in facilities and equipment

At its meeting of the Board of Directors held on January 25, 2017, the Company resolved to invest in facilities and equipment as follows.

(1) Purpose of the investments in facilities and equipment

In order to enhance its competitive strengths in the Condiments products business, the Company will reorganize its production locations by establishing the Kobe Factory and transferring over some of the production capabilities of the Itami Factory. In undertaking this investment in facilities and equipment, our aim is to use the site of the former Itami Factory to enhance our competitive strengths and to bolster our production capacity in the chilled processed foods business where demand is expected to grow going forward. To that end, we will work to improve profitability through efforts that include building a framework for production that is integrated from the materials phase with respect to processed egg products.

(2) Outline of the investments in facilities and equipment

Location:	Itami-shi, Hyogo
Facilities and equipment:	New building and equipment and facilities for manufacturing processed egg products
Planned amount of the investments:	¥11,520 million

(3) Date on which equipment and facilities are to become operational

The equipment and facilities are scheduled to go into operation in September 2019.

(4) Material effects of the equipment and facilities on sales and production activities

Because the facilities and equipment are not expected to become operational until the fiscal year ending November 30, 2019, this will have an immaterial effect on the financial results for the fiscal year ending November 30, 2017.

4. Borrowing of substantial funds

At the Board of Directors' meeting held on December 26, 2016, the Company resolved to borrow funds in the form of a syndicate loan arranged with Sumitomo Mitsui Banking Corporation, and subsequently borrowed those funds on January 31, 2017.

(1) Purpose of use of the funds

Operating funds

(2) Lenders

Sumitomo Mitsui Banking Corporation and others

(3) Borrowed Amount

¥25,000 million

(4) Interest rates

Fixed-interest rate

(5) Execution date

January 31, 2017

(6) Repayment dates

January 31, 2022 (¥10,000 million)

January 31, 2024 (¥15,000 million)

(7) Repayment method

Lump-sum repayment

(8) Provision of security

None

(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 balance sheet 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	7,475	6,137	0.458	—
Current portion of long-term loans payable	1,621	2,164	0.470	—
Current portion of lease obligations	1,391	1,480	1.855	—
Long-term loans payable	6,343	12,498	0.524	From December 2017 to January 2028
Long-term lease obligations	3,727	3,774	1.913	From December 2017 to December 2030
Other interest-bearing debt Long-term accounts payable (including current portion)	—	10	3.790	From December 2016 to November 2023
Total	20,559	26,066	—	—

(Notes) 1. Average interest rates are calculated by using interest rates and balance of loans payable at the consolidated balance sheet date.
2. The annual aggregate amount of long-term loans payable, lease obligations and other interest-bearing debt (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	1,984	1,869	1,879	2,091	4,673
Lease obligations	1,249	1,040	763	363	357
Long-term accounts payable	1	1	1	1	3

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)	132,140	273,422	413,915	552,306
Profit before income taxes (millions of yen)	4,401	14,207	23,614	30,290
Profit attributable to owners of parent (millions of yen)	2,391	8,182	13,592	17,093
Earnings per share (yen)	15.76	54.02	90.06	113.47

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (yen)	15.76	38.29	36.15	23.39

Independent Auditors' Audit Report and Internal Control Audit Report

February 24, 2017

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, 2015 to November 30, 2016, 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, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

1. As described in the section, "Changes in accounting policies," the Group previously recorded a part of expenses payable to business partners for sales promotions under selling, general and administrative expenses at the point in time when the amount payable was fixed. From the current fiscal year, however, the Group has changed the method of recording such expenses to one where such expenses will be deducted from net sales at the time net sales are recorded.
2. As described in the section, "Changes in accounting policies that are difficult to distinguish from the changes in accounting estimates, and changes in accounting estimates," the Group has changed its depreciation method for tangible fixed assets to the straight-line method beginning in the current fiscal year, from the declining balance method which was mainly used before the change. Furthermore, the Group has changed the useful life figure for some of the transport equipment such as vehicles, and has also changed the residual value of tangible fixed assets (excluding some of the transport equipment such as vehicles) to the memorandum values.
   This matter does not have an impact on our opinion.

<Audit of internal control>

Pursuant to Paragraph 2 of Article 193-2 of the Financial Instruments and Exchange Law of Japan, we also have audited the accompanying Management's Report on Internal Control over Financial Reporting for the consolidated financial statements as at November 30, 2016 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, 2016 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 a gift of the Group's product(s) around early March to those shareholders who are recorded in the shareholder registry as of November 30, and who have held at least one trading unit (100 shares) of the Company's shares for three or more consecutive years,* in accordance with the gift criteria presented below. Gift criteria Number of shares held / Contents of gift 100 shares to 499 shares / Group product(s) valued at ¥1,000 500 shares to 999 shares / Group product(s) valued at ¥2,000 1,000 shares or more / Group 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 registry as of May 31 and November 30 under the same shareholder number on seven or more 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 28, 2017 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:	Osamu Chonan Representative Director President and Chief Executive 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 Osamu Chonan 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, 2016, 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, 2016.

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