Annual Report
2018
December 1, 2017 to November 30, 2018

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, 2019 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
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
Contact:	Toshihiro Kaneko Senior General Manager of Management Promotion Division
Telephone:	+81-3-3486-3331

Table of Contents

I. Outline of the Company

1. Principal Management Indexes

(1) Consolidated principal management indexes for the five years ended November 30, 2018

Period ended		Nov. 2014	Nov. 2015	Nov. 2016	Nov. 2017	Nov. 2018
Net sales	(millions of yen)	553,404	549,774	552,306	561,688	573,525
Ordinary income	(millions of yen)	25,368	27,224	31,364	32,511	34,349
Profit attributable to owners of parent	(millions of yen)	13,366	16,973	17,093	18,099	18,320
Comprehensive income	(millions of yen)	18,968	26,159	10,955	33,897	17,786
Total net assets	(millions of yen)	220,397	244,717	245,861	263,432	266,100
Total assets	(millions of yen)	356,994	373,017	385,914	419,207	421,373
Net assets per share	(yen)	1,284.36	1,403.05	1,420.63	1,539.94	1,582.27
Earnings per share	(yen)	88.69	111.82	113.47	121.05	124.85
Earnings per share – diluted	(yen)	—	—	—	—	—
Equity ratio	(%)	54.6	57.1	55.1	54.0	53.7
Return on equity	(%)	7.0	8.3	8.0	8.2	8.1
Price earnings ratio	(times)	21.9	26.4	23.8	23.8	22.1
Cash flows from operating activities	(millions of yen)	34,392	28,094	45,260	27,234	41,778
Cash flows from investing activities	(millions of yen)	(30,847)	(31,181)	(32,046)	(31,421)	(20,199)
Cash flows from financing activities	(millions of yen)	(3,149)	(7,101)	(5,805)	4,010	(15,293)
Cash and cash equivalents at the end of the fiscal year	(millions of yen)	44,788	34,841	40,790	41,411	47,970
Number of regular full-time employees, and average number of temporary employees in brackets		12,933 [11,840]	13,478 [11,519]	14,095 [11,150]	14,924 [11,456]	14,808 [9,843]

(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 the fiscal year ended November 30, 2016.
3. Earnings per share – diluted is not presented because of no issue of potential shares.

(2) Non-consolidated principal management indexes for the five years ended November 30, 2018

Period ended		Nov. 2014	Nov. 2015	Nov. 2016	Nov. 2017	Nov. 2018
Net sales	(millions of yen)	237,655	210,426	205,102	204,072	203,449
Ordinary income	(millions of yen)	10,992	11,472	12,973	16,060	16,400
Profit	(millions of yen)	6,905	7,910	9,161	12,691	11,586
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	150,000,000	150,000,000
Total net assets	(millions of yen)	147,461	152,916	152,232	153,669	147,756
Total assets	(millions of yen)	238,781	228,291	242,768	261,193	253,251
Net assets per share	(yen)	970.75	1,007.57	1,017.15	1,045.05	1,032.95
Annual dividends per share, and interim dividends per share in brackets	(yen)	23.0 [11.5]	29.0 [12.5]	34.5 [15.0]	36.5 [18.0]	38.0 [19.0]
Earnings per share	(yen)	45.78	52.12	60.82	84.88	78.96
Earnings per share – diluted	(yen)	—	—	—	—	—
Equity ratio	(%)	61.8	67.0	62.7	58.8	58.3
Return on equity	(%)	4.8	5.3	6.0	8.3	7.7
Price earnings ratio	(times)	42.4	56.7	44.4	34.0	34.9
Dividend payout ratio	(%)	50.2	55.6	52.6	43.0	48.1
Number of regular full-time employees, and average number of temporary employees in brackets		2,549 [918]	2,520 [963]	2,510 [926]	2,523 [853]	2,508 [774]

(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 the fiscal year ended November 30, 2016.
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-seven consolidated subsidiaries, seven 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.

<table>
<tr><th>Business category</th><th>The Company and principal associated companies</th><th>Major handling items / services</th></tr>
<tr><td rowspan="2">Condiments products</td><td>Kewpie Corporation
Q&B FOODS, INC.
Dispen Pak Japan Co., Inc.
Hangzhou Kewpie Corporation
Kpack Co., Ltd.
BEIJING KEWPIE CO., LTD.
KEWPIE (THAILAND) CO., LTD.</td><td>Mayonnaise and dressings</td></tr>
<tr><td>Kewpie Jyozo Co., Ltd.</td><td>Vinegar</td></tr>
<tr><td rowspan="3">Egg products</td><td>Kewpie Egg Corporation
Zen-noh Kewpie Egg-station Co., Ltd.</td><td>Liquid egg, frozen egg, and dried egg</td></tr>
<tr><td>Kewpie Corporation
Kanae Foods Co., Ltd.</td><td>Egg spread, thick omelet, and shredded egg</td></tr>
<tr><td>HENNINGSEN FOODS, INC.</td><td>Dried egg</td></tr>
<tr><td rowspan="2">Delicatessen products</td><td>Kewpie Corporation
Deria Foods Co., Ltd.
Shunsai Deli Co., Ltd.
Potato Delica Co., Ltd.</td><td>Salads and delicatessen foods</td></tr>
<tr><td>Salad Club, Inc.</td><td>Packaged salads</td></tr>
<tr><td>Processed foods</td><td>Kewpie Corporation
Aohata Corporation
Co-op Foods Co., Ltd.</td><td>Jams, pasta sauces, sweet corn, baby foods, and nursing care foods</td></tr>
<tr><td>Fine chemical products</td><td>Kewpie Corporation</td><td>Hyaluronic acid and others</td></tr>
<tr><td rowspan="3">Distribution system</td><td>K.R.S. Corporation</td><td>Transportation and warehousing of food products</td></tr>
<tr><td>K. Tis Corporation
S.Y. Promotion Co., Ltd.</td><td>Transportation of food products</td></tr>
<tr><td>Kewso Services Corporation</td><td>Sale of vehicles, distribution equipment, fuel and other products related to transportation and warehousing of food products</td></tr>
<tr><td>Common business operations</td><td>Shiba Seisakusyo Co., Ltd.</td><td>Sale of food production equipment</td></tr>
</table>

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.

(Notes) 1. As of December 1, 2018, Kewpie Egg Corporation has conducted an absorption-type merger of Kanae Foods Co., Ltd.
2. Gourmet Delica Co., Ltd. has been excluded from subsidiaries as the Company transferred the shares of the said company to Mitsubishi Corporation during the fiscal year ended November 30, 2018. For further details, refer to "V. Financial Information, Consolidated Financial Statements, (1) Consolidated financial statements, Notes, Business Combination."

(Group Business Network)

Business partners

↑ ↑ ↑

Kewpie Group

Domestic

Condiments products
- Kewpie Corporation
- Kewpie Jyozo Co., Ltd.
- Kpack Co., Ltd.
- Deft Co., Ltd.
- Dispen Pak Japan Co., Inc.
- 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.
- Salad Club, Inc.
- Shunsai Deli Co., Ltd.
- Potato Delica Co., Ltd.
- Other

Processed foods
- Kewpie Corporation
- Aohata Corporation
- Co-op Foods Co., Ltd.
- Hashikami Kewpie Co., Ltd.
- Tosu Kewpie 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.
- Sun Family Corporation
- Kewso Services Corporation
- Other

Common business operations
- Kewpie Corporation
- San-ei Provisions Co., Ltd.
- TO AD KEWPIE CO., LTD.
- Shiba Seisakusyo Co., Ltd.
- K.System Co., Ltd.
- Other

Overseas

Condiments products
- Hangzhou Kewpie Corporation
- BEIJING KEWPIE CO., LTD.
- Q&B FOODS, INC.
- 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 (Note 1)	Chofu-shi, Tokyo	350 million yen	Production and sale of liquid and frozen egg	100.0	D or A 2 Employees 8	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	226 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 3 Employees 2	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	D or A 1 Employees 4	None	Sale of products and purchase of raw materials	Leases of offices
Co-op Foods Co., Ltd.	Chofu-shi, Tokyo	50 million yen	Production and sale of bottled, canned and/or retort pouch foods	100.0	D or A 2 Employees 2	1,217 million yen	Purchase of products	Leases of offices
Kanae Foods Co., Ltd. (Note 1)	Chofu-shi, Tokyo	50 million yen	Production and sale of processed egg, including egg spread, thick omelet and shredded egg	100.0	D or A 2 Employees 3	None	Purchase of products	Leases of offices and factories
Zen-noh Kewpie Egg-station Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	105 million yen	Production and sale of dried egg and liquid egg	51.4	D or A 2 Employees 3	329 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 condiments	100.0 (100.0)	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 Employees 2	Liabilities for guarantee 97 million yen	None	None
Soka Delica Co., Ltd.	Soka-shi, Saitama	98 million yen	Production and sale of delicatessen foods	100.0	D or A 2 Employees 2	None	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	Employee 1	None	Consignment of production	Leases of factories
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	6 million yen	Purchase of machinery and equipment	None
Salad Mate Co., Ltd.	Minato-ku, Tokyo	10 million yen	Sale of condiments and processed foods	100.0	Employees 2	None	Purchase and 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 4	181 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 4	None	Consignment of clerical work	Leases of offices
Kpack Co., Ltd.	Goka-machi, Sashima-gun, Ibaraki	30 million yen	Production and sale of condiments	100.0	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	Employee 1	None	Consignment of production	Leases of factories
Hangzhou Kewpie Corporation	Zhejiang Province, China	140 million yuan	Production and sale of condiments	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 1	None	Consignment of transportation services	None
Seto Delica Co., Ltd.	Seto-shi, Aichi	30 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 4	372 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 4	None	Sale of products	None
Hanshin Delica Co., Ltd.	Itami-shi, Hyogo	10 million yen	Production and sale of delicatessen foods	100.0 (100.0)	Employees 6	None	Sale of products	Leases of factories

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
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 and purchase of raw materials	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 condiments	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 3	47 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
KLQ 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 condiments, vinegar, salads and processed 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 7	None	Sale of products	Leases of factories
Osaka San-ei Logistics Corporation	Hirakata-shi, Osaka	66 million yen	Transportation	90.0 (90.0)	None	None	None	None
Sun Family Corporation	Yoshikawa-shi, Saitama	99 million yen	Transportation	90.0 (90.0)	None	None	None	None
KAT 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 5	94 million yen	None	None
KEWPIE VIETNAM CO., LTD.	Binh Duong, Vietnam	256.4 billion dong	Production and sale of condiments	80.0	Employees 3	113 million yen	None	None
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 2 Employees 4	None	Purchase of raw materials	Leases of offices
Green Message Co., Ltd.	Yamato-shi, Kanagawa	100 million yen	Processing and sale of fresh vegetables	51.0	D or A 2 Employees 3	306 million yen	Sale of products	None
Tou Kewpie Co., Ltd.	Shibuya-ku, Tokyo	10 million yen	Mail-order business	70.0	Employees 4	405 million yen	Sale of products	Leases of offices
Aohata Corporation (Notes 3, 5 & 6)	Takehara-shi, Hiroshima	915 million yen	Production and sale of canned foods	44.6 [11.1]	None	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	D or A 1 Employees 5	Liabilities for guarantee 238 million yen	None	None
Mosso Kewpie Poland Sp. z o.o. (Note 1)	Puchały, Poland	160,300 thousand Polish zloty	Production and sale of condiments	100.0	Employees 5	1,296 million yen	None	None
Fresh Delica Network. Co., Ltd.	Akishima-shi, Tokyo	20 million yen	Transportation	100.0 (100.0)	Employees 3	None	None	None
TO AD KEWPIE CO., LTD. (Note 5)	Shibuya-ku, Tokyo	4 million yen	Agency service for advertising, publicity, and exhibitions	50.0	Employees 2	None	Advertising agency services	Leases of offices
Hisamatsu Transport Corporation	Ayaka-gun, Utazu-cho, Kagawa	20 million yen	Transportation	100.0	None	None	None	None
Kewpie China Corporation (Note 1)	Beijing, China	196 million yuan	Financial management and business management of the Company's local subsidiaries in China	100.0	D or A 1 Employee 1	None	None	None
Guangzhou Kewpie Corporation	Guangdong Province, China	100 million yuan	Production and sale of condiments	100.0	Employee 1	None	None	None
Kewpie Philippines, Inc.	Manila, Philippines	50 million peso	Sale of condiments	100.0	Employees 3	None	None	None
Other: 1								

(Notes) 1. Kewpie Egg Corporation, K.R.S. Corporation, Kanae Foods Co., Ltd., Nantong Kewpie Corporation, Mosso Kewpie Poland Sp. z o.o., and Kewpie China 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 companies file their own annual securities report to the Commissioner of the Financial Services Agency.
4. 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., Aohata Corporation and TO AD KEWPIE CO., LTD. are treated as subsidiaries, even though the voting rights held by the Company as a percentage of total voting rights are 50% or less, in view of the 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 Employees 2	None	Sale of products and 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	Employees 2	215 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.	Leases of offices and rental of office equipment

(4) Other associated company

Trade name	Address	Paid-in capital/ equity investment	Business lines	Percentage of their voting rights (Note)	Relationship with the Company			
					Interlocking directors (D) or corporate auditors (A)	Finance from the Company	Operating transactions	Lease transactions
NAKASHIMATO CO., LTD.	Shibuya-ku, Tokyo	50 million yen	Sale of various processed foods	16.2 (5.7)	D or A 2	None	Purchase of products, etc.	Leases 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, 2018)

Number of employees
14,808 (9,843)

(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 labor-management relations are stable and there are no matters that should be reported.

II. Business Operations

1. Management Policy, Business Environment, Tasks Ahead, Etc.

Forward-looking statements included in this section are based on the Group's judgment of information available as of the end of the current fiscal year.

(1) Basic policies of Company management

The Group's mission is to unceasingly contribute to better and healthier dietary lifestyles of people from around the world premised on the notions of good taste, kindness and uniqueness, acting as a corporate group in the food sector which forms an essential part of human existence.

We will remain committed to our insistence on the highest product quality, which has been the most fundamental concern of the Group since its establishment. At the same time, every one of our executives and employees will remain continually aware of our aims that involve wholeheartedly providing selective products and services that only the Kewpie Group can provide, and putting such aims into practice.

(2) Medium- to long-term business strategies, business environment, tasks ahead, etc.

Amid domestic lifestyle changes, including a rise in single-person households and a growing number of women entering the work force, consumer demand is rising for simple and ready-to-serve foods, and purchasing channels, such as those using the Internet, are diversifying. Turning to markets outside Japan, we are seeing changes in dietary habits and lifestyles. These changes are largely attributable to the increase in disposable incomes in developing countries and the growing trend toward Westernized foods.

In 2019, amid this rapidly changing environment, the Group will be celebrating 100 years since its foundation. At this juncture, we have formulated the "Kewpie Group 2030 Vision" as the Group's long-term vision with the aim of achieving ongoing growth over the next century. Under the 2030 Vision, the Group embraces a single common purpose and broadly evokes a sense of empathy by extending the areas in which we can contribute to the world and engaging in initiatives aimed at solving social issues.

In addition, we have formulated a Medium-term Business Plan that covers three years starting from the fiscal year ending November 30, 2019. Working to maintain growth in Japan and accelerate growth overseas, we have set forth three management policies (promoting our products, centering on the three businesses, as integral parts of our daily meals in Japan; accelerating business expansion overseas, particularly in China and South East Asia; and strengthening our business foundation for better adaptability to changes to the business environment).

[2019 to 2021 Medium-term Business Plan]

A. Management policies and key initiatives

Domestic	Overseas
<Promoting our products, centering on the three businesses, as integral parts of our daily meals> ◊ Build optimal production system using cross-business functions. ◊ Expand sales opportunities by using and exploiting sales channels. ◊ Make use of original materials and technologies to achieve new value. (Three businesses are "Condiments and processed foods business," "Salad and delicatessen business," and "Egg business.")	<Accelerating business expansion, particularly in China and South East Asia> ◊ All Areas Expand and cultivate consumers' salad needs with focus on mayonnaise and deep-roasted sesame dressing. ◊ Area Specific (Focus Areas: China and South East Asia) Develop businesses compatible to the local needs of each area and strengthen category type strategies and the business foundation.

<Strengthen the business foundation for better adaptability to environmental changes>

◊ Initiatives for the environment
- Effective utilization of resources: Utilization of unused parts of vegetables, etc.
- Reduction in product waste: SCM optimization, etc.
- Reduction of CO_2 emissions: Improved efficiency of production, distribution, etc.

◊ Initiatives for society
- Promoting longer, healthier lives: Food lifestyle proposals involving salad and eggs, etc.
- Promoting healthy minds and bodies in children: Food educational activities with focus on salads and eggs, etc.

◊ Promotion of diversity

◊ Improvement of governance

◊ Innovation of core systems

B. Performance targets (FY 2021)

(Billions of yen unless otherwise stated)

Net sales	585.0
Operating income	38.0
Ordinary income	39.0
Profit attributable to owners of parent	21.4
ROA (Ordinary income to total assets)	8.5%
ROE (Return on equity)	8.5%

C. Domestic and overseas net sales and operating income targets (FY 2021)

(Billions of yen)

	Net sales	Operating income
Domestic	519.1	39.0
Overseas	65.9	6.3
Company-wide expenses	—	(7.3)
Total	585.0	38.0

D. Net sales and operating income targets by segment (FY 2021)
The changes to business segments were implemented from the fiscal year ending November 30, 2019.

- All business operations of the Processed foods business except the Aohata Corporation portion have been transferred to the "Condiments products business" and renamed the "Condiments and processed foods business."
- The Aohata Corporation portion of the "Processed foods business" has been split off as the "Fruit solution business."
- Leasing related transactions that had been included in the "Distribution system business" have been transferred to "Common business operations," and this segment has been renamed "Distribution business."

(Billions of yen)

Business category	Net sales	Operating income
Condiments and processed foods	202.7	22.8
Salad and delicatessen	96.5	4.7
Egg	106.3	8.5
Fruit solution	20.5	1.1
Fine chemicals	10.0	1.6
Distribution	143.0	5.2
Common business operations	6.0	1.5
Company-wide expenses	—	(7.3)
Total	585.0	38.0

(Note) Company-wide expenses are expenses that cannot be allocated to any specific business (headquarters expenses, etc.).

(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 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 when the purchaser proposes to participate in the management of the Company, past investing activities of the purchaser 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 that such purchase (or such proposed purchase) 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, 2019 to further enhance its corporate value.

Under the Medium-term Business Plan, the Group aims to maintain growth in Japan and accelerate growth overseas, while also strengthening its business foundations to ensure future growth particularly by engaging in initiatives aimed at solving social issues with respect to our changing society.

In Japan, we will take steps to improve our profit generating capabilities by promoting our products as integral parts of daily meals, centering on the Condiments and processed foods business, the Salad and delicatessen business, and the Egg business. Our efforts to such ends will involve enhancing our cost competitiveness by building an optimal production system and streamlining production, and improving production capacity to ensure future growth. We will also seek more extensive sales opportunities by making reciprocal use of sales channels in our respective businesses and expanding into new sales channels, while also creating new value drawing on our original technologies.

Overseas, we will improve our profit generating capabilities by increasing sales which will involve expanding consumers' salad needs with focus on mayonnaise and deep-roasted sesame dressing, while at the same time making proposals and carrying out development geared to circumstances in respective geographic areas, particularly in China and Southeast Asia.

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 four corporate auditors (members of the Audit & Supervisory Board), including two 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 (the "officers") 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 the 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 officers 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 in making any important decision on the Defense Policy, 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 officers of the Company.

2. 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 end of the current fiscal year.

(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 shell 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 stable prices. 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 egg 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 enhancement of product quality assurance systems through the acquisition of Food Safety System Certification (FSSC 22000 and others), trans-group quality monitoring, product quality assurance and traceability systems that make use of factory automation, self-monitoring, and construction of quality standard control system for 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 and understanding regarding product quality among our employees. To this end, the Group helps employees acquire necessary knowledge and technology and instills them an insistence on the highest product quality 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 quality 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 ¥138.3 billion (24.1% of total net sales), and operating income came to ¥5.6 billion (16.9% 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 provision of safe and high-quality products 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.

3. Management Analysis of Financial Position, Operating Results and Cash Flows

(1) Overview of operating results, etc.

The overview of the Group's financial position, operating results and cash flows (the "operating results, etc.") for the current fiscal year is as follows:

A. Financial position and operating results

◊ General

During the fiscal year ended November 30, 2018, the Japanese economy saw a trend of modest recovery due to improvements in corporate earnings and the employment and income environment.

In the food industry amid an environment where changing lifestyles have led to greater consumer demand for simple/ready-to-serve meals such as ready-made foods, fluctuations in vegetable prices due to unfavorable weather conditions and natural disasters were the major impacts on consumer spending. In addition, signs of revisions to product pricing were also apparent due to increases particularly in personnel costs associated with the labor shortage, transportation and warehousing expenses, and raw material prices.

The food distribution industry also remained subject to a tough business environment due to factors that included escalating transportation costs against a backdrop of rising fuel prices and manpower shortages, in addition to adverse effects from successive natural disasters.

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

• Net sales

Despite the impact of a decline in the domestic shell egg market, due to increased sales of the cut vegetables and delicatessen products for the ready-made foods market and strong sales in the Distribution system business, consolidated net sales increased by ¥11,837 million (2.1%) year on year to ¥573,525 million.

• Profit

Despite the impact of an increase in costs including payroll expenses, operating income increased by ¥1,806 million (5.8%) year on year to ¥33,067 million, ordinary income increased by ¥1,838 million (5.7%) year on year to ¥34,349 million, and profit attributable to owners of parent increased by ¥221 million (1.2%) year on year to ¥18,320 million as a result of an increase in the US's dried egg market and growth in sales of value-added products.

◊ Business overview by segment

[Breakdown of net sales]

(Millions of yen unless otherwise stated)

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)	Change (amount)	Change (ratio)
Condiments products	150,435	153,394	2,959	2.0%
Egg products	100,463	100,895	432	0.4%
Delicatessen products	115,507	118,323	2,816	2.4%
Processed foods	46,604	46,769	165	0.4%
Fine chemical products	10,593	10,035	(558)	(5.3)%
Distribution system	131,237	138,263	7,026	5.4%
Common business operations	6,847	5,843	(1,004)	(14.7)%
Total	561,688	573,525	11,837	2.1%

[Breakdown of operating income]

(Millions of yen unless otherwise stated)

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)	Change (amount)	Change (ratio)
Condiments products	15,296	14,366	(930)	(6.1)%
Egg products	4,368	6,047	1,679	38.4%
Delicatessen products	3,847	4,415	568	14.8%
Processed foods	199	637	438	220.1%
Fine chemical products	864	1,269	405	46.9%
Distribution system	5,892	5,581	(311)	(5.3)%
Common business operations	792	750	(42)	(5.3)%
Total	31,261	33,067	1,806	5.8%

Condiments products

- Sales increased due to overseas strong sales of mayonnaise and dressings.
- Operating income decreased due to sluggish domestic sales resulting from the impact of a rise in vegetable prices and an increase in depreciation and amortization.

Egg products

- Sales increased in part due to an increase in the US dried egg market, despite the effects of a decline in the domestic shell egg market.
- Operating income increased due to growth in value-added products in domestic market, as well as a recovery in the US.

Delicatessen products

- Sales increased due to growth in sales of cut vegetables resulting from expansion in the stores handling the products, as well as expansion into new sales channels.
- Operating income increased due to expansion into new sales channels and cost improvements.

Processed foods

- Sales increased due to the growth of *Marugotokajitsu* products, pasta sauce, and Hokkaido corn, among other products.
- Operating income increased due to growth in value-added products and a review of unprofitable products.

Fine chemical products

- Sales decreased due to a decline in sales of EPA for medical use.
- Operating income increased due to growth in functional hyaluronic acid, primarily in overseas markets.

Distribution system

- Sales increased as a result of progresses made in the expansion of service areas with existing customers and an increase in consolidated subsidiaries.
- Operating income decreased due to higher procurement costs for fuel and vehicles, as well as the impact of natural disasters.

Common business operations

- Both sales and operating income decreased due to a decrease in sales of production equipment to food manufacturers.

◊ Status of financial position

- Total assets increased by ¥2,166 million year on year to ¥421,373 million.
  This was mainly due to a ¥8,875 million increase in cash and deposits, a ¥2,500 million decrease in securities, a ¥6,425 million decrease in buildings and structures, a ¥2,581 million increase in machinery, equipment and vehicles, a ¥6,652 million increase in construction in progress, a ¥2,545 million decrease in goodwill, and a ¥4,822 million decrease in investment securities.
- Total liabilities decreased by ¥502 million year on year to ¥155,273 million.
  This was mainly due to a ¥3,490 million decrease in notes and accounts payable — trade and a ¥2,770 million increase in accrued income taxes.
- Net assets increased by ¥2,668 million year on year to ¥266,100 million.
  This was mainly due to a ¥12,848 million increase in earned surplus and purchase of treasury stock of ¥9,256 million.

B. Status of Cash flows

Cash and cash equivalents at the end of the current fiscal year amounted to ¥47,970 million, which represents an increase of ¥6,559 million from the end of the previous fiscal year.
Status of cash flows is as follows:

Net cash provided by operating activities came to ¥41,778 million for the current fiscal year, up from ¥27,234 million for the previous fiscal year. This was the result of profit before income taxes of ¥33,586 million, depreciation and amortization of ¥18,215 million and income taxes paid of ¥9,229 million.

Net cash used in investing activities amounted to ¥20,199 million, compared with ¥31,421 million used in the previous fiscal year. This was the result of purchases of tangible fixed assets of ¥29,217 million and proceeds from transfer of business of ¥8,309 million.

Net cash used in financing activities amounted to ¥15,293 million, compared with ¥4,010 million provided in the previous fiscal year. This was the result of dividend payments of ¥5,514 million and purchase of treasury stock of ¥9,278 million.

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

(2) Analysis and discussions of the status of the operating results, etc. from the viewpoint of management

The contents of analysis and discussions of the status of the Group's operating results, etc., from the viewpoint of management are as follows.

Forward-looking statements included in this section are based on information available as of the end of the current fiscal year.

A. 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, judgements 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 of the Group are described in V. Financial Information. We consider the following significant accounting policies to have a material effect on our significant judgements and 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 market value are stated at market value, while those without readily determinable market value are stated at cost. The Group recognizes impairment losses on the investment securities based on reasonable criteria as those securities with readily determinable market value are exposed to the risk of price fluctuation of the stock market and those securities without readily determinable market value are exposed to the possibility of deterioration of the business performance of companies in which the Group has invested in.

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 and consideration of the collectability. Changes in estimated collectible amounts, however, could have an effect on earnings due to reversal of or additional provision to deferred tax assets.

B. Perception, analysis and discussions of the status of the operating results, etc. for the current fiscal year

a) Financial condition

(i) Assets

Current assets increased by ¥5,094 million year on year to ¥161,426 million. This was mainly due to a ¥8,875 million increase in cash and deposits and a ¥2,500 million decrease in securities.

Fixed assets decreased by ¥2,929 million year on year to ¥259,946 million mainly due to a ¥6,425 million decrease in buildings and structures, a ¥2,581 million increase in machinery, equipment and vehicles, a ¥6,652 million increase in construction in progress, a ¥2,545 million decrease in goodwill, and a ¥4,822 million decrease in investment securities.

As a result of the above, total assets increased by ¥2,166 million year on year to ¥421,373 million.

(ii) Liabilities and net assets

Total liabilities decreased by ¥502 million year on year to ¥155,273 million. This was mainly attributable to a ¥3,490 million decrease in notes and accounts payable — trade and a ¥2,770 million increase in accrued income taxes.

The ending balance of interest-bearing debt increased by ¥1,294 million year on year to ¥61,414 million.

Net assets increased by ¥2,668 million year on year to ¥266,100 million mainly due to a ¥12,848 million increase in earned surplus and purchase of treasury stock of ¥9,256 million.

As a result, the equity ratio declined by 0.3 percentage points to 53.7%, and net assets per share increased by ¥42.33 to ¥1,582.27.

b) Sources of cash and liquidity

(i) Cash flow analysis

Further details regarding cash flow analysis during the current fiscal year is given in "3. Management Analysis of Financial Position, Operating Results and Cash Flows, (1) Overview of operating results, etc., B. Status of Cash flows."

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

		Fiscal year 2014	Fiscal year 2015	Fiscal year 2016	Fiscal year 2017	Fiscal year 2018
Equity ratio	(%)	54.6	57.1	55.1	54.0	53.7
Equity ratio based on market value	(%)	82.6	120.1	104.8	101.2	93.6
Interest-bearing debt to cash flows ratio	(year)	0.8	1.1	0.8	2.2	1.5
Interest coverage ratio	(times)	116.0	89.5	146.4	75.8	122.5

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.

(ii) Demand for funds

The Group strives to procure financing and ensure liquidity in order to meet demand for funds particularly for capital investment, business investment, debt repayment and working capital, with the aim of further increasing corporate value.

(iii) Procurement of funds

The Group appropriates necessary funds by means of internal financing, and otherwise arranges financing through bank borrowings and corporate bond issuance when faced with a shortfall of funds.

(iv) Liquidity of funds

The Group arranges overdraft facilities with multiple financial institutions. In addition, the Group centrally manages surplus funds of the Company and the Group's consolidated subsidiaries in Japan, and has accordingly adopted a cash management system with the aim of enhancing funding efficiency and reducing financing costs.

4. Material Contracts

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

5. Research and Development

The Group carries 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," setting a high value on good taste, kindness, and uniqueness to contribute to better and healthier dietary lifestyles of people from around the world.

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 Q&B FOODS, INC., HENNINGSEN FOODS, INC., Mosso Kewpie Poland Sp. z o.o., BEIJING KEWPIE CO., LTD., Hangzhou Kewpie Corporation, KEWPIE (THAILAND) CO., LTD., KEWPIE MALAYSIA SDN. BHD., KEWPIE VIETNAM CO., LTD., and PT. KEWPIE INDONESIA.

The Company's R&D Division, in particular, aims to achieve dramatic growth by pursuing new challenges for the Group. To such ends, it creates technologies and ingredients full of originality, and accordingly carries out research and development geared to making enjoyable and healthy food lifestyles possible for our customers worldwide.

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 addition, during the current fiscal year the Group made progress in creating new systems looking toward the Ninth Medium-term Business Plan. In July 2018, we established the Institute of Food Creation, the Institute of Technology Solutions, and the R&D Planning Department. The Institute of Food Creation engages in research and development with the aim of contributing to food lifestyles and health of our customers worldwide. The Institute of Technology Solutions engages in research and development geared to creating value and finding solutions to challenges with respect to food and health of our customers worldwide. The R&D Planning Department aims to get the most out of the R&D function by strengthening collaborations with development sites in Japan and overseas, and by accordingly engaging in planning and promotion of R&D initiatives. These units coordinate efforts in order to leverage Group-wide synergies in R&D and strengthen the Group's ability to create added value.

Working in tandem with these R&D activities, the production technology units utilize the abundant and unique skills they have built up in production technology 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 ¥4,142 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-one presentations were made and eight essays were submitted and published regarding research results created in our R&D activities. The table below lists the main presentations and essays coordinated both internally and with external entities.

<Presentations>

Title	Annual Meeting	Collaborator
Effect of mayonnaise containing linseed oil on suppressing elevation of blood pressure	15th Japanese Society for Medical Use of Functional Foods	Kyushu University, Prefectural University of Kumamoto
Analysis of the mechanism of fermentative production of high concentration and high molecular weight hyaluronic acid	The 2018 Annual Meeting of Japan Society for Bioscience, Biotechnology and Agrochemistry	Chitose Laboratory Corp.
Characterization of koku taste in egg yolk type mayonnaise and the influence on the cells expressing calcium-sensing receptor	Association for Chemoreception Sciences (AChemS)	Korea Food Research Institute
Dietary egg white peptide prevents development of NAFLD induced by orotic acid in rats	The 72nd Annual Meeting of Japan Society of Nutrition and Food Science	Kyushu University
Effect of dried egg white powder on the rheological properties of gluten-free dough and texture properties of the bread	2018 IFT Annual Meeting & Food Expo	University of Nebraska
Evaluation of cabbage residue silage for a novel feedstuff of dairy cows	124th Annual Meeting of Japanese Society of Animal Science	Tokyo University of Agriculture and Technology
Minimum effective dose of egg white peptides on anti-fatigue effects in middle-aged marathon runners	17th International Society of Behavioral Nutrition and Physical Activity	Hokkaido University of Education Columbia Medical Office
Formation of protein aggregates involved in high-hardness heat-induced dried egg white gel	65th Annual Meeting of The Japanese Society for Food Science and Technology	Tokyo University of Agriculture
Effect of eggshells applied as fertilizer for rice paddy field cultivation on the physio-chemical characteristics of cooked rice (1st report)	65th Annual Meeting of The Japanese Society for Food Science and Technology	Tokyo University of Agriculture
Storage of commercial-use cabbage in plastic containers	The 2018 Annual Meeting of The Japanese Society for Horticultural Science	Tokyo University of Agriculture, Azabu University
Evaluation of Self-Micro Emulsifying Drug Delivery Systems using egg yolk lecithin	The 33rd Annual Meeting of The Academy of Pharmaceutical Science and Technology, Japan	
Study on anti-fatigue effect of egg white peptide per individual sporting events	The 65th Annual Meeting of the Japanese Society of Nutrition and Dietetics	Nippon Sport Science University
Properties of egg yolk treated with protease and its application	The International Egg Symposium	Kyoto Women's University

<Essays>

Title	Journal of Publication	Collaborator
Regular egg consumption at breakfast by Japanese woman university students improves daily nutrient intakes: open-labeled observations	Asia Pacific Journal of Clinical Nutrition	Ochanomizu University Toyo University
Effect of pH on Foam Formation of Spray-dried Egg White Dispersion by Whipping	Food Science and Technology Research	University of Shizuoka

Title	Journal of Publication	Collaborator
Higher Vegetable Intake Improved Blood Glucose Level in Vietnamese With Type 2 Diabetes Mellitus	International Journal of Clinical Nutrition & Dietetics	Hanoi Medical University, Jumonji University
Body odor aldehyde reduction by acetic acid bacterial enzymes	International Journal of Cosmetic Science	ENVIRONMENTAL CONTROL CENTER CO., LTD.
Enhancement of lymphatic transport of lutein by oral administration of a solid dispersion and a self-microemulsifying drug delivery system	European Journal of Pharmaceutics and Biopharmaceutics	Hokkaido University

<Condiments products>

For our dressings, we carried out a renewal of Kewpie dressings to mark the 60th anniversary of their launch during the current fiscal year. With respect to the 180-ml-sized dressings, we introduced newly developed containers that provide greater ease of use, and we improved the flavor of our *Caesar Salad Dressing* and *Grated Onion Dressing*, our core products. In the area of container development, we have been shifting from use of glass bottles to plastic bottles leveraging Kewpie's original technologies, which has resulted in containers that are light-weight, easy to open, easy to shake, easy to pour, easy to sort and environmentally sound. We have also succeeded in reducing the weight of the containers by about 100 grams in comparison with conventional glass bottles, and have reduced greenhouse gas (GHG) emissions by approximately 20% with respect to emissions caused by raw material procurement, container production and container transportation. As a result of those efforts, our dressing bottle received the Food Packaging Award in the Japan Packaging Contest 2018 held under the sponsorship of the Japan Packaging Institute (JPI), and furthermore received an award in the Consumer Package category of the Worldstar Competition.

We also proposed an expanded concept of salads involving a new notion of palatability with the launch of our new products *Mango Dressing* and *Deep-roasted Sesame Dressing Spicy Taste* dressing. Moreover, we proposed new ways of enjoying salads through use of our *Kewpie Salad Salt* line of powdered condiments amid trends of mounting health consciousness and propensity for natural foods, and an increasing number of people who prefer seasonings that bring out the taste of the ingredients.

In food services, we proposed means of extending uses of dressings from salads to main dishes with our launch of our *Kewpie Gudakusan Dressing* line, which won The Japan Food Journal Co., Ltd.'s Blockbuster Processed Food for Industrial Use Award.

In the mayonnaise category, we have been striving to enhance our core categories by promoting the notions of taste and convenience and stimulating the market, as well as technology and product development that focuses on environmental concerns. As for new product containers, we worked jointly with the Toyo Seikan Group in developing our *Non-Stick Bottle* whose inner-surface allows contents to slide out easily thereby eliminating the amount of product that remains in the container after use by approximately 60%. *Kewpie Half (300 g)* is being featured in the new bottle which went on sale in limited quantities.

Our consolidated subsidiary Kewpie Jyozo Co., Ltd. has been developing products that draw more value from Western-style vinegars, and has accordingly launched sales of two *Vinegar Sauce* commercial-use products. Kewpie Jyozo has also launched sales of its *seasoning with black vinegar and garlic-flavored soy sauce* commercial-use seasoning for delicatessen foods, along with its *vegetable hot sauce* and *horseradish sauce* seasonings that add a delicious accent to vegetable sushi.

<Egg products>

In the consumer markets, sales have been boosted as a result of having launched our *Rare scrambled egg* product under the *KEWPIE-NO-TAMAGO* brand. The product, which draws on our original egg processing technologies, tastes as if it had been made by a professional chef and is prepared simply by placing the package in warm water and heating it in a microwave oven.

In the food services market, various customers have given us positive feedback upon having launched sales of several *Snowman* brand products, including easy-to-use *Scrambled Eggs (high grade)* geared to the restaurant and hotel industry which are subject to personnel shortages, *Processed boiled egg (Soft boiled type)* geared to the delicatessen and restaurant industry and available for use as a topping on various dishes to provide an unprecedented taste and food presentation, and *Japanese Omelet with Colorful Vegetables* mainly targeting school meal programs given the attention it places on ingredients.

Furthermore, we conducted product development using our *Pure White®* egg ingredient featuring white-colored egg yolk, launching sales of *Scrambled egg (white color)* and *Thin omelet (white color)* under our *Snowman* brand as ready-to-eat products. These products have been well received by our customers in the restaurant business, particularly for use in menu items featuring white-colored eggs during Easer events.

As for egg ingredients, we launched our *Forzen whole egg to realize soft texture* upon having enhanced our capabilities using new technologies. The product has contributed to an increase in product quantities by addressing demands mainly of convenience store delicatessen food and boxed lunch vendors.

We have been continuing our efforts from last year with respect to carrying out market evaluations and developing individual applications in the market for our *Excel Egg SP* liquid whole egg product, thereby enabling us to address demands of our customers who had been dissatisfied with the pasteurized liquid eggs currently available.

Sales have been boosted as a result of launching *Separate packed frozen egg (Yolk and white) (Color rich type)* as a product under the *Twin Pack series* which has been well received as a substitute for shell eggs used in delicatessen foods. It features an agreeable color once cooked and is suitable for steam convection preparation.

<Delicatessen products>

In the Delicatessen products business, the Company's R&D Division worked closely with partners including consolidated subsidiaries Deria Foods Co., Ltd. and Salad Club, Inc. to polish our processing technology to provide safe, delicious salad and delicatessen foods and to conduct product development.

In delicatessen foods, we have expanded our offerings of products geared to new sales channels (home delivery and business offices), particularly meal kits. Sales have also been boosted by strong performance of delicatessen foods that cater to health-conscious customers (items containing lactic acid and GABA).

In order to make progress in proposing new ways of enjoying the delicious taste of vegetables, we launched sales of three new *Vegetable Soup* products that draw out the taste of vegetables, containing 70 grams of vegetables in a single pouch, and two new *100% Salad: Salad Shop's Smoothie* products containing one meal's worth of vegetables in a single bottle.

As for packaged salads (cut vegetables), we expanded our offerings of the *Vegetables for half a day* series which makes it possible to consume half of one's daily vegetable intake (350 grams) as recommended by Japan's Ministry of Health, Labour and Welfare.

We also launched sales of *Cabbage Rice* made from cores of cabbage cut into rice-sized pieces, as a proposal for new ways of enjoying vegetables. Offering the sweetness of cabbage cores combined with a rice-like texture and flavor, this product has increasingly been attracting the attention of very health-conscious customers who are concerned about their intake of calories and carbohydrates.

In the area of long shelf life (LL) salads for commercial-use, we launched sales of two products under the *Salad by Kewpie* brand, *Carrot Salad* and *Beets & Onion Salad*. We launched sales of seven items including our *Taramasalata* upon having revamped them so they align with customer preferences.

Moreover, as an initiative geared to effective use of resources and environmental conservation, we have succeeded in recycling vegetable scraps generated by the Group, for use as feed for dairy cows. For those initiatives we were awarded the Prime Minister's Prize which is the highest honor of the FY2018 3Rs (Reduce, Reuse, and Recycle) Awards.

<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.

In our *Aeru Pasta Sause* series we revamped our *Meat Sauce with Fond de Veau*, *Cod roe* and *Mentaiko (Spicy cod roe)* sauces by introducing new ingredients and original manufacturing methods that result in delicious pasta simply by dressing boiled pasta in one of the sauces. The *Cod roe* sauce in particular has helped us to boost sales as a result of having linked promotions with the sauce, which now tastes even better than before given that it contains the perfect blend of savory cod roe and the richness of butter.

We also launched sales of our *Salad Club Hokkaido Corn Cream Style* which provides the appeal of convenient retort pouch packaging with a delicious taste that brings the flavor of Japanese corn to life.

With respect to our *Yasashii Kondate* series of nursing care foods under the category of Universal Design Foods (UDF), we developed four products with the aim of enhancing our lineup of foods under the category of foods that "can be broken down by tongue pressure." These products consist of four items which include *Soft Beef Bowl-style Ojiya Rice Porridge*, two side-dish menu items, and one dessert item.

In our *From Around 7 Months Old* series of baby foods in jar, we launched sales of our new *Cream Sauce with White Fish & Vegetables* product as we make progress in enhancing existing product categories in part by overhauling packaging.

<Fine chemical products>
In the Fine chemicals business, we are moving forward with research and product development to maximize the possibilities of hyaluronic acid, egg components and our original performance ingredients.

During the current fiscal year, we developed our *ksmart* submucosal injectant for endoscopes, which is Kewpie's first medical device that uses hyaluronic acid. Having been granted approval for manufacture and sales of the product, we have begun selling it to medical institutions through Olympus Corporation. We have also embarked on development with respect to a second medical device.

In raw material sales, we have been tapping overseas markets for hyaluronic acid for medical use. To that end, we have been developing products that align with standards demanded by our customers, and have been proactively working to expand business by offering sample products.

As for egg components, we changed the container for *K Blanche*, an alcohol preparation that contains heat-denatured lysozyme derived from egg whites which effectively deactivates the norovirus, thereby making it even easier to use.

Also with respect to a powder-type heat-denatured lysozyme preparation, we embarked on joint development efforts with the aim of adopting it to products of other companies in order to expand its range of applications beyond alcohol preparation.

We began making improvements to production methods with the aim of making our *YOITOKI* food product which mitigates the negative effects of alcohol consumption even easier to consume. 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. We have also embarked on basic research with the aim of finding potential new health functions of acetic acid bacteria.

In overseas product development efforts, our American subsidiary Q&B FOODS, INC. launched sales of Kewpie brand *YUZU & KOSHO Dressing*. That product received the Specialty Food Association's Gold Award in the Salad Dressing category, and it was also showcased at the SIAL international food exhibition held in Paris.

In the Western European market, a partner company developed and launched sales of three Kewpie brand gluten-free dressing items.

In the Eastern European market, Mosso Kewpie Poland Sp. z o.o. developed and launched sales of three dressing items, including Mosso brand sesame dressing.

In the Southeast Asian market, the R&D unit of KEWPIE (THAILAND) CO., LTD. developed and launched sales of three Thai-style dressing items incorporating distinctive fresh herbs grown locally. Given that these products have been well received as dressings that offer unprecedented new flavors, we plan to launch sales in the Southeast Asian market beyond Thailand going forward.

The R&D unit of PT. KEWPIE INDONESIA also developed and launched sales of Kewpie Chef-style Mayonnaise geared to food service businesses. This product features unique attributes because it is readily mixed with sambal and other local seasonings using original technologies for controlling material properties.

In the Chinese market, having developed microbial control technologies for sauces that make it possible to ship them at room temperature, the local R&D unit has developed and launched sales of new types of sauces that are used in conjunction with noodles and other such ingredients.

(2) Common business operations and Distribution system

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

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 ¥32,105 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	5,565	Augmenting and streamlining facilities for production of mayonnaise, dressings
Egg products	11,719	Augmenting and streamlining facilities for production of liquid egg, egg spread, thick omelet
Delicatessen products	3,634	Augmenting and streamlining facilities for production of salads, delicatessen foods
Processed foods	2,310	Augmenting and streamlining facilities for production of jams, pasta sauces
Fine chemical products	233	Augmenting and streamlining facilities for production of hyaluronic acid
Distribution system	7,842	Warehouse facilities, vehicles
Common business operations	799	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, 2018 are as follows:

(1) The Company

Site	Segment	Facilities and equipment	Book value (millions of yen)						Number of employees
			Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Lease assets	Other	Total	
Hashikami Factory (Hashikami-cho, Sannohe-gun, Aomori)	Condiments products Egg products Delicatessen products Processed foods	For foods	530	479	553 (46,365)	—	21	1,584	1 (—)
Goka Factory (Goka-machi, Sashima-gun, Ibaraki)	Condiments products Processed foods Fine chemical products	For foods	6,656	3,314	3,734 (221,051)	31	97	13,835	295 (128)
Nakagawara Factory (Fuchu-shi, Tokyo)	Condiments products Processed foods	For foods	4,725	1,682	405 (43,484)	1	99	6,914	139 (90)
Fujiyoshida Factory (Fujiyoshida-shi, Yamanashi)	Condiments products Processed foods	For foods	1,341	648	272 (59,399)	—	17	2,279	1 (—)
Koromo Factory (Toyota-shi, Aichi)	Condiments products Egg products	For foods	1,115	1,978	16 (37,876)	0	34	3,144	144 (131)
Itami Factory (Itami-shi, Hyogo)	Egg products	For foods	1,469	560	2,337 (37,919)	—	12	4,380	41 (127)
Kobe Factory (Higashinada-ku, Kobe-shi, Hyogo)	Condiments products	For foods	7,330	6,430	1,601 (16,776)	131	278	15,772	109 (21)
Izumisano Factory (Izumisano-shi, Osaka)	Condiments products Processed foods	For foods	752	604	663 (18,576)	—	21	2,042	68 (66)
Tosu Factory (Tosu-shi, Saga)	Condiments products Processed foods	For foods	2,556	736	363 (53,958)	—	14	3,670	1 (—)
Head Office (Shibuya-ku, Tokyo)	—	For others	726 [5,560]	0	— (—)	138	280	1,146	746 (145)
Complex of facilities (Chofu-shi, Tokyo)	—	For others	6,664	157	138 (16,510)	1	436	7,397	274 (9)
Tokyo Branch and other 8 branches and 17 sales offices	—	For others	73 [16,866]	0	— (—)	—	25	99	689 (57)
Kobe Distribution Center (Higashinada-ku, Kobe-shi, Hyogo)	Distribution system	For warehousing and distribution system	4,284	601	6,075 (47,252)	—	14	10,976	— (—)

(2) Domestic subsidiaries

Trade name	Site	Segment	Facilities and equipment	Book value (millions of yen)						Number of employees
				Buildings and structures	Machinery, equipment and vehicles	Land (m^2)	Lease assets	Other	Total	
Kewpie Egg Corporation	Head Office, Factory and Office, etc. (Chofu-shi, Tokyo, etc.)	Egg products	For foods	3,144	4,215	3,793 (89,020)	102	146	11,401	985 (166)
Deria Foods Co., Ltd.	Head Office and Branch, etc. (Chofu-shi, Tokyo, etc.)	Delicatessen products	For foods	2,315	62	217 (13,790)	6	17	2,618	184 (62)
Kewpie Jyozo Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Condiments products	For foods	1,275	1,222	2,163 (69,749)	12	90	4,765	219 (119)
K.R.S. Corporation	Head Office and Branch Office, etc. (Chofu-shi, Tokyo, etc.)	Distribution system	For warehousing and distribution system	8,994	3,211	14,251 (248,206)	897	761	28,115	662 (279)
Co-op Foods Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Processed foods	For foods	2,003	1,607	281 (72,409)	18	34	3,944	183 (212)
Kanae Foods Co., Ltd.	Head Office and Factory (Chofu-shi, Tokyo, etc.)	Egg products	For foods	1,692	3,974	2,162 (45,997)	—	95	7,924	386 (652)
Zen-noh Kewpie Egg-station Co., Ltd.	Head Office and Factory (Goka-machi, Sashima-gun, Ibaraki, etc.)	Egg products	For foods	858	765	405 (10,287)	—	12	2,042	157 (144)
Soka Delica Co., Ltd.	Head Office and Factory (Soka-shi, Saitama)	Delicatessen products	For foods	732	68	1,264 (7,858)	130	6	2,201	61 (148)
Dispen Pak Japan Co., Inc.	Head Office and Factory (Minami-Ashigara-shi, Kanagawa, etc.)	Condiments products	For foods	260	646	836 (7,697)	—	11	1,755	102 (78)
Potato Delica Co., Ltd.	Head Office and Factory, etc. (Azumino-shi, Nagano, etc.)	Delicatessen products	For foods	1,064	543	518 (32,635)	294	10	2,430	95 (175)
Kpack Co., Ltd.	Head Office, Factory and Office, etc. (Goka-machi, Sashima-gun, Ibaraki, etc.)	Condiments products	For foods	233	754	— (—)	7	11	1,006	111 (140)
S.Y. Promotion Co., Ltd.	Head Office and Office, etc. (Koto-ku, Tokyo, etc.)	Distribution system	For warehousing and distribution system	863	2,814	2,384 (115,791)	—	36	6,098	477 (108)
Seto Delica Co., Ltd.	Head Office and Factory (Seto-shi, Aichi)	Delicatessen products	For foods	207	146	— (—)	858	12	1,225	56 (245)
Salad Club, Inc.	Head Office, Factory, and Branch, etc. (Chofu-shi, Tokyo, etc.)	Delicatessen products	For foods	634	1,133	117 (9,782)	12	17	1,914	307 (767)
K.Tis Corporation	Head Office and Office (Chofu-shi, Tokyo, etc.)	Distribution system	For warehousing and distribution system	447	2,155	2,877 (57,117)	105	9	5,595	1,279 (229)
Shunsai Deli Co., Ltd.	Head Office and Office (Akishima-shi, Tokyo, etc.)	Delicatessen products	For foods	588	738	200 (4,761)	25	52	1,605	213 (586)

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	
Sun Family Corporation	Head Office and Office, etc. (Yoshikawa-shi, Saitama, etc.)	Distribution system	For warehousing and distribution system	539	252	517 (10,889)	468	44	1,823	1,212 (1,570)
Green Message Co., Ltd.	Head Office and Factory (Yamato-shi, Kanagawa)	Delicatessen products	For foods	1,013	414	— (—)	—	13	1,441	31 (162)
Aohata Corporation	Head Office, Factory and Office, etc. (Takehara-shi, Hiroshima, etc.)	Processed foods	For foods	1,768	2,088	1,343 (67,378)	—	136	5,337	456 (204)

(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	503	1,075	20 (56,170)	173	167	1,940	164 (—)
Hangzhou Kewpie Corporation	Zhejiang Province, China	Condiments products	For foods	623	1,316	— (—)	—	66	2,006	566 (—)
BEIJING KEWPIE CO., LTD.	Beijing, China	Condiments products	For foods	912	985	— (—)	—	29	1,926	641 (—)
KEWPIE (THAILAND) CO., LTD.	Bangkok, Thailand	Condiments products	For foods	458	615	146 (104,797)	39	511	1,770	1,042 (8)
Nantong Kewpie Corporation	Jiangsu Province, China	Condiments products	For foods	1,482	728	— (—)	—	67	2,278	93 (—)
Mosso Kewpie Poland Sp. z o.o.	Puchały, Poland	Condiments products	For foods	799	209	256 (11,599)	83	23	1,371	164 (—)

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

1. "Other" listed under Book value includes tools, furniture and fixtures (construction in progress is excluded), and the amounts exclude consumption taxes.
2. The figures in brackets under Buildings and structures indicate the total area (m²) of leased properties.
3. Under Number of employees, the figures in parentheses indicate the number of temporary employees.

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, 2018)	Filing date (Feb. 28, 2019)		
Common stock	150,000,000	150,000,000	Tokyo Stock Exchange (First Section)	• Ordinary shares of the Company with no restrictions on shareholders' rights • Number of unit share: 100 shares
Total	150,000,000	150,000,000	—	—

(2) Stock acquisition rights

a) Stock options
Not applicable.

b) Rights plan
Not applicable.

c) Other information about stock acquisition rights
Not applicable.

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

Not applicable.

(4) Principal shareholders

(As of November 30, 2018)

Trade name	Address	Number of the Company's shares held (A) (thousand)	Ratio of (A) to the total number of issued shares (excluding treasury stock) (%)
NAKASHIMATO CO., LTD.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	15,071	10.54
TOHKA CO., LTD.	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	8,122	5.68
Japan Trustee Service Bank, Ltd. (Trust account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo	7,212	5.04
The Master Trust Bank of Japan, Ltd. (Trust account)	11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo	5,571	3.89
Kieikai Research Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	4,251	2.97
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	3,713	2.60
Sumitomo Mitsui Banking Corporation	1-2, Marunouchi 1-chome, Chiyoda-ku, Tokyo	3,208	2.24
Nippon Life Insurance Company (standing proxy: The Master Trust Bank of Japan, Ltd.)	6-6, Marunouchi 1-chome, Chiyoda-ku, Tokyo (11-3, Hamamatsu-cho 2-chome, Minato-ku, Tokyo)	3,039	2.12
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	2.11
Nakato Scholarship Foundation	4-13, Shibuya 1-chome, Shibuya-ku, Tokyo	2,494	1.74
Total	—	55,697	38.94

(Notes)
1. The 3,713 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.
2. The Company holds 6,956,925 shares of treasury stock.
3. The ratio of number of the Company's shares held is calculated excluding the treasury stock.

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) Purchase of treasury stock based on a resolution by the General Meeting of Shareholders

Not applicable.

(2) Purchase of treasury stock 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 October 2, 2018 (Repurchase period: From October 3, 2018 to November 30, 2018)	4,400,100	10,177,431,300
Treasury stock held prior to the current fiscal year	—	—
Shares repurchased during the current fiscal year	4,000,000	9,252,000,000
Total remaining number and value of shares resolved to be repurchased	400,100	925,431,300
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

(Notes) The repurchased shares of treasury stock presented above are acquired by means of tender offer, pursuant to the resolution of the meeting of the Board of Directors held on October 2, 2018.

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: 4,400,100 shares (maximum)
   Total acquisition price: ¥10,177,431,300 (maximum)
   Acquisition period: From October 3, 2018 to November 30, 2018
2. Summary of the purchases, etc.
   Period of the purchases, etc.: From October 3, 2018 to October 31, 2018
   Date of public notice of the commencement of the tender offer: October 3, 2018
   Price of the purchases, etc.: ¥2,313 per common stock
   Commencement date of settlement: November 22, 2018
3. Result of the purchases
   Total number of shares acquired: 4,000,000 shares
   Aggregate acquisition prices: ¥9,252,000,000

(3) Purchase of treasury stock 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	1,404	3,952,144
Shares repurchased during the specified period	105	272,130

(Note) "Shares repurchased during the specified period" does not include shares resulting from the purchase of treasury stock less than one unit between February 1, 2019 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	6,956,925	—	6,957,030	—

(Note) "Balance of treasury stock held" in "Specified period" does not include shares resulting from the purchase of treasury stock less than one unit between February 1, 2019 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 per share. The annual dividends will be ¥38 per share, which includes the interim dividend of ¥19 paid in August, for an increase of ¥1.50 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 customers, employees, business partners, shareholders, investors, 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, President and Chief Executive 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 core subsidiaries 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.

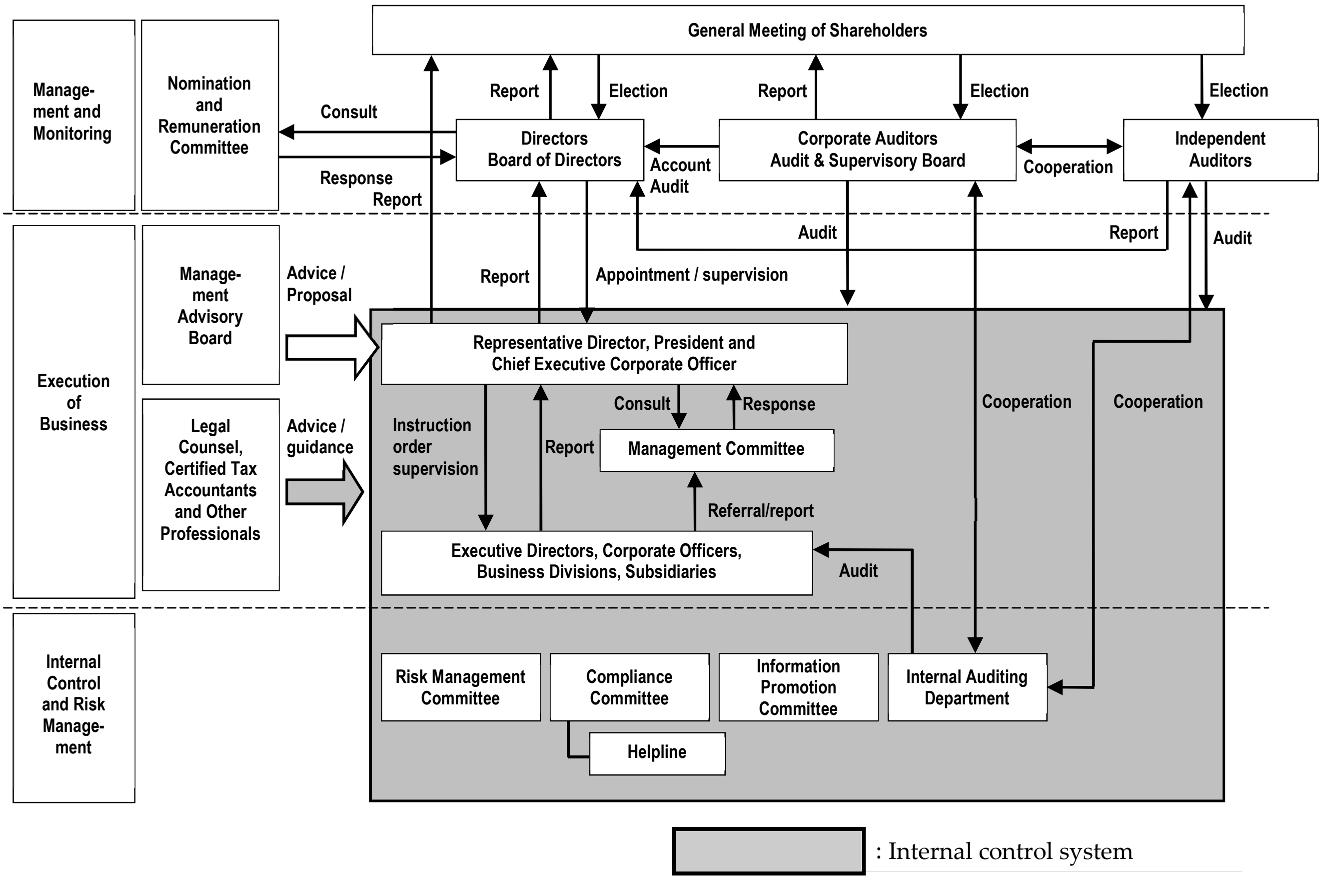
In August 2018, the Company established its Nomination and Remuneration Committee as an advisory body to the Board of Directors with the aim of enhancing objectivity, adequacy and transparency regarding factors such as the composition of the Board of Directors and means of nominating and compensating directors and others. It is to consist of no fewer than five members, and at least half of its membership is to comprise outside directors and outside corporate auditors (the "outside officers")who meet the independence criteria.

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



<u>Reason for adopting the Group's corporate governance structure</u>

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 two outside corporate auditors concerning the overall management of the Company. They also serve the important role of monitoring the Representative Director, President and Chief Executive 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 Company sets the term of Directors at 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.

<u>Progress made in establishing internal control system</u>

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 Regulation 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 Management Promotion Division 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. In addition, the Company shall share information related to all company risks at the Risk Management Committee. The Risk Management Committee shall evaluate, and manage the overall order of priority of the risks.

b) The Internal Audit Office 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, environmental protection and safety, and, when reporting on a regular basis to the Risk Management Committee, Board of Directors and Audit & Supervisory Board, shall not only report on matters related to risk management, but also report on the progress of the establishment of the risk management system inside the Company.

c) The Company shall create a crisis management manual based on its risk management basic policy. It shall first identify and categorize concrete risks and then establish information transmission and emergency response systems that provide a quick and proper response in times of emergency.

D. System to ensure directors can efficiently execute their duties

a) While providing group-wide 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, President and Chief Executive Corporate Officer shall appoint person in charge of such duties for each business unit by the 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 the 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, President and Chief Executive 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 Audit & Supervisory Board.

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, President and Chief Executive 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, President and Chief Executive 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 Audit Office executes internal auditing of matters requested by the corporate auditors through deliberation with the Audit & Supervisory Board and reports the results of such audits to the Audit & Supervisory Board. Moreover, if the Audit & Supervisory Board requests to appoint an employee to assist in such duties, the Internal Audit Office 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 Audit Office 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 Audit Office. Moreover, in order to ensure independence, when the Audit & Supervisory Board requests the placement of an employee to assist in auditing duties, that employee shall not receive instructions or orders from directors.

b) Committees contributing to the internal control system such as the Risk Management Committee and the Compliance Committee, the Internal Audit Office, 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 officers and employees of subsidiaries to report to the corporate auditors

a) Directors and employees, and officers and employees of subsidiaries shall report the information necessary to respond to respective corporate auditor requests in accordance with the stipulation of the Audit & Supervisory Board.

b) The subjects of the information matters mentioned in the previous paragraph are mainly:

- Content of agenda items for resolution at the General Meeting of Shareholders
- Status of activities at units concerning the construction of the Company's internal control system
- Status of activities of corporate auditors, the Internal Audit Office, 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 Audit & Supervisory Board shall not only make the opportunity for hearings from executive directors and important employees, but also make the opportunity for regular exchange of opinions from the Representative Director, President and Chief Executive Corporate Officer and the accounting auditors.
b) Audit policies and important audit matters of respective fiscal years are to be reported to the Board of Directors and shared with the directors.

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

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

a) System to ensure compliance with laws and regulations and the Articles of Incorporation
    - Two of our Chinese subsidiaries have adopted and initiated operations of internal reporting systems. We are also laying the groundwork for introducing such systems to our Southeast Asian subsidiaries.
    - To address risks associated with potential instances of bribery, we have established and initiated operations of the anti-bribery regulations also at our Southeast Asian subsidiaries, after having done so at our Chinese subsidiaries during the previous fiscal year.
b) System for managing risk of loss
    - At its business offices in Japan and overseas, various sessions including crisis management training sessions, media training sessions, and large-scale disaster response training sessions (response involving backup offices and product supply training) were implemented.
c) System to ensure effective execution of duties

- We commenced full-scale implementation of our project to revamp core information technology systems of the Group, with the aim of helping to build a robust management base looking toward the future.
- We newly established the Nomination and Remuneration Committee as an advisory body to the Board of Directors with the aim of enhancing objectivity, adequacy and transparency regarding factors such as the composition of the Board of Directors and means of nominating and compensating directors and others, so that it may in turn fuel the Group’s medium- to long-term growth and increase its corporate value.

d) System necessary to ensure properness of operations in the corporate group

- We have established our Kewpie Group 2030 Vision, which is a long-term vision geared to unifying the hopes of our entire workforce with our sights set on achieving the Group’s goal. Meanwhile, we have formulated our Ninth Medium-term Business Plan (December 1, 2018 to November 30, 2021) which is geared to maintaining growth in Japan and accelerating growth overseas.
- At business offices in Japan and overseas, by creating numerous opportunities for explanation and discussion of the Group’s philosophy, starting with its motto and precepts, the management themselves worked to spread awareness on the Group’s philosophy.
- We made progress with efforts that included selling and reorganizing business operations and subsidiaries, as well as establishing a management company in China, with such initiatives carried out from the perspective of increasing corporate value and streamlining governance of our subsidiaries.

e) System to ensure that corporate auditors perform audits effectively

- The Company’s corporate auditors have been striving to assess the current status and issues of internal controls through efforts that include creating opportunities for regular exchange of opinions and other dialogue among the President and Chief Executive Corporate Officer, accounting auditors and the Internal Audit Office, as well as attending meetings of the Risk Management Committee, the Compliance Committee and other such bodies.

Risk management system

The Company’s risk management basic policy has set specific, systematic procedures for risk management, under which each responsible unit exercises continuous oversight of each individual risk factor. In addition, the Risk Management Committee shall share information related to risk factors that affect the Company as a whole to comprehensively manage evaluation and prioritization of such risks, and countermeasures thereof. A crisis management manual has been prepared 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 in charge of risk management, as needed.

In order to provide a solid legal compliance structure, the Company has established a Compliance Committee (chaired by the directors in charge of compliance issue, with administrative work performed by members of the Internal Audit Office), which is at the center of various compliance activities. The Committee chairman reports back to the Board of Directors and the Audit & Supervisory Board on the status of compliance activities. In addition to establishing and publically releasing a document entitled “Group 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 Promotion Committee (headed by the officer in charge of the Management Promotion Division or a person who is appointed by the said officer, with administrative work performed by the Management Promotion Division 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.

Status of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee was established in August 2018 as an advisory body to the Board of Directors with the aim of enhancing objectivity, adequacy and transparency regarding matters such as the composition of the Board of Directors and the methods of nomination and compensation of directors and other officers, so that it may contribute to the Group's medium- to long-term growth and improvement of its corporate value. The Nomination and Remuneration Committee deliberates on the following matters, and makes decisions as necessary, with respect to:

(1) Structure of the management systems and member composition of the Board of Directors;
(2) Criteria for election and dismissal of directors, corporate auditors, and corporate officers;
(3) Nomination of respective candidates for positions as directors and corporate auditors;
(4) Criteria for evaluating directors and corporate officers;
(5) Design of compensation systems for directors and corporate officers; and
(6) Other matters regarding the Group's corporate governance as deemed necessary by the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee consists of no fewer than five members (the Company's directors and corporate auditors), and at least half of its members must consist of outside officers who meet the independence criteria. The committee's members shall be elected by the resolution of the Board of Directors, and their term of office shall continue until the conclusion of the Company's first Ordinary General Meeting of Shareholders to be held subsequent to their appointment. The chairman of the committee shall be appointed by the resolution of the Nomination and Remuneration Committee from among its members who are outside directors, and shall undertake chairmanship of the committee.

As of February 28, 2019, the committee's chairman and its members are as listed below.

<Chairman >

- Outside Director Kazunari Uchida

＜Member＞

- Outside Director Kazunari Uchida
- Outside Director Shihoko Urushi
- Outside Corporate Auditor Kazumine Terawaki

- Chairman Amane Nakashima
- Representative Director, President and Chief Executive Corporate Officer Osamu Chonan
- Director, Executive Corporate Officer Nobuo Inoue

Evaluation of the effectiveness of the Board of Directors
From December 2017 through January 2018, the Company implemented an evaluation of the effectiveness of the Board of Directors (second evaluation) and worked to improve the operation of the Board of Directors based on those results. A summary of this process is as follows:

(1) Implementation methods and details
- Covering all officers, we implemented a questionnaire using an external organization. The questionnaire included items on “Capabilities of Respective Directors and Corporate Auditors, and Composition Thereof, Etc.,” “Enhancement of Deliberations, Etc.,” “Cooperation with Stakeholders,” and “Overall and Other Matters” (10 questions in both multiple-choice and free-response format). As such, we placed focus on evaluating efforts for improvements made in fiscal year 2017, and eliciting opinions regarding the direction of further improvements in the changing business environments.
- The Board of Directors Office and external organization analyzed and evaluated the responses to the questionnaire, and after reporting and sharing those results with the Board of Directors, opinions were exchanged among attended officers at the meeting of the Board of Directors.

(2) Evaluation results
- According to the evaluation results, improvements have generally been made in many issues identified in the first effectiveness evaluation. However, further improvement for enhancement of deliberations of the Board meeting was recognized as an ongoing challenge, and we have also become even more aware of the needs to address demands of our stakeholders.

(3) Improvement initiatives
- In order to enhance deliberations at the Board of Directors, we have reduced time allocated to reporting items and explanation of the proposals, while devoting more time to exchanging opinions on management issues.
- We held multiple executive training sessions geared to officers and other executive personnel, and we have also expanded opportunities for our outside officers to participate in internal business meetings and other such forums.
- We newly established the Nomination and Remuneration Committee as an advisory body to the Board of Directors with the aim of enhancing objectivity, adequacy, and transparency regarding matters such as the composition of the Board of Directors and the nomination and compensation of directors and others. During the committee’s four meetings held during the current fiscal year, its members exchanged opinions on matters including the composition and diversity of the Board of Directors and basic design of director bonus system.

From December 2018 to January 2019, the Company conducted a questionnaire, as the effectiveness evaluation carried out during the current fiscal year (third evaluation), to officers using an external organization (the questionnaire contained questions including evaluations of initiatives carried out during the current fiscal year, future challenges, and necessary initiatives to be taken; it also included an evaluation of the effectiveness of the Nomination and Remuneration Committee).

Thereafter, after reporting and sharing the questionnaire results and evaluation by the external organization with the Board of Directors, opinions were exchanged among all officers at the meeting of the Board of Directors.

In the questionnaire, though the evaluation showed that many of the issues shared at the previous evaluation of the effectiveness had been improved generally, future issues and plans for concrete initiatives were again shared at the meeting of the Board of Directors and we will work toward further improvements.

Going forward, the Company will implement an evaluation of the effectiveness of the Board of Directors every year, and we will work to build a management framework that contributes to the medium- to long-term development of the Group.

Lawyers, accounting auditors, and other third parties

When the management of the Company requires advice on legal matters, they consult their legal advisors (lawyers).

In addition, the Company's external auditor — Ernst & Young ShinNihon LLC — as part of their audit procedures, provides the Company with advice relating to issues in the sphere of the Company's accounts and general management. (The Representative Director, President and Chief Executive 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.

Audit work for the Company during the reporting period was executed by the three certified public accountants listed below, assisted by forty other qualified persons, including nineteen CPAs and twenty-one other qualified persons.

Names & titles of CPAs	Audit firm to which the CPA belongs
Yoshimi Kimura Designated and Engagement Partner	Ernst & Young ShinNihon LLC
Yoshiyuki Sakuma Designated and Engagement Partner	Ernst & Young ShinNihon LLC
Miyuki Nakamura Designated and Engagement Partner	Ernst & Young ShinNihon LLC

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

2. The audit firm noted above takes measures so that its engagement partners do not engaged 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 Audit & Supervisory Board 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 Audit & Supervisory Board and the Representative Director, President and Chief Executive 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 Audit Office to act as its internal auditing unit with 11 staff members. The staff of the Internal Audit Office 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, President and Chief Executive Corporate Officer, the director in charge of the Internal Audit Office or corporate auditors – to confirm that organized activities throughout the Group are being carried out properly and efficiently in conformity with the laws and regulations, or in line with the Company's own internal regulations and the management's policies. If required, the Internal Audit Office cooperates with corporate auditor 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 auditor

The Company has two outside directors and two 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. In addition, Mr. Uchida is an external Director of Lion Corporation and an Outside Director of Sompo Japan Nipponkoa Insurance Inc. The Company has no business relationships with Lion Corporation. The Company has a business relationship with Sompo Japan Nipponkoa Insurance Inc., but to the extent of normal transactions. Accordingly, there is no special interest between the Company and any of the two companies. He satisfies the Company's "Independence Criteria for Outside Officers." Consequently, there is no risk of this having an impact on his independence.

Outside director Ms. Shihoko Urushi has abundant experience as an educator combined with broad insight as a corporate executive. In addition, Ms. Urushi is Outside Director of Culture Convenience Club Co., Ltd. There is no special interest between the Company and the said company. She satisfies the Company's "Independence Criteria for Outside Officers" as well. Consequently, there is no risk of this having an impact on her independence.

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 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. Kazumine Terawaki has specialist knowledge and broad insight as a legal expert. In addition, Mr. Terawaki is a corporate auditor of The Shoko Chukin Bank, Ltd. There is no special interest between the Company and the said company. He satisfies the Company's "Independence Criteria for Outside Officers" as well. Consequently, there is no risk of this having an impact on his independence.

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 Officers>

To judge the independence of outside directors and outside corporate auditors as stipulated in the Companies Act, we check the requirements for independent officers stipulated by the Tokyo Stock Exchange, Inc. as well as checking whether the following items 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 Company (*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 financial benefits exceeding ¥10 million in one business year other than officer compensations 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 officers, 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 the consolidated net sales of the client 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 auditor), executive officer, corporate officer, or other person in the rank of senior 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 four such individuals with the Tokyo Stock Exchange, Inc. as independent officers who pose no risk involving conflict of interests with ordinary shareholders, including Mr. Kazunari Uchida and Ms. Shihoko Urushi as outside directors, and Ms. Emiko Takeishi and Mr. Kazumine Terawaki 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 and dismissal of directors and corporate auditors

<Policy for Nomination of Director Candidates>

The Board of Directors of the Company, in order to respond to the trust placed by the shareholders, shall have the responsibility to respect the corporate philosophy, promote sustainable corporate growth and the improvement of the medium- to long-term corporate value, and enhance profitability 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 abundant experience and expertise in these fields.
2. Must have a keen interest in 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 in a timely and appropriate manner.

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 order to respond to the trust placed by the shareholders, have responsibilities to prevent violations 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 fair and unbiased stance and possess the capability to fulfill auditing duties.
3. Must understand the Group operations in general 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 abundant experience and expertise in these fields.
2. Must have a keen interest in the 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 Directors, Corporate Auditors, and Corporate Officers>

The proposal for nomination of candidates for directors, corporate auditors and corporate officers is submitted to the Nomination and Remuneration Committee (an advisory body to the Board of Directors, which shall be chaired by an outside director and have a composition where at least half of members are outside officers who meet the independence criteria). Subsequently, the candidates recommended by the committee are reviewed and decided upon at a Board of Directors meeting.

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

<Policies and Procedures for Dismissal of Corporate Officers>

The Board of Directors of the Company may seek resignation or otherwise dismiss a corporate officer (including corporate officers with special titles such as President at the top) in the event that any one of the following items applies. Matters involving dismissal of a corporate officer are to be deliberated on and decided by the Board of Directors, subsequent to discussion in a meeting of the Nomination and Remuneration Committee.

1. The individual has engaged in an act of fraud, impropriety, perfidy or breach of trust as a corporate officer;
2. The individual has shown a lack of competence as a corporate officer;
3. The professional duties of a corporate officer performed by the individual have been insufficient in terms of implementation or results thereof, and the Board of Directors has deemed that it would be inappropriate for him or her to continue performing his or her duties as a corporate officer; or
4. The individual has behaved or otherwise engaged in language and conduct unbecoming to a corporate officer.

(e) Compensation of officers

(i) The total compensation of officers by type, total compensation by classification, and number of people receiving compensation

Type of officers	Total compensation (millions of yen)	Total compensation by classification (millions of yen)		Number of people receiving compensation
		Basic compensation	Bonuses	
Directors (excluding outside directors)	360	302	57	10
Corporate auditors (excluding outside corporate auditors)	48	48	—	3
Outside officers	54	54	—	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 officers 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:

<Policy for Determining Compensation of Directors, Corporate Auditors, and Corporate Officers>

1. Rationale and procedures for compensation of officers, and corporate officers
   1) The Company institutes a compensation system for compensation of directors and corporate officers that consists of monthly remuneration and bonuses, which is linked with the Company’s performance and reflects their responsibilities and achievements.
   2) The Company discusses the rationale (system design) at the meeting of Nomination and Remuneration Committee, and improves its objectivity, appropriateness and transparency.
   3) The total amount of bonuses paid to directors must be approved at a General Meeting of Shareholders.
   4) The amounts of compensations paid to outside directors and corporate auditors (inside and outside) shall respectively be fixed and no bonuses will be paid.
2. Calculation method for monthly remuneration
   1) A monthly remuneration for director duties of inside directors will be paid at a flat rate; provided, however, that a separate, additional remuneration be paid to the persons with representative authority.
   2) The monthly remuneration as 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, Senior Executive Corporate Officer, Executive Corporate Officer, and Senior Corporate Officer).
3. Calculation method for bonuses
   1) The bonus amount is calculated according to the rank of the directors and corporate officers, using the consolidated operating income and the goal attainment levels of the individual and the division for which they are responsible, as an indicator.
   2) During the respective fiscal years covered under the Ninth Medium-term Business Plan (the fiscal year ending November 30, 2019 to the fiscal year ending November 30, 2021), the Company has set the weight of bonuses to no less than 30% of the basic amount of total annual remuneration with the aim of achieving sustainable growth of the Group. In

addition, criteria and allocations with respect to performance evaluation indicators set on an individual basis are to align with intent of the Ninth Medium-term Business Plan.

3) The Company may increase or decrease the bonus amount paid for the final fiscal year of the Ninth Medium-term Business Plan, depending on an individual progress made in achieving the performance goals previously set for the final fiscal year on an individual basis.

(f) Status of individuals who have retired from the position of Representative Director, President and Chief Executive Corporate Officer, etc.

The Company has not currently appointed an Executive Corporate Adviser.

The Company, where the President and Chief Executive Corporate Officer recognizes a specific business need, shall, in accordance with the required internal procedures, delegate a retired President and Chief Executive Corporate Officer as an Executive Corporate Adviser, or a retired officer as a Corporate Adviser.

The Executive Corporate Adviser, mainly for the smooth succession of management, shall provide advice where requested by the President and Chief Executive Corporate Officer, and shall fulfill other duties as requested by the President and Chief Executive Corporate Officer, including industry group activities and activities to maintain relationships with business partners. Furthermore, a Corporate Adviser will be delegated particularly when there is a specific mission to be requested based on the Corporate Adviser’s knowledge and experience during their time as officer.

Neither the Executive Corporate Adviser nor the Corporate Adviser have authority in the decision-making process of management, neither do they attend meetings of the Management Council or other internal meetings.

The terms shall be in principle one-year term with a maximum of two years for the Executive Corporate Adviser and a maximum of one year for the Corporate Adviser, meaning retired officers do not maintain long-term business relationships with the Company.

Furthermore, in terms of internal procedures, the delegation of the Executive Corporate Adviser requires a resolution by the Board of Directors, and the delegation of the Corporate Adviser requires a decision by the President and Chief Executive Corporate Officer reported to the Board of Directors.

(g) Status of shareholdings

(i) Investment shares held for purposes other than pure investment
Number of issues: 120 issues
Total book value on the balance sheet: ¥23,261 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	1,554,500	5,067	To strengthen trading relationship
Kato Sangyo Co., Ltd.	840,300	3,399	To strengthen trading relationship
Saha Pathanapibul Public Co., Ltd.	16,072,583	2,888	To strengthen business relationship
Nisshin Seifun Group Inc.	1,003,981	2,204	To strengthen trading relationship
Kikkoman Corporation	374,000	1,645	To strengthen trading relationship
Kirin Holdings Company, Limited	507,000	1,333	To strengthen trading relationship
Ono Pharmaceutical Co., Ltd.	385,000	985	To strengthen business relationship
internet infinity INC.	240,000	653	To strengthen business relationship
Seven & i Holdings Co., Ltd.	124,600	573	To strengthen trading relationship
Inageya Co., Ltd.	307,591	566	To strengthen trading relationship
Yoshinoya Holdings Co., Ltd.	295,098	549	To strengthen trading relationship
Sumitomo Mitsui Financial Group, Inc.	112,483	511	To maintain stable trading relationship with financial institution
Mitsubishi UFJ Financial Group, Inc.	495,500	392	To maintain stable trading relationship with financial institution
Mizuho Financial Group, Inc.	1,807,200	368	To maintain stable trading relationship with financial institution
Taisho Pharmaceutical Holdings Co., Ltd.	39,600	353	To strengthen business relationship
Kadoya Sesame Mills Incorporated	50,000	350	To strengthen trading relationship
Toho Co., Ltd.	110,000	301	To strengthen trading relationship
Casio Computer Co., Ltd.	181,000	297	To strengthen business relationship
KAGOME CO., LTD.	54,200	225	To strengthen trading relationship
Morozoff Limited	30,000	224	To strengthen trading relationship
Dai-Ichi Life Holdings, Inc.	74,200	170	To strengthen business relationship
TAKARA HOLDINGS INC.	125,000	157	To strengthen trading relationship
Showa Sangyo Co., Ltd.	53,600	154	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	3,479	Power to exercise voting rights
Seven & i Holdings Co., Ltd.	485,000	2,233	Power to exercise voting rights
Sumitomo Corporation	654,000	1,140	Power to exercise voting rights
Mitsubishi Shokuhin Co., Ltd.	299,000	1,022	Power to exercise voting rights
Kyowa Hakko Kirin Co., Ltd.	475,000	1,011	Power to exercise voting rights
Yamato Holdings Co., Ltd.	219,000	500	Power to exercise voting rights
Aeon Co., Ltd.	220,000	401	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	4,982	To strengthen trading relationship
Kato Sangyo Co., Ltd.	840,300	2,953	To strengthen trading relationship
Kikkoman Corporation	374,000	2,475	To strengthen trading relationship
Nisshin Seifun Group Inc.	1,003,981	2,394	To strengthen trading relationship
Saha Pathana Inter-Holding Public Company Limited	5,719,331	1,267	To strengthen business relationship
Saha Pathanapibul Public Co., Ltd.	5,219,737	929	To strengthen business relationship
Seven & i Holdings Co., Ltd.	124,600	615	To strengthen trading relationship
Yoshinoya Holdings Co., Ltd.	295,915	576	To strengthen trading relationship
Inageya Co., Ltd.	308,495	488	To strengthen trading relationship
Sumitomo Mitsui Financial Group, Inc.	112,483	470	To maintain stable trading relationship with financial institution
Mizuho Financial Group, Inc.	1,807,200	339	To maintain stable trading relationship with financial institution
Mitsubishi UFJ Financial Group, Inc.	495,500	309	To maintain stable trading relationship with financial institution
Kadoya Sesame Mills Incorporated	50,000	292	To strengthen trading relationship
Toho Co., Ltd.	110,000	263	To strengthen trading relationship
Aeon Co., Ltd.	70,385	191	To strengthen trading relationship
internet infinity INC.	240,000	181	To strengthen business relationship
TAKARA HOLDINGS INC.	125,000	180	To strengthen trading relationship
KAGOME CO., LTD.	54,200	179	To strengthen trading relationship
Morozoff Limited	30,000	164	To strengthen trading relationship
FUJI OIL HOLDINGS INC.	45,100	163	To strengthen trading relationship
Showa Sangyo Co., Ltd.	53,600	152	To strengthen trading relationship
Dai-Ichi Life Holdings, Inc.	74,200	146	To strengthen business relationship
Casio Computer Co., Ltd.	90,500	143	To strengthen business 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	2,831	Power to exercise voting rights
Seven & i Holdings Co., Ltd.	485,000	2,397	Power to exercise voting rights
Sumitomo Corporation	654,000	1,140	Power to exercise voting rights
Kyowa Hakko Kirin Co., Ltd.	475,000	1,105	Power to exercise voting rights
Mitsubishi Shokuhin Co., Ltd.	299,000	916	Power to exercise voting rights
Yamato Holdings Co., Ltd.	219,000	659	Power to exercise voting rights
Aeon Co., Ltd.	220,000	598	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.

(h) 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.

(i) Number of directors

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

(j) 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.

(k) 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.

(l) 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	92	2	92	2
Consolidated subsidiaries	84	0	80	0
Total	176	2	172	2

(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 ¥60 million for audit services and ¥7 million for non-audit services, in the previous fiscal year, and ¥56 million for audit services and ¥6 million for non-audit services, in the current fiscal year.

(c) Non-audit services performed by auditing certificated public accountants for the Company
For services other than those provided in Article 2, Paragraph 1 of the Certified Public Accountants Law, the Company 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, in the previous fiscal year and current fiscal year.

(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 Audit & Supervisory Board in accordance with the provisions of the Companies Act.

V. Financial Information

5. Preparation of the consolidated financial statements

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

6. Audit

The audits were performed by Ernst & Young ShinNihon LLC on the consolidated financial statements for the fiscal year (from December 1, 2017 to November 30, 2018) in accordance with Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Law.
On July 1, 2018, Ernst & Young ShinNihon LLC, the accounting auditor of the Company, changed its Japanese corporate name from *ShinNihon Yugen Sekinin Kansa Hojin* to *EY ShinNihon Yugen Sekinin Kansa Hojin*. Its English name is unchanged.

7. 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, 2017)		Current fiscal year (As of November 30, 2018)	
Assets				
Current assets				
Cash and deposits		29,618		38,493
Notes and accounts receivable — trade		78,212		77,034
Securities		12,000		9,500
Purchased goods and products		16,355		16,695
Work in process		972		963
Raw materials and supplies		11,377		10,595
Deferred tax assets		2,823		3,024
Other		5,192		5,566
Allowances for doubtful accounts		(222)		(446)
Total current assets		156,332		161,426
Fixed assets				
Tangible fixed assets				
Buildings and structures	*4	185,446	*4	181,314
Accumulated depreciation		(104,416)		(106,708)
Net book value	*2	81,030	*2	74,605
Machinery, equipment and vehicles	*4	170,766	*4	175,809
Accumulated depreciation		(121,373)		(123,835)
Net book value		49,393		51,974
Land	*2, *4	49,820	*2, *4	52,084
Lease assets		9,729		8,966
Accumulated depreciation		(4,257)		(4,205)
Net book value		5,472		4,761
Construction in progress		4,571		11,223
Other	*4	15,707	*4	16,183
Accumulated depreciation		(11,248)		(11,977)
Net book value		4,459		4,206
Total tangible fixed assets		194,746		198,856
Intangible fixed assets				
Goodwill		3,778		1,233
Software		3,210		4,322
Other		1,369		737
Total intangible fixed assets		8,359		6,293
Investments and other assets				
Investment securities	*1	34,495	*1	29,673
Long-term loans receivable		519		879
Assets for retirement benefits		12,630		11,552
Deferred tax assets		2,027		2,424
Other	*1	10,278	*1	10,449
Allowances for doubtful accounts		(182)		(181)
Total investments and other assets		59,769		54,797
Total fixed assets		262,875		259,946
Total assets		419,207		421,373

(Millions of yen)

	Previous fiscal year (As of November 30, 2017)		Current fiscal year (As of November 30, 2018)	
Liabilities				
Current liabilities				
Notes and accounts payable — trade		48,008		44,518
Short-term loans payable	*2	8,037	*2	9,496
Current portion of bonds		—		10,000
Accounts payable — other		17,547		17,025
Accrued expenses		6,533		6,462
Accrued income taxes		4,005		6,775
Deferred tax liabilities		11		15
Reserves for sales rebates		801		831
Reserves for bonuses		1,831		1,937
Reserves for directors’ bonuses		121		116
Other reserves		100		52
Other		3,699		3,672
Total current liabilities		90,697		100,903
Non-current liabilities				
Bonds		10,000		—
Long-term loans payable	*2	35,947	*2	36,664
Lease obligations		4,506		3,804
Deferred tax liabilities		9,068		7,722
Liabilities for retirement benefits		3,147		3,546
Asset retirement obligations		1,120		1,123
Other		1,286		1,508
Total non-current liabilities		65,077		54,370
Total liabilities		155,775		155,273
Net assets				
Shareholders’ equity				
Paid-in capital		24,104		24,104
Capital surplus		29,425		29,543
Earned surplus		170,583		183,431
Treasury stock		(6,603)		(15,859)
Total shareholders’ equity		217,509		221,219
Accumulated other comprehensive income				
Unrealized holding gains (losses) on securities		13,429		10,618
Unrealized gains (losses) on hedges		(3)		(28)
Foreign currency translation adjustments		(1,141)		(1,459)
Accumulated adjustments for retirement benefits		(3,354)		(4,018)
Total accumulated other comprehensive income		8,929		5,112
Non-controlling interests		36,992		39,768
Total net assets		263,432		266,100
Total liabilities and net assets		419,207		421,373

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

Consolidated Statements of Income

(Millions of yen)

		Previous fiscal year (From December 1, 2016 to November 30, 2017)		Current fiscal year (From December 1, 2017 to November 30, 2018)
Net sales		561,688		573,525
Cost of sales	*1	432,773	*1	440,378
Gross profit		128,915		133,146
Selling, general and administrative expenses	*2, *3	97,654	*2, *3	100,078
Operating income		31,261		33,067
Non-operating income				
Interest income		69		82
Dividends income		514		515
Equity in earnings of affiliates		93		130
Subsidy income		269		303
Other		1,215		1,100
Total non-operating income		2,162		2,132
Non-operating expenses				
Interest expenses		376		341
Foreign exchange losses		—		88
Business commencement expenses		139		13
Other		395		406
Total non-operating expenses		911		850
Ordinary income		32,511		34,349
Extraordinary gains				
Gains on sales of investment securities		1,179		3,670
Gains on transfer of business		—	*4	670
Gains on sales of fixed assets	*5	87	*5	137
Other		65		109
Total extraordinary gains		1,331		4,587
Extraordinary losses				
Losses on impairment of fixed assets	*6	581	*6	2,983
Losses on disposal of fixed assets	*7	1,062	*7	1,016
Losses on termination of retirement benefit plans	*8	1,309		—
Other		107		1,349
Total extraordinary losses		3,060		5,350
Profit before income taxes		30,783		33,586
Income taxes		8,926		11,998
Income taxes — deferred		296		(275)
Total income taxes		9,223		11,722
Profit		21,560		21,863
Profit attributable to non-controlling interests		3,460		3,542
Profit attributable to owners of parent		18,099		18,320

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Profit	21,560	21,863
Other comprehensive income		
Unrealized holding gains (losses) on securities	4,591	(2,903)
Unrealized gains (losses) on hedges	(102)	(22)
Foreign currency translation adjustments	3,383	(391)
Adjustments for retirement benefits	4,465	(758)
Total other comprehensive income	* 12,337	* (4,076)
Comprehensive income	33,897	17,786
(Breakdown)		
Comprehensive income attributable to owners of parent	29,456	14,503
Comprehensive income attributable to non-controlling interests	4,441	3,283

(c) Consolidated Statements of Changes in Net Assets
Previous fiscal year (From December 1, 2016 to November 30, 2017)

(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	30,300	166,765	(6,123)	215,047
Changes of items during the fiscal year					
Dividends from surplus			(5,639)		(5,639)
Profit attributable to owners of parent			18,099		18,099
Purchase of treasury stock				(9,999)	(9,999)
Disposal of treasury stock		(875)	(1,897)	2,773	1
Retirement of treasury stock			(6,745)	6,745	—
Change in ownership interest of parent due to transactions with non-controlling interests					
Change of scope of consolidation					
Change of scope of equity method					
Increase by company split					
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	(875)	3,818	(480)	2,462
Balance at the end of the current fiscal year	24,104	29,425	170,583	(6,603)	217,509

	Accumulated other comprehensive income						
	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	Non-controlling interests	Total net assets
Balance at the beginning of the current fiscal year	8,916	79	(3,947)	(7,474)	(2,426)	33,240	245,861
Changes of items during the fiscal year							
Dividends from surplus							(5,639)
Profit attributable to owners of parent							18,099
Purchase of treasury stock							(9,999)
Disposal of treasury stock							1
Retirement of treasury stock							—
Change in ownership interest of parent due to transactions with non-controlling interests							—
Change of scope of consolidation							—
Change of scope of equity method							—
Increase by company split							—
Net changes of items other than shareholders' equity	4,513	(82)	2,805	4,119	11,356	3,752	15,108
Total changes of items during the fiscal year	4,513	(82)	2,805	4,119	11,356	3,752	17,570
Balance at the end of the current fiscal year	13,429	(3)	(1,141)	(3,354)	8,929	36,992	263,432

Current fiscal year (From December 1, 2017 to November 30, 2018)

(Millions of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance at the beginning of the current fiscal year	24,104	29,425	170,583	(6,603)	217,509
Changes of items during the fiscal year					
Dividends from surplus			(5,514)		(5,514)
Profit attributable to owners of parent			18,320		18,320
Purchase of treasury stock				(9,255)	(9,255)
Disposal of treasury stock					
Retirement of treasury stock					
Change in ownership interest of parent due to transactions with non-controlling interests		118			118
Change of scope of consolidation			(4)		(4)
Change of scope of equity method			(3)		(3)
Increase by company split			49		49
Net changes of items other than shareholders' equity					
Total changes of items during the fiscal year	—	118	12,848	(9,255)	3,710
Balance at the end of the current fiscal year	24,104	29,543	183,431	(15,859)	221,219

	Accumulated other comprehensive income						
	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	Non-controlling interests	Total net assets
Balance at the beginning of the current fiscal year	13,429	(3)	(1,141)	(3,354)	8,929	36,992	263,432
Changes of items during the fiscal year							
Dividends from surplus							(5,514)
Profit attributable to owners of parent							18,320
Purchase of treasury stock							(9,255)
Disposal of treasury stock							—
Retirement of treasury stock							—
Change in ownership interest of parent due to transactions with non-controlling interests							118
Change of scope of consolidation							(4)
Change of scope of equity method							(3)
Increase by company split							49
Net changes of items other than shareholders' equity	(2,811)	(24)	(317)	(663)	(3,817)	2,775	(1,042)
Total changes of items during the fiscal year	(2,811)	(24)	(317)	(663)	(3,817)	2,775	2,667
Balance at the end of the current fiscal year	10,618	(28)	(1,459)	(4,018)	5,112	39,768	266,100

(d) Consolidated Statements of Cash Flows

(Millions of yen)

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Cash flows from operating activities		
Profit before income taxes	30,783	33,586
Depreciation and amortization	16,794	18,215
Losses on impairment of fixed assets	581	2,983
Losses on termination of retirement benefit plans	1,309	—
Amortization of goodwill	407	514
Retirement benefit expenses	1,740	1,885
Equity in losses (earnings) of affiliates	(93)	(130)
Losses (gains) on valuation of investment securities	14	45
Increase (decrease) in liabilities for retirement benefits	(706)	(111)
Decrease (increase) in assets for retirement benefits	(1,821)	5
Increase (decrease) in reserves for sales rebates	51	29
Increase (decrease) in reserves for directors' bonuses	(39)	(5)
Increase (decrease) in reserves for bonuses	(53)	181
Increase (decrease) in allowances for doubtful accounts	1	225
Interest and dividends income	(584)	(597)
Interest expenses	376	341
Losses (gains) on sales of investment securities	(1,179)	(3,670)
Losses (gains) on sales and disposal of fixed assets	988	943
Losses (gains) on transfer of business	—	(670)
Decrease (increase) in notes and accounts receivable — trade	(2,064)	1,293
Decrease (increase) in inventories	(1,477)	(1,132)
Increase (decrease) in notes and accounts payable — trade	(1,152)	(3,415)
Increase (decrease) in accounts payable — other	(1,058)	1,740
Increase (decrease) in accrued consumption taxes	676	(196)
Increase (decrease) in long-term accounts payable	(70)	288
Other	(3,989)	(1,657)
Sub-total	39,436	50,692
Interest and dividends income received	622	656
Interest paid	(359)	(340)
Income taxes paid	(12,464)	(9,229)
Net cash provided by (used in) operating activities	27,234	41,778

(Millions of yen)

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Cash flows from investing activities		
Purchases of tangible fixed assets	(25,499)	(29,217)
Purchases of intangible fixed assets	(1,169)	(2,089)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(82)	—
Purchases of investment securities	(892)	(1,766)
Proceeds from sales of investment securities	1,651	5,159
Net decrease (increase) in short-term loans receivable	(279)	57
Payments of long-term loans receivable	(264)	(430)
Collection of long-term loans receivable	126	46
Payments into time deposits	(219)	(0)
Payments for transfer of business	(4,568)	—
Proceeds from transfer of business	—	*2 8,309
Other	(223)	(269)
Net cash provided by (used in) investing activities	(31,421)	(20,199)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(1,180)	985
Repayment of lease obligations	(1,785)	(2,131)
Proceeds from long-term loans payable	25,700	3,200
Repayment of long-term loans payable	(2,261)	(2,248)
Cash dividends paid	(5,639)	(5,514)
Cash dividends paid to non-controlling interests	(767)	(847)
Purchase of treasury stock	(10,024)	(9,278)
Proceeds from issuance of common shares	—	541
Other	(30)	—
Net cash provided by (used in) financing activities	4,010	(15,293)
Effects of exchange rate changes on cash and cash equivalents	797	(194)
Increase (decrease) in cash and cash equivalents	621	6,091
Cash and cash equivalents at the beginning of the fiscal year	40,790	41,411
Increase in cash and cash equivalents from newly consolidated subsidiary	—	461
Increase in cash and cash equivalents resulting from merger with unconsolidated subsidiaries	—	5
Cash and cash equivalents at the end of the fiscal year	*1 41,411	*1 47,970

Notes

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

1. Consolidated subsidiaries

The Company has fifty-eight (58) consolidated subsidiaries. The significant consolidated subsidiaries are Kewpie Egg Corporation, Deria Foods Co., Ltd., Kewpie Jyozo Co., Ltd., K.R.S. Corporation, Kanae Foods Co., Ltd., Salad Club, Inc. and Aohata Corporation.

In the current fiscal year, following subsidiaries are newly included in the scope of consolidation: since Kewpie China Corporation, Guangzhou Kewpie Corporation and Kewpie Philippines, Inc. were newly incorporated, and the materiality of Hisamatsu Transport Corporation, while it was a non-consolidated subsidiary until the previous fiscal year, has increased. On the other hand, Kowa Delica Co., Ltd. is excluded from the scope of consolidation due to the transfer of shares of this company.

Gourmet Delica Co., has conducted an incorporation-type company split whereby Gourmet Delica Co., Ltd. (the name of the company changed to "Soka Delica Co., Ltd.") was the split company and a new company ("(New) Gourmet Delica Co., Ltd.") was incorporated as the successor company. (New) Gourmet Delica Co., Ltd. was included in the scope of consolidation. During the current fiscal year, the Company has sold the 80% shares of (New) Gourmet Delica Co., Ltd. and this company is excluded from the scope of consolidation.

As a consequence, five companies were added and two companies were excluded.

Among the nineteen (19) non-consolidated subsidiaries, the principal one is K. LP Corporation. These companies are excluded from consolidation, because each of the amount of their total assets, net sales, profit and loss and earned surplus (based on the Company's ownership percentage) does not have a significant effect on the consolidated financial statements of the Company.

2. Application of the equity method

An equity method is applied to the investments in three affiliated companies. The principal affiliate under the equity method is Summit Oil Mill Co., Ltd.

The investments in K. LP Corporation and eighteen (18) other non-consolidated subsidiaries, as well as AK Franchise System Co., Ltd. and three other affiliated companies are not accounted for on an equity method, since each of the amounts of profit and loss and earned surplus (based on the Company's ownership percentage) did not have a significant effect on the consolidated financial statements of the Company.

In the current fiscal year, since the 15% (out of 20%) of the shares of newly-incorporated (New) Gourmet Delica Co., Ltd. were sold, this company is excluded from the scope of affiliated companies.

3. Fiscal years of consolidated subsidiaries

Among consolidated subsidiaries of the Company, the fiscal year end of nine foreign consolidated subsidiaries is September 30 and that of six foreign consolidated subsidiaries is December 31.

Six foreign subsidiaries whose fiscal year end is December 31 are consolidated based on their provisional financial statements based on a provisional financial statements closing as at September 30. Other nine foreign subsidiaries are consolidated based on the financial statements as at their fiscal year end.

However, significant transactions of those subsidiaries recognized during the period after their provisional financial closing (September 30) to the fiscal year end of the Company's consolidated financial statements (November 30) are reflected in the consolidated financial statements.

4. Accounting policies

(1) Basis and method of valuation of significant assets

(a) Securities

1. Held-to-maturity bonds are stated at amortized cost (by the straight-line method).
2. Shares in subsidiaries and affiliated companies not subject to the equity method are stated at cost, determined by the moving average method.

3. Other securities with market value are stated at market value, determined by market prices, etc. as of the end of the fiscal year (Changes in unrealized gains and losses are recorded in net assets. Costs of securities to be sold are determined by the moving average method.). Those without market value are stated at cost, determined by the moving average method.

(b) Derivatives
Stated at fair value.
Hedge accounting is applied to hedge transactions that meet the requirements thereof.

(c) Inventories
Purchased goods and products, work in process, raw materials and supplies are principally stated at monthly moving average cost (the method to write off a book value to reflect a decreased profitability).

(2) Depreciation and amortization of significant depreciable and amortizable 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 and structures:	2–50	years
Machinery, equipment and vehicles:	2–10	years

(b) Intangible fixed assets (excluding lease assets)
Intangible fixed assets are amortized by the straight-line method.
The main useful life is as follows.

Software:	5	years

(c) Lease assets
Lease assets in finance lease transactions other than those which are deemed to transfer the ownership of lease assets to lessees are calculated by the straight-line method by considering the lease period to be useful life and the residual value to be zero.

(3) Method of treatment of significant deferred assets
Business commencement expenses are recorded as expenses in full at the time of payment.

(4) Accounting standards for significant allowances

(a) Allowances for doubtful accounts
To provide for losses on bad debts, the Group sets aside an estimated uncollectable amount, by taking into consideration the possible credit loss rate in the future based on the actual loss rate in respect of general credits, and the particular possibilities of collection in respect of possible non-performing credits and other specific claims.

(b) Reserves for sales rebates
To provide for payments for sales rebates to be borne during the current fiscal year, reserves for sales rebates are provided based on an accrual basis in accordance with each company's policy (rate of the estimated payments for sales rebates to sales).

(c) Reserves for bonuses
To provide for the payment of bonuses to employees, reserves for bonuses are 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 are provided according to the estimated amounts payable at the end of the current fiscal year.

(5) Accounting for retirement benefits

(a) Periodic allocation method for projected retirement benefits
In calculating retirement benefit obligations, the method of allocating the projected retirement benefits to the period up to the end of the current fiscal year is the benefit formula basis.

(b) Method of accounting for actuarial gains or losses and prior service costs
Prior service costs are amortized by the straight-line method principally over twelve (12) years based on the average remaining employees' service years at the time of accrual.
Actuarial gains or losses are amortized by the straight-line method principally over twelve (12) years based on the average remaining employees' service years at each fiscal year, and their amortizations start from the next fiscal year of the respective accrual years.
In addition, if the amount of pension plan assets exceeds that of retirement benefit obligations for pension plan, it is recorded as assets for retirement benefits on the consolidated balance sheet.

(6) Significant methods of hedge accounting
(a) Hedge accounting
Deferral hedge is adopted in hedge accounting.
Allocation method is adopted for transactions that meet the requirements for that method.
Special treatment is adopted for interest rate swap transactions that meet the requirements for special treatment.
(b) Hedging instruments
Hedging instruments are forward exchange contracts, interest rate swap transactions and commodity futures transactions.
(c) Hedged items
Hedged items are purchase transactions in foreign currencies, purchase transactions, equity investments in overseas subsidiaries and interest of loans.
(d) Hedging policy
The Group enters into forward exchange contracts to hedge risks from fluctuations in foreign exchange rates, and interest rate swap transactions to hedge risks from fluctuations in interest rates in the future.
The Group conducts commodity futures transactions to hedge market fluctuation risk relating to grain market prices.
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 internal rules. The effectiveness of the hedge is analyzed by comparing movements in the fair value of hedged items with those of hedging instruments, assessed and strictly controlled.
However, the assessment of the effectiveness of interest rate swap transactions that conform to the special treatment is omitted.

(7) Method and period for amortization of goodwill
Goodwill is amortized on a straight-line basis over its estimated useful life during which its effect will be realized. 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 important matters forming the basis of preparation of consolidated financial statements
Consumption taxes are recorded on a net-of-tax basis.

(Accounting Standards Not Yet Adopted)

- "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, issued by the Accounting Standards Board of Japan on March 30, 2018)
- "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30, issued by the Accounting Standards Board of Japan on March 30, 2018)

(1) Summary

The International Accounting Standards Board (IASB) and US Financial Accounting Standards Board (FASB) jointly developed comprehensive revenue recognition standards and issued "Revenue from Contracts with Customers" in May 2014 (IASB's IFRS 15 and FASB's Topic 606). Considering that IFRS 15 shall apply to fiscal years beginning on or after January 1, 2018, and Topic 606 shall apply to fiscal years beginning after December 15, 2017, the ASBJ developed a comprehensive accounting standard on revenue recognition and thus issued the accounting standard together with the implementation guidance.

The ASBJ established the accounting standard on revenue recognition by following the basic policies in developing it. The basic policies were: firstly, incorporating the core principle of IFRS 15 as the starting point from the perspective of facilitating comparability among financial statements, which is one of the benefits of ensuring consistency with IFRS 15; secondly, adding alternative treatments, but to the extent not impairing comparability, where consideration should be given to the practice having been used in Japan.

(2) Timing of adoption

The Group will adopt these ASBJ statement and guidance from the beginning of the fiscal year ending November 30, 2022.

(3) Effect of adoption of accounting standards

The effect of adoption of the Accounting Standard for Revenue Recognition and its guidance on the consolidated financial statements is currently under evaluation.

Consolidated Balance Sheets

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

	Previous fiscal year (As of November 30, 2017)	Current fiscal year (As of November 30, 2018)
Investment securities (stocks)	¥ 3,456 million	¥ 2,719 million
Other (Investments in capital)	¥ 786 million	¥ 786 million

*2 Pledged assets and secured obligations

Pledged assets are as follows:

	Previous fiscal year (As of November 30, 2017)	Current fiscal year (As of November 30, 2018)
Buildings and structures	¥ 82 million	¥ 67 million
Land	¥ 1,064 million	¥ 1,064 million
Total	¥ 1,146 million	¥ 1,132 million

Secured obligations are as follows:

	Previous fiscal year (As of November 30, 2017)	Current fiscal year (As of November 30, 2018)
Short-term loans payable	¥ 789 million	¥ 825 million
Long-term loans payable	¥ 583 million	¥ 336 million
Total	¥ 1,372 million	¥ 1,162 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:

Guarantee obligations

	Previous fiscal year (As of November 30, 2017)	Current fiscal year (As of November 30, 2018)
Employees (loan)	¥ 306 million	¥ 249 million
AK Franchise System Co., Ltd. (loan)	¥ 40 million	¥ 30 million
Kewpie-Egg World Trading Europe B.V. (Guarantee for payment of purchases)	¥ —	¥ 14 million
Shanghai KRS Logistics Corporation (Guarantee for debtor's contract fulfillment)	¥ 35 million	¥ —
Total	¥ 382 million	¥ 294 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, 2017)	Current fiscal year (As of November 30, 2018)
Buildings and structures	¥ 572 million	¥ 572 million
Machinery, equipment and vehicles	¥ 652 million	¥ 652 million
Land	¥ 117 million	¥ 117 million
Other	¥ 383 million	¥ 383 million
Total	¥ 1,726 million	¥ 1,726 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, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
¥ 437 million	¥ 198 million

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

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Transportation and warehousing expenses	¥ 25,808 million	¥ 26,833 million
Sales promotion expenses	¥ 3,948 million	¥ 3,930 million
Research and development expenses	¥ 4,058 million	¥ 4,142 million
Advertising expenses	¥ 9,469 million	¥ 9,142 million
Payroll expenses	¥ 21,980 million	¥ 22,820 million
Depreciation expenses	¥ 2,766 million	¥ 2,913 million
Provision of reserves for bonuses	¥ 467 million	¥ 573 million
Retirement benefit expenses	¥ 1,846 million	¥ 1,874 million
Provision of allowances for doubtful accounts	¥ (37) million	¥ 53 million

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

Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
¥ 4,058 million	¥ 4,142 million

*4 Gains on transfer of business:

Previous fiscal year (From December 1, 2016 to November 30, 2017)

Not applicable.

Current fiscal year (From December 1, 2017 to November 30, 2018)

This is principally due to the transfer of the business for convenience stores of Gourmet Delica Co., Ltd., which was a consolidated subsidiary of the Company.

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

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Machinery, equipment and vehicles	¥ 84 million	¥ 68 million
Land	—	¥ 51 million
Buildings and structures	¥ 2 million	¥ 17 million
Other	¥ 0 million	¥ 0 million
Total	¥ 87 million	¥ 137 million

*6 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, 2016 to November 30, 2017)

Location	Use	Item	Losses on impairment of fixed assets (millions of yen)
Morimachi, Shuchi-gun, Shizuoka	Factory	Buildings, etc.	358
Itami-shi, Hyogo	Factory	Buildings, etc.	222
Total			581

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 decided to demolish the factory located in Morimachi, Shuchi-gun, Shizuoka. Also, the Company decided to reorganize the production locations of the factory located in Itami-shi, Hyogo.

As a result, the Company has written down book values to recoverable amounts with respect to buildings, etc. of the factory located in Morimachi, Shuchi-gun, Shizuoka, and buildings, etc. of the factory located in Itami-shi, Hyogo. The relevant write-down amount of ¥581 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, 2017 to November 30, 2018)

Location	Use	Item	Losses on impairment of fixed assets (millions of yen)
Poland	—	Goodwill, etc.	2,623
Kasugai-shi, Aichi	Factory	Buildings, etc.	219
Oishida-machi Kitamurayama-gun, Yamagata	Production lines	Machinery, equipment, etc.	141
Total			2,983

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 wrote down the goodwill and other intangible assets relating to Poland to recoverable amounts, because it no longer expects to generate earnings as initially anticipated. As such, the relevant write-down amount of ¥2,623 million is recorded as losses on impairment of fixed assets. The recoverable amounts are measured according to value in use, and are calculated by discounting the future cash flows using a rate of 6.10%.

The Company wrote down the book values of a factory in Kasugai-shi, Aichi, to recoverable amounts as a result of the decision to close the factory. As such, the relevant write-down amount of ¥219 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.

The Company wrote down the book values of production lines in Oishida-machi, Kitamurayama-gun, Yamagata to recoverable amounts, because it no longer expects to recover its investment due to diminished profitability. As such, the relevant write-down amount of ¥141 million is recorded as losses on impairment of fixed assets. The recoverable amounts are measured according to value in use, and are calculated by discounting the future cash flows using a rate of 0.59%.

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

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Machinery, equipment and vehicles	¥ 723 million	¥ 731 million
Buildings and structures	¥ 254 million	¥ 240 million
Other	¥ 84 million	¥ 43 million
Total	¥ 1,062 million	¥ 1,016 million

*8 Losses on termination of retirement benefit plans

Previous fiscal year (From December 1, 2016 to November 30, 2017)

This is a result of the consolidated subsidiary HENNINGSEN FOODS, INC. having terminated its defined benefit pension plan.

Current fiscal year (From December 1, 2017 to November 30, 2018)

Not applicable.

Consolidated Statements of Comprehensive Income

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

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Unrealized holding gains (losses) on securities:		
Amount arising during the fiscal year	¥ 6,727 million	¥ (508) million
Reclassification adjustments	¥ (106) million	¥ (3,655) million
Before income tax effects	¥ 6,620 million	¥ (4,164) million
Amount of income tax effects	¥ (2,029) million	¥ 1,260 million
Unrealized holding gains (losses) on securities	¥ 4,591 million	¥ (2,903) million
Unrealized gains (losses) on hedges:		
Amount arising during the fiscal year	¥ (177) million	¥ (46) million
Reclassification adjustments	26 million	18 million
Before income tax effects	¥ (150) million	¥ (27) million
Amount of income tax effects	¥ 47 million	¥ 4 million
Unrealized gains (losses) on hedges	¥ (102) million	¥ (22) million
Foreign currency translation adjustments:		
Amount arising during the fiscal year	¥ 3,383 million	¥ (391) million
Reclassification adjustments	—	—
Foreign currency translation adjustments	¥ 3,383 million	¥ (391) million
Adjustments for retirement benefits:		
Amount arising during the fiscal year	¥ 3,507 million	¥ (2,985) million
Reclassification adjustments	¥ 3,049 million	¥ 1,885 million
Before income tax effects	¥ 6,556 million	¥ (1,099) million
Amount of income tax effects	¥ (2,091) million	¥ 340 million
Adjustments for retirement benefits	¥ 4,465 million	¥ (758) million
Total other comprehensive income	¥ 12,337 million	¥ (4,076) million

Consolidated Statements of Changes in Net Assets

Previous fiscal year (From December 1, 2016 to November 30, 2017)

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 (Note 1)	153,000,000	—	3,000,000	150,000,000
Total	153,000,000	—	3,000,000	150,000,000
Treasury stock				
Common stock (Notes 2 & 3)	3,333,991	4,121,530	4,500,000	2,955,521
Total	3,333,991	4,121,530	4,500,000	2,955,521

(Notes) 1. The decrease of 3,000,000 shares in the number of issued shares is the result of the retirement of treasury stock pursuant to the resolution of the Board of Directors.

2. The increase of 4,121,530 shares in the number of shares of treasury stock includes an increase of 4,120,000 shares due to the purchase of treasury stock pursuant to the resolution of the Board of Directors, and an increase of 1,530 shares due to the acquisition of shares less than one unit.

3. The decrease of 4,500,000 shares in the number of shares of treasury stock includes a decrease of 3,000,000 shares due to the retirement of treasury stock pursuant to the resolution adopted at the Board of Directors' meeting, and a decrease of 1,500,000 shares due to their allocation to a third party for the purpose of funding the activities of the Kewpie Mirai Tamago Foundation, a general incorporated foundation.

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, 2017	Common stock	2,918	19.50	November 30, 2016	February 3, 2017
The Board of Directors' meeting held on June 26, 2017	Common stock	2,720	18.00	May 31, 2017	August 7, 2017

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

(Resolution)	Type of share	Total amounts of dividends (millions of yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
The Board of Directors' meeting held on January 23, 2018	Common stock	2,720	Earned surplus	18.50	November 30, 2017	February 6, 2018

Current fiscal year (From December 1, 2017 to November 30, 2018)

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	150,000,000	—	—	150,000,000
Total	150,000,000	—	—	150,000,000
Treasury stock				
Common stock (Note)	2,955,521	4,001,404	—	6,956,925
Total	2,955,521	4,001,404	—	6,956,925

(Note) The increase of 4,001,404 shares in the number of shares of treasury stock includes 4,000,000 shares due to the acquisition of treasury stock pursuant to the resolution of the Board of Directors' meeting, and also includes 1,404 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, 2018	Common stock	2,720	18.50	November 30, 2017	February 6, 2018
The Board of Directors' meeting held on June 25, 2018	Common stock	2,793	19.00	May 31, 2018	August 6, 2018

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

(Resolution)	Type of share	Total amounts of dividends (millions of yen)	Dividend resource	Dividends per share (yen)	Record date	Effective date
The Board of Directors' meeting held on January 23, 2019	Common stock	2,717	Earned surplus	19.00	November 30, 2018	February 7, 2019

Consolidated Statements of Cash Flows

*1 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, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Cash and deposits	¥ 29,618 million	¥ 38,493 million
Time deposits with maturity over three months	¥ (207) million	¥ (23) million
Securities	¥ 12,000 million	¥ 9,500 million
Cash and cash equivalents at the end of the fiscal year	¥ 41,411 million	¥ 47,970 million

*2 Primary components of assets and liabilities decreased as a result of transfer of business

The primary components of decreases in assets and liabilities as a result of transfer of business and the relationship with the transfer price of the business and the proceeds from transfer of business in the current fiscal year are as follows:

Current assets	¥ 3,752 million
Fixed assets	¥ 7,434 million
Current liabilities	¥ (10,753) million
Non-current liabilities	¥ (484) million
Proceeds from sales of shares	¥ 240 million
Increase by company split	¥ 49 million
Transfer price of shares	¥ 240 million
Collection of loans receivable	¥ 9,800 million
Cash and cash equivalents	¥ (3,100) million
Net: Proceeds from transfer of business	¥ 6,940 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 and amortization of significant depreciable and amortizable assets” under Significant Matters Forming the Basis for the Preparation of Consolidated Financial Statements.

2. Operating lease transactions

   Future lease payments related to non-cancellable operating lease transactions

(Millions of yen)

	Previous fiscal year (As of November 30, 2017)	Current fiscal year (As of November 30, 2018)
Due within one year	1,690	1,813
Due over one year	8,576	8,485
Total	10,267	10,298

Financial Instruments

1. Matters relating to the status of financial instruments

(1) Policy in relation to financial instruments

The Group raises required funds through bank loans and bond issues according to its equipment investment plan. Floating money is invested in highly secure financial assets and short-term operating funds are provided by bank loans. The Group uses derivatives to hedge risks, as described below, and has a policy not to conduct speculative trading.

(2) Details of financial instruments and related risks

Notes and accounts receivable — trade, which are 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.

Substantially all of notes and accounts payable — trade, which are payables, have payment due dates within one year. Some payables in relation to import of raw materials are denominated in foreign currencies and exposed to foreign currency risk, which is hedged by using forward exchange contracts when necessary. Short-term loans payable are funds raised principally in relation to business transactions and long-term loans payable and bonds are funds raised principally for capital expenditures. Certain loans payable bear variable interest rates and are exposed to interest volatility risk, which is hedged by using interest rate swap transaction.

Derivative transactions include a forward exchange contracts to hedge foreign currency risk involving payables in foreign currencies, interest rate swap transactions to hedge interest volatility risk relating to loans payable, oil swaps to hedge market risk relating to prices of light oil and heavy oil, and commodity futures to hedge market fluctuation risk relating to grain market prices. With regard to hedging instruments, hedged items, hedge policies, the method of assessment of the effectiveness of hedges etc., please refer to the above "Notes on the Matters Forming the Basis of Preparation of Consolidated Financial Statements: 4. Accounting policies: (6) Significant methods of hedge accounting."

(3) Risk management system relating to financial instruments

(i) Management of credit risk

The Company, through its operation management division and accounting and financing division, periodically monitors the conditions of its major customers and manages the due dates and outstanding balances to early detect or reduce credits that may become uncollectable due to the deterioration of its financial conditions or other reasons. Likewise, its consolidated subsidiaries manage their receivables.

With regard to derivatives, the Company perceives very little credit risk as it enters into transactions solely with financial institutions with high ratings.

(ii) Management of market risk

The Group uses forward exchange contracts to hedge foreign currency risk involving payables in foreign currencies, interest rate swap transactions to hedge interest volatility risk relating to loans payable, oil swaps to hedge market risk relating to prices of light oil and heavy oil, and commodity futures to hedge market fluctuation risk relating to grain market prices. The Company's risk management relating to such derivatives is conducted by its Division of Production and Financial Department pursuant to its internal rules and all of the trading results are reported to the General Manager of the Financial Department. With regard to its consolidated subsidiaries, such risk management is conducted principally by their respective administration divisions and all of the trading results are reported to the respective directors of the subsidiaries responsible therefor.

With regard to securities and investment securities, the Group periodically obtains information on the market values and financial conditions of the issuers (customer companies) and reviews the holding of securities other than held to maturity on a continuous basis by taking into consideration the market conditions and the relationships with the client companies.

(iii) Management of liquidity risk relating to financing

The Group manages liquidity risk by preparing and updating cash flow projections on a timely basis, by arranging overdraft facilities with several financial institutions, and by maintaining certain levels of liquidity through a cash management system.

(4) Supplementary explanation of matters relating to the fair values of financial instruments, etc.

The fair values of financial instruments include market prices and reasonably estimated values if there are no market prices. As the estimation of fair values incorporates variable factors, adopting different assumptions may change the values. 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. Matters concerning fair values, etc. of financial instruments

The following table shows amounts for items recorded in the consolidated balance sheet along with their fair values and the variances. Items for which determining the fair values is considered as being extremely difficult are not included in the table. (See Note 2)

Previous fiscal year (As of November 30, 2017)

	Book value on the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Variance (millions of yen)
(1) Cash and deposits	29,618	29,618	—
(2) Notes and accounts receivable — trade	78,212		
Allowances for doubtful accounts (*1)	(215)		
	77,997	77,997	—
(3) Securities and investment securities	40,628	40,628	—
Total assets	148,244	148,244	—
(4) Notes and accounts payable — trade	48,008	48,008	—
(5) Short-term loans payable	5,883	5,883	—
(6) Current portion of bonds	—	—	—
(7) Accounts payable — other	17,547	17,547	—
(8) Accrued income taxes	4,005	4,005	—
(9) Bonds	10,000	10,085	85
(10) Long-term loans payable (*2)	38,101	38,139	37
Total liabilities	123,546	123,669	123
Derivatives (*3)	(41)	(41)	—

(*1) Allowances for doubtful accounts of notes and accounts receivable — trade are excluded from the notes and accounts receivable — trade.
(*2) Long-term loans payable includes the current portion of long-term loans payable that are included in short-term loans payable.
(*3) Net receivables and payables resulting from derivatives are presented in net amounts.

Current fiscal year (As of November 30, 2018)

	Book value on the consolidated balance sheet (millions of yen)	Fair value (millions of yen)	Variance (millions of yen)
(1) Cash and deposits	38,493	38,493	—
(2) Notes and accounts receivable — trade	77,034		
Allowances for doubtful accounts (*1)	(431)		
	76,602	76,602	—
(3) Securities and investment securities	34,016	34,016	—
Total assets	149,113	149,113	—
(4) Notes and accounts payable — trade	44,518	44,518	—
(5) Short-term loans payable	7,108	7,108	—
(6) Current portion of bonds	10,000	10,000	—
(7) Accounts payable — other	17,025	17,025	—
(8) Accrued income taxes	6,775	6,775	—
(9) Bonds	—	—	—
(10) Long-term loans payable (*2)	39,051	39,080	28
Total liabilities	124,479	124,508	28
Derivatives (*3)	(1)	(1)	—

(*1) Allowances for doubtful accounts of notes and accounts receivable — trade are excluded from the notes and accounts receivable — trade.
(*2) Long-term loans payable includes the current portion of long-term loans payable that are included in short-term loans payable.
(*3) Net receivables and payables resulting from derivatives are presented in net amounts.

(Notes) 1. Matters concerning the calculation method of the fair values of financial instruments, as well as securities and derivatives

Assets

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

The book value is used for these items, as the fair value is nearly equal to the book value as a result of their short settlement periods.

(3) Securities and investment securities

The fair value of stocks is determined by the price thereof traded on an exchange. For bonds, the value is determined by the price on an exchange or the price announced by the counterparty financial institutions. For money in trust or otherwise, the book value is used, as the fair value is nearly equal to the book value as a result of its short settlement periods. 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, (7) Accounts payable — other, and (8) Accrued income taxes

The book value is used for these items, as the fair value is nearly equal to the book value as a result of their short settlement periods.

(6) Current portion of bonds

The fair value of current portion of bonds with fixed interest rates is measured as the present value of the total principal and interest discounted at a rate that would be applied for a new similar issuance. However, the book value is used for this item, as the fair value is nearly equal to the book value.

(9) Bonds

The fair value of bonds with fixed interest rates is measured as the present value of the total principal and interest discounted at a rate that would be applied for a new similar issuance.

(10) Long-term loans payable

The fair value of long-term loans payable with fixed interest rates is measured as the present value of the total principal and interest discounted at a rate that would be applied for a new similar borrowings. For long-term loans payable with floating interest rates, the book value is used, as the fair value is nearly equal to the book value as a result of the revision of interest rates based on the market interest rates in short periods. Out of long-term loans payable with variable 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 applied for new similar borrowing.

Derivatives

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 determining the market values is recognized as being extremely difficult

(Millions of yen)

Category	Previous fiscal year (As of November 30, 2017)	Current fiscal year (As of November 30, 2018)
Unlisted stocks	5,867	5,156

The item has no market price and, at the same time, it is considered estimating their future cash flows will require excessive costs. Therefore, as determining the market value is recognized as being extremely difficult, it is not included in "(3) Securities and investment securities."

3. Expected redemption amount of monetary receivables and securities with maturity dates reaching after the fiscal year end of the Company's consolidated financial statements

Previous fiscal year (As of November 30, 2017)

	Within one year (millions of yen)	Over one year to five years (millions of yen)	Over five years to 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	29,585	—	—	—
Notes and accounts receivable — trade	78,212	—	—	—
Securities and investment securities				
Other securities with maturity				
Others	12,000	—	—	—
Total	119,797	—	—	—

Current fiscal year (As of November 30, 2018)

	Within one year (millions of yen)	Over one year to five years (millions of yen)	Over five years to 10 years (millions of yen)	Over 10 years (millions of yen)
Cash and deposits	38,459	—	—	—
Notes and accounts receivable — trade	77,034	—	—	—
Securities and investment securities				
Other securities with maturity				
Others	9,500	—	—	—
Total	124,994	—	—	—

4. Scheduled repayment amounts for bonds, long-term loans payable and other interest-bearing debt after the fiscal year end of the Company's consolidated financial statements

Previous fiscal year (As of November 30, 2017)

	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	5,883	—	—	—	—	—
Bonds	—	10,000	—	—	—	—
Long-term loans payable	2,153	2,037	2,021	2,195	11,066	18,626
Total	8,037	12,037	2,021	2,195	11,066	18,626

Current fiscal year (As of November 30, 2018)

	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	7,108	—	—	—	—	—
Bonds	10,000	—	—	—	—	—
Long-term loans payable	2,387	2,371	2,545	11,395	1,736	18,615
Total	19,496	2,371	2,545	11,395	1,736	18,615

Securities

1. Other securities

Previous fiscal year (As of November 30, 2017)

	Description	Balance sheet amount (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	28,532	8,584	19,948
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	—	—	—
	Sub-total	28,532	8,584	19,948
Securities whose acquisition cost exceeds their Book value on the consolidated balance sheet	(1) Stocks	96	105	(8)
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	12,000	12,000	—
	Sub-total	12,096	12,105	(8)
Total		40,628	20,689	19,939

(Note) With regard to the Company's shareholdings of unlisted stocks (¥2,260 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, 2018)

	Description	Balance sheet amount (millions of yen)	Acquisition cost (millions of yen)	Variance (millions of yen)
Securities whose balance sheet amount exceeds their acquisition cost	(1) Stocks	23,122	7,137	15,985
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	—	—	—
	Sub-total	23,122	7,137	15,985
Securities whose acquisition cost exceeds their balance sheet amount	(1) Stocks	1,394	1,607	(213)
	(2) Bonds			
	(a) Government and local bonds	—	—	—
	(b) Corporate bonds	—	—	—
	(c) Other	—	—	—
	(3) Other	9,500	9,500	—
	Sub-total	10,894	11,107	(213)
Total		34,016	18,244	15,771

(Note) With regard to the Company's shareholdings of unlisted stocks (¥2,437 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, 2016 to November 30, 2017)

Description	Aggregate sales amount (millions of yen)	Gains (millions of yen)	Losses (millions of yen)
(1) Stocks	1,572	1,179	0
(2) Bonds			
(a) Government and local bonds	—	—	—
(b) Corporate bonds	—	—	—
(c) Other	—	—	—
(3) Other	—	—	—
Total	1,572	1,179	0

Current fiscal year (From December 1, 2017 to November 30, 2018)

Description	Aggregate sales amount (millions of yen)	Gains (millions of yen)	Losses (millions of yen)
(1) Stocks	5,112	3,670	—
(2) Bonds			
(a) Government and local bonds	—	—	—
(b) Corporate bonds	—	—	—
(c) Other	—	—	—
(3) Other	—	—	—
Total	5,112	3,670	—

3. Securities for which impairment losses are recognized

Previous fiscal year (From December 1, 2016 to November 30, 2017)

Impairment losses of ¥14 million were recognized for securities (¥14 million on shares without readily determinable market 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, 2017 to November 30, 2018)

Impairment losses of ¥45 million were recognized for securities (¥45 million on shares without readily determinable market 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, 2017)

Classification	Item	Transaction type	Contract amount Total (millions of yen)	Contract amount Over one year (millions of yen)	Fair value (millions of yen)	Gains or losses on valuation (millions of yen)
Transactions other than market transactions	Oil	Swap transactions Floating receipt Fixed payment	180	129	(29)	(29)

(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, 2018)

Classification	Item	Transaction type	Contract amount Total (millions of yen)	Contract amount Over one year (millions of yen)	Fair value (millions of yen)	Gains or losses on valuation (millions of yen)
Transactions other than market transactions	Oil	Swap transactions Floating receipt Fixed payment	129	77	(20)	(20)

(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, 2017)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount Total (millions of yen)	Contract amount Over one year (millions of yen)	Fair value (millions of yen)
Allocation method for forward exchange contracts, etc.	Purchased forward exchange contracts– U.S. dollar	Accounts payable-trade	680	—	6
	Euro		58	—	0
			738	—	7

(Note) Calculation of fair values
Fair values are calculated using the prices offered by transacting financial institutions etc.

Current fiscal year (As of November 30, 2018)

Hedge accounting method	Transaction type	Principle hedged item	Contract amount Total (millions of yen)	Contract amount Over one year (millions of yen)	Fair value (millions of yen)
Allocation method for forward exchange contracts, etc.	Purchased forward exchange contracts– U.S. dollar	Accounts payable-trade	439	—	12
	Euro		46	—	0
			486	—	12

(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, 2017)

<table>
<tr><th rowspan="2">Hedge accounting method</th><th rowspan="2">Transaction type</th><th rowspan="2">Principle hedged item</th><th colspan="2">Contract amount</th><th rowspan="2">Fair value (millions of yen)</th></tr>
<tr><th>Total (millions of yen)</th><th>Over one year (millions of yen)</th></tr>
<tr><td>Special treatment for interest rate swap transactions</td><td>Interest rate swap transactions Floating receipt Fixed payment</td><td>Long-term loans payable</td><td>100</td><td>72</td><td>—
(Note 2)</td></tr>
<tr><td>Deferral hedge method</td><td>Interest rate swap transactions Floating receipt Fixed payment</td><td>Long-term loans payable</td><td>1,025</td><td>925</td><td>(18)</td></tr>
</table>

(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, 2018)

<table>
<tr><th rowspan="2">Hedge accounting method</th><th rowspan="2">Transaction type</th><th rowspan="2">Principle hedged item</th><th colspan="2">Contract amount</th><th rowspan="2">Fair value (millions of yen)</th></tr>
<tr><th>Total (millions of yen)</th><th>Over one year (millions of yen)</th></tr>
<tr><td>Special treatment for interest rate swap transactions</td><td>Interest rate swap transactions Floating receipt Fixed payment</td><td>Long-term loans payable</td><td>72</td><td>43</td><td>—
(Note 2)</td></tr>
<tr><td>Deferral hedge method</td><td>Interest rate swap transactions Floating receipt Fixed payment</td><td>Long-term loans payable</td><td>462</td><td>412</td><td>(14)</td></tr>
</table>

(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.

(3) Commodity derivatives

Previous fiscal year (As of November 30, 2017)

Not applicable.

Current fiscal year (As of November 30, 2018)

<table>
<tr><th rowspan="2">Hedge accounting method</th><th rowspan="2">Transaction type</th><th rowspan="2">Principle hedged item</th><th colspan="2">Contract amount</th><th rowspan="2">Fair value (millions of yen)</th></tr>
<tr><th>Total (millions of yen)</th><th>Over one year (millions of yen)</th></tr>
<tr><td>Deferral hedge method</td><td>Purchased commodity futures transactions– U.S. dollar</td><td>Accounts payable-trade</td><td>51</td><td>—</td><td>21</td></tr>
</table>

(Note) Calculation of fair values
Fair values are calculated using the prices offered by transacting financial institutions etc.

Retirement Benefits

1. Summary of retirement benefit 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, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Balance of retirement benefit obligations at the beginning of the fiscal year	¥ 77,111 million	¥ 76,218 million
Service costs	¥ 3,301 million	¥ 3,222 million
Interest costs	¥ 321 million	¥ 322 million
Actuarial gains or losses incurred	¥ (614) million	¥ (353) million
Retirement benefits paid	¥ (4,050) million	¥ (3,550) million
Other	¥ 148 million	¥ (445) million
Balance of retirement benefit obligations at the end of the fiscal year	¥ 76,218 million	¥ 75,414 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, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Balance of pension plan assets at the beginning of the fiscal year	¥ 80,631 million	¥ 85,700 million
Expected return on pension plan assets	¥ 2,030 million	¥ 2,137 million
Actuarial gains or losses incurred	¥ 2,865 million	¥ (3,339) million
Contributions by the employer	¥ 3,295 million	¥ 2,915 million
Retirement benefits paid	¥ (3,262) million	¥ (3,429) million
Other	¥ 140 million	¥ (565) million
Balance of pension plan assets at the end of the fiscal year	¥ 85,700 million	¥ 83,419 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, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Retirement benefit obligations for funded plans	¥ 74,048 million	¥ 73,013 million
Pension plan assets	¥ (85,700) million	¥ (83,419) million
	¥ (11,651) million	¥ (10,405) million
Retirement benefit obligations for non-funded plans	¥ 2,169 million	¥ 2,400 million
Net amount of liabilities (assets) recognized on the consolidated balance sheet	¥ (9,482) million	¥ (8,005) million
Liabilities for retirement benefits	¥ 3,147 million	¥ 3,546 million
Assets for retirement benefits	¥ (12,630) million	¥ (11,552) million
Net amount of liabilities (assets) recognized on the consolidated balance sheet	¥ (9,482) million	¥ (8,005) million

(4) Amounts of retirement benefit expenses and their components

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Service costs	¥ 3,301 million	¥ 3,222 million
Interest costs	¥ 321 million	¥ 322 million
Expected return on pension plan assets	¥ (2,030) million	¥ (2,137) million
Amortization of actuarial gains or losses	¥ 1,585 million	¥ 1,714 million
Amortization of prior service costs	¥ 155 million	¥ 171 million
Retirement benefit expenses for defined benefit plans	¥ 3,332 million	¥ 3,293 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, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Prior service costs	¥ (155) million	¥ (171) million
Actuarial gains or losses	¥ (6,401) million	¥ 1,271 million
Total	¥ (6,556) million	¥ 1,099 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, 2017)	Current fiscal year (As of November 30, 2018)
Unrecognized prior service costs	¥ 719 million	¥ 547 million
Unrecognized actuarial gains or losses	¥ 4,682 million	¥ 5,953 million
Total	¥ 5,401 million	¥ 6,501 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, 2017)	Current fiscal year (As of November 30, 2018)
Bonds	37%	34%
Stocks	36%	35%
Insurance assets (general account)	6%	6%
Cash and deposits	6%	10%
Other	15%	15%
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 14% 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, 2017)	Current fiscal year (As of November 30, 2018)
Discount rate	0.4% to 0.5%	0.5% 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, 2017.

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 ¥441 million for the previous fiscal year and ¥476 million for the current fiscal year, and the amount paid under the retirement benefit advance payment systems is ¥304 million for the previous fiscal year and ¥132 million for the current fiscal year.

Tax Effect Accounting

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

	Previous fiscal year (As of November 30, 2017)	Current fiscal year (As of November 30, 2018)
Deferred tax assets		
Unrealized gains	¥ 1,996 million	¥ 1,981 million
Reserves for sales rebates	¥ 253 million	¥ 261 million
Accrued expenses (sales promotion expenses)	¥ 822 million	¥ 867 million
Reserves for bonuses	¥ 443 million	¥ 441 million
Accrued social security expenses	¥ 68 million	¥ 52 million
Accrued enterprise taxes	¥ 317 million	¥ 449 million
Liabilities for retirement benefits	¥ 924 million	¥ 930 million
Established amount for trust to cover retirement benefit obligations	¥ 1,084 million	¥ 1,084 million
Losses on valuation of golf course memberships	¥ 152 million	¥ 152 million
Tax loss carryforwards	¥ 841 million	¥ 707 million
Depreciation	¥ 1,259 million	¥ 1,384 million
Losses on impairment of fixed assets	¥ 276 million	¥ 966 million
Other	¥ 2,778 million	¥ 2,697 million
Sub-total deferred tax assets	¥ 11,219 million	¥ 11,976 million
Valuation allowance	¥ (1,589) million	¥ (1,917) million
Total deferred tax assets	¥ 9,630 million	¥ 10,059 million
Deferred tax liabilities		
Assets for retirement benefits	¥ (3,905) million	¥ (3,462) million
Differences on valuation of fixed assets	¥ (713) million	¥ (735) million
Reserves for reduction entry of property by purchase	¥ (1,200) million	¥ (1,212) million
Unrealized holding gains on securities	¥ (5,937) million	¥ (4,690) million
Other	¥ (2,101) million	¥ (2,245) million
Total deferred tax liabilities	¥ (13,858) million	¥ (12,347) million
Net deferred tax assets (liabilities)	¥ (4,228) million	¥ (2,288) 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, 2017)	Current fiscal year (As of November 30, 2018)
Current assets — Deferred tax assets	¥ 2,823 million	¥ 3,024 million
Fixed assets — Deferred tax assets	¥ 2,027 million	¥ 2,424 million
Current liabilities — Deferred tax liabilities	¥ (11) million	¥ (15) million
Non-current liabilities — Deferred tax liabilities	¥ (9,068) million	¥ (7,722) million

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

	Previous fiscal year (As of November 30, 2017)	Current fiscal year (As of November 30, 2018)
Statutory tax rate	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.	30.9%
(Adjustments)		
Changes in valuation allowance		2.1%
Expenses not deductible permanently		1.0%
Income not taxable permanently		(0.3%)
Inhabitant tax levied per capita		0.7%
Tax deduction		(1.0%)
Other		1.5%
Effective tax rate		34.9%

Business Combination

Business divestiture

At its Board of Directors' meeting held on June 25, 2018, the Company resolved to transfer of a certain business of the Company's consolidated subsidiary, Gourmet Delica Co., Ltd., which involves the manufacturing and sales of boxed lunches, rice balls, delicatessen foods and other products for convenience stores (excluding manufacturing and sales businesses pertaining to the Soka Factory and businesses pertaining to the Frozen Merchandise Division and the External Sales Development Department of the Sales Division of the Head Office, the "Business"), to a newly incorporated company by means of an incorporation-type company split (the "Company Split"). On August 3, 2018, the Company executed a share transfer agreement with Mitsubishi Corporation, under which the Company transferred 80% of the shares of the new company on October 1, 2018 and a further 15% of the same shares during the current fiscal year to Mitsubishi Corporation. As a result, the Company excluded the said company from the affiliated.

As of October 1, 2018, the split company, Gourmet Delica Co., Ltd., has changed its company name to Soka Delica Co., Ltd., and the new company has commenced its operations under the name of Gourmet Delica Co., Ltd. ("(New) Gourmet Delica Co., Ltd.")

1. Outline of the business divestiture

(1) Name of successor company upon company split and name of transferee of the shares

(i) Name of successor company upon company split
(New) Gourmet Delica Co., Ltd.

(ii) Name of transferee of the shares
Mitsubishi Corporation

(2) Content of the divested business

Details of business: Manufacturing and sales of boxed lunches, rice balls, delicatessen foods and other products for convenience stores

(3) Main reason for business divestiture

In order to keep providing high value-added services in a business environment of diversifying customer needs with respect to the Business, we believe that our consistent management of our operations across procurement, manufacturing and sales is necessary. We decided that we should further develop the Business by accommodating Mitsubishi Corporation's offer to acquire the stakes of the Business.

On the other hand, we believe that the Company Split and the transfer of the new company's shares will increase the shareholder value of the Company as an optimum allocation of management resources.

(4) Date of company split and share transfer

October 1, 2018

(5) Matters concerning additional outline of business divestiture including its legal form

Company split: Incorporation-type company split whereby Gourmet Delica Co., Ltd. is the split company and the newly established company is the successor company

Share transfer: Share transfer whereby the consideration is specific assets such as cash

Upon transferring the shares, the ownership ratio of the Company in the newly established company (New) Gourmet Delica Co., Ltd. has changed from 100% to 20% as of October 1, 2018, thereby making (New) Gourmet Delica Co., Ltd. an affiliate.

2. Outline of the accounting treatment implemented

(1) Amount of gain or loss on the transfer

Gains on transfer of business	¥527 million

(2) Book values and major breakdown of the assets and liabilities of the business transferred

Current assets	¥3,752 million
Fixed assets	¥7,434 million
Total assets	¥11,187 million
Current liabilities	¥10,753 million
Non-current liabilities	¥484 million
Total liabilities	¥11,237 million

(3) Accounting treatments

On the assumption that our investments in the transferred Business have been deemed liquidated, we recognize the amount of gain or loss on the transfer of the Business as the difference between the fair value of assets including cash received as the consideration and the amount of the equity value for the transferred Business.

3. Name of reportable segment in which the divested business was included

Delicatessen Products business

4. Approximate amounts of profit or loss of the divested business included in consolidated statement of income for the current fiscal year

Net sales	¥27,500 million
Operating income	¥800 million

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, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Balance at the beginning of the fiscal year	¥ 1,163 million	¥ 1,120 million
Increase due to purchases of tangible fixed assets	—	¥ 0 million
Adjustments to interest	¥ 7 million	¥ 7 million
Decrease due to payments for asset retirement obligations	¥ (50) million	¥ (4) million
Balance at the end of the fiscal year	¥ 1,120 million	¥ 1,123 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:	Jams, pasta sauces, 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 "Notes on the Matters Forming the Basis of 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.

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

Previous fiscal year (From December 1, 2016 to November 30, 2017) (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	150,435	100,463	115,507	46,604	10,593	131,237	6,847	561,688	—	561,688
Intersegment net sales or transfers	7,139	5,913	204	2,006	344	28,326	11,374	55,310	(55,310)	—
Total	157,574	106,376	115,712	48,610	10,938	159,564	18,222	616,999	(55,310)	561,688
Segment profit	15,296	4,368	3,847	199	864	5,892	792	31,261	—	31,261
Segment assets	122,714	58,563	44,327	39,799	9,594	92,278	9,513	376,791	42,416	419,207
Others										
Depreciation and amortization	5,206	2,739	2,326	1,362	532	3,966	660	16,794	—	16,794
Investment in affiliates accounted for by equity method	1,295	—	—	92	—	—	223	1,611	—	1,611
Increase in tangible and intangible fixed assets	12,023	3,821	1,786	1,762	305	6,893	588	27,182	—	27,182

(Notes) 1. "Adjustments" of ¥42,416 million in "Segment assets" mainly includes company-wide assets of ¥49,358 million and elimination of intersegment receivables and payables of ¥(5,462) million. Major items in company-wide assets are surplus operating funds of the Company (cash and deposits and securities) and long-term investment funds (investment securities).
2. Adjustments are made between "Segment profit" and "Operating income" reported in the consolidated statements of income.
3. "Depreciation and amortization" and "Increase in tangible and intangible fixed assets" include "Long-term prepaid expenses."

Current fiscal year (From December 1, 2017 to November 30, 2018) (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	153,394	100,895	118,323	46,769	10,035	138,263	5,843	573,525	—	573,525
Intersegment net sales or transfers	5,201	4,387	109	2,085	317	30,876	11,751	54,728	(54,728)	—
Total	158,596	105,282	118,432	48,854	10,352	169,140	17,594	628,254	(54,728)	573,525
Segment profit	14,366	6,047	4,415	637	1,269	5,581	750	33,067	—	33,067
Segment assets	121,859	68,094	34,909	39,202	8,494	97,363	9,698	379,622	41,750	421,373
Others										
Depreciation and amortization	5,834	2,983	2,244	1,495	508	4,458	689	18,215	—	18,215
Investment in affiliates accounted for by equity method	1,347	—	—	100	—	—	234	1,682	—	1,682
Increase in tangible and intangible fixed assets	5,565	11,719	3,634	2,310	233	7,842	799	32,105	—	32,105

(Notes) 1. "Adjustments" of ¥41,750 million in "Segment assets" mainly includes company-wide assets of ¥48,217 million and elimination of intersegment receivables and payables of ¥(5,160) 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, 2016 to November 30, 2017)

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, 2017 to November 30, 2018)

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, 2016 to November 30, 2017)

(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	—	222	358	—	—	—	—	581	—	581

Current fiscal year (From December 1, 2017 to November 30, 2018)

(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	2,623	219	—	141	—	—	—	2,983	—	2,983

Information on Amortization of Goodwill and Unamortized Balance by Reportable Segment

Previous fiscal year (From December 1, 2016 to November 30, 2017)

(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	172	—	—	192	29	10	2	407	—	407
Unamortized balance at the end of the current fiscal year	2,368	—	—	1,345	51	13	—	3,778	—	3,778

Current fiscal year (From December 1, 2017 to November 30, 2018)

(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	255	—	—	198	29	30	—	514	—	514
Unamortized balance at the end of the current fiscal year	—	—	—	1,147	22	64	—	1,233	—	1,233

Information on Gains on Negative Goodwill by Reportable Segment

Previous fiscal year (From December 1, 2016 to November 30, 2017)
Not applicable.

Current fiscal year (From December 1, 2017 to November 30, 2018)
Not applicable.

Related Party Transactions

Related party transactions

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

Officers and principal individual shareholders of the company filing the consolidated financial statements, etc.

Previous fiscal year (From December 1, 2016 to November 30, 2017)

Category	Corporate / individual name	Address	Paid-in capital/ equity invest-ment (millions of yen)	Principal business	Percentage of our voting rights (proportion of indirect ownership)	Business relationship	Transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	NAKASHIMATO CO., LTD. (Note 3)	Shibuya-ku, Tokyo	50	Sales of various processed foods	Direct: 10.3% (Direct: 12.6% Indirect: 5.9%)	Purchase of products, sale of goods and products and payment of brand use fees Interlocking officers	Purchase of products	419	Notes and accounts payable–trade	78
							Sale of goods and products	94	Notes and accounts receivable–trade	10
							Payment of brand use fees	660		
							Lease of property	15		
							Purchase of shares of subsidiaries and affiliates (Note 8)	82		
							Sales of shares of subsidiaries and affiliates (Note 9)	1,242		
							Repurchase of shares (Note 10)	2,110		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	TOHKA CO., LTD. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	(Direct: 5.9%)	Rent of the office, etc. and purchase of lease assets Interlocking officers	Rent of property	1,058	Investments and other assets (Other)	946
									Accounts payable-other	6
							Purchase of lease assets	240	Current liabilities (Other)	57
									Lease obligations (fixed)	196
							Repurchase of shares (Note 11)	7,884		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	nakato co., ltd (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquors and foods	None	Sale of goods and products	Sale of goods and products	117	Notes and accounts receivable–trade	48

Category	Corporate / individual name	Address	Paid-in capital/ equity invest-ment (millions of yen)	Principal business	Percentage of our voting rights (proportion of indirect ownership)	Business relationship	Transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	To Solutions Co., Ltd. (Note 5)	Chofu-shi, Tokyo	90	Plan, development, sale, maintenance and operations support of computer systems	Direct: 20.0%	Outsourcing of computing work Interlocking officers	Payment of IT-related expense Purchase of software Purchase of tangible fixed assets Lease of property	1,955 380 41 58	Accounts payable–other	316
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	Yu Shokai Co., Ltd. (Note 6)	Shibuya-ku, Tokyo	10	Business of renting property	None	Rent of the office	Rent of property	96	Investments and other assets (Other)	117
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	T&A Co., Ltd. (Note 7)	Shibuya-ku, Tokyo	100	Business of renting property	Direct: 1.4%	Rent of the company dormitories Interlocking officers	Rent of property	61		

(Notes) 1. In principle, the terms of all transactions are determined individually upon consultation by reference to market prices, etc., as with other transactions in general.
2. With regard to the above-listed transaction amount and ending balance, the amount of ending balance includes consumption taxes but the transaction amount does not include consumption taxes.
3. Amane Nakashima, Chairman of the Company, and his close relatives, and a company in which they own a majority of voting rights directly own 82.9% of the voting rights of the company.
4. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 100.0% of the voting rights of the company.
Minato Shokai Co., Ltd. succeeded the wine business of NAKASHIMATO CO., LTD. and changed its name to nakato co., ltd.
5. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 80.0% of the voting rights of the company.
6. Amane Nakashima, Chairman of the Company, and his close relatives directly own 100.0% of the voting rights of the company.
7. Amane Nakashima, Chairman of the Company, and his close relatives directly own 89.5% of the voting rights of the company.
8. The Company acquired 400 shares of common stock of TO AD KEWPIE CO., LTD. of whose voting rights had directly been wholly owned by a company whose majority of voting rights are held by Amane Nakashima, chairman of the Company, and his close relatives. As a result of this acquisition, TO AD KEWPIE CO., LTD. has become a consolidated subsidiary of the Company.
The transaction price was decided through joint discussion of the relevant parties, giving reference to the results of the calculation of the stock price conducted by third-party evaluators.
9. The Company sold 35,000 shares of common stock of NAKASHIMATO CO., LTD. of which Amane Nakashima, chairman of the Company, and his close relatives, and a company in which they own a majority of voting rights directly own 82.9% of the voting rights to NAKASHIMATO CO., LTD.
The transaction price was decided through joint discussion of the relevant parties, giving reference to the results of the calculation of the stock price conducted by third-party evaluators.
10. For repurchase of shares, the Company acquired 870,000 shares of common stock of the Company by TOB for ¥2,426 per share, in accordance with the resolution at the meeting of the Board of Directors on July 26, 2017.
11. For repurchase of shares, the Company acquired 3,250,000 shares of common stock of the Company by TOB for ¥2,426 per share, in accordance with the resolution at the meeting of the Board of Directors on July 26, 2017.

Current fiscal year (From December 1, 2017 to November 30, 2018)

Category	Corporate / individual name	Address	Paid-in capital/ equity invest-ment (millions of yen)	Principal business	Percentage of our voting rights (proportion of indirect ownership)	Business relationship	Transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	NAKASHIMATO CO., LTD. (Note 3)	Shibuya-ku, Tokyo	50	Sales of various processed foods	Direct: 10.3% (Direct: 10.5% Indirect: 5.7%)	Purchase of products, sale of goods and products and payment of brand use fees Interlocking officers	Purchase of products	384	Notes and accounts payable–trade	76
							Sale of goods and products	112	Notes and accounts receivable–trade	14
							Payment of brand use fees	600		
							Purchase of promotional items	60	Accounts payable-other	31
							Lease of property	16		
							Repurchase of shares (Note 8)	8,095		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	TOHKA CO., LTD. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	(Direct: 5.7%)	Rent of the office, etc. and purchase of lease assets Interlocking officers	Rent of property	1,082	Investments and other assets (Other)	946
									Accounts payable-other	6
							Repurchase of shares (Note 9)	1,156		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	nakato co., ltd (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquors and foods	None	Sale of goods and products Interlocking officers	Sale of goods and products	129	Notes and accounts receivable–trade	33
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	To Solutions Co., Ltd. (Note 5)	Chofu-shi, Tokyo	90	Plan, development, sale, maintenance and operations support of computer systems	Direct: 20.0%	Outsourcing of computing work Interlocking officers	Payment of IT-related expense	2,046	Accounts payable–other	249
							Purchase of software	208		
							Lease of property	60		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	Yu Shokai Co., Ltd. (Note 6)	Shibuya-ku, Tokyo	10	Business of renting property	None	Rent of the office	Rent of property	95	Investments and other assets (Other)	116

Category	Corporate / individual name	Address	Paid-in capital/ equity invest-ment (millions of yen)	Principal business	Percentage of our voting rights (proportion of indirect ownership)	Business relationship	Transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	T&A Co., Ltd. (Note 7)	Shibuya-ku, Tokyo	100	Business of renting property	Direct: 1.4%	Rent of the company dormitories Interlocking officers	Rent of property	61		

(Notes)
1. In principle, the terms of all transactions are determined individually upon consultation by reference to market prices, etc., as with other transactions in general.
2. With regard to the above-listed transaction amount and ending balance, the amount of ending balance includes consumption taxes but the transaction amount does not include consumption taxes.
3. Amane Nakashima, Chairman of the Company, and his close relatives, and a company in which they own a majority of voting rights directly own 82.9% of the voting rights of the company.
4. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 100.0% of the voting rights of the company.
5. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 80.0% of the voting rights of the company.
6. Amane Nakashima, Chairman of the Company, and his close relatives directly own 100.0% of the voting rights of the company.
7. Amane Nakashima, Chairman of the Company, and his close relatives directly own 89.5% of the voting rights of the company.
8. For repurchase of shares, the Company acquired 3,500,000 shares of common stock of the Company by TOB for ¥2,313 per share, in accordance with the resolution at the meeting of the Board of Directors on October 2, 2018.
9. For repurchase of shares, the Company acquired 500,000 shares of common stock of the Company by TOB for ¥2,313 per share, in accordance with the resolution at the meeting of the Board of Directors on October 2, 2018.

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

Officers and principal individual shareholders of the company filing the consolidated financial statements, etc.

Previous fiscal year (From December 1, 2016 to November 30, 2017)

Category	Corporate / individual name	Address	Capital stock (millions of yen)	Principal business	Ratio of voting rights owned by the Company (owned in the Company)	Business relationship	Transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	NAKASHIMATO CO., LTD. (Note 3)	Shibuya-ku, Tokyo	50	Sales of various processed foods	Direct: 10.3% (Direct: 12.6% Indirect: 5.9%)	Purchase of products and sale of goods and products Interlocking officers	Purchase of products Sale of goods and products Rent of property	530 110 18	Notes and accounts payable-trade Notes and accounts receivable-trade Accounts payable-other	64 19 6
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	TOHKA CO., LTD. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	(Direct: 5.9%)	Rent of the office, etc. and purchase of lease assets Interlocking officers	Rent of property Purchase of lease assets Payment of lease cancellation penalties	1,037 108 29	Current assets (Other) Investments and other assets (Other) Current liabilities (Other) Lease obligations (fixed)	4 242 19 88
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	nakato co., ltd (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquors and foods	None	Sale of goods and products, purchase of products	Sale of goods and products Purchase of products	321 71	Notes and accounts receivable-trade Notes and accounts payable-trade	30 23
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	To Solutions Co., Ltd. (Note 5)	Chofu-shi, Tokyo	90	Plan, development, sale, maintenance and operations support of computer systems	Direct: 20.0%	Outsourcing of computing work Interlocking officers	Payment of IT-related expense Purchase of software	1,058 238	Accounts payable-other	207
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	MINATO SINGAPORE PTE. LTD. (Note 6)	Singapore	1,000,000 Singapore dollars	Sale of imported liquors and foods in Singapore	None	Sale of goods and products Interlocking officers	Sale of goods and products	75	Notes and accounts receivable-trade	12

(Notes) 1. In principle, the terms of all transactions are determined individually upon consultation by reference to market prices, etc., as with other transactions in general.

2. With regard to the above-listed transaction amount and ending balance, the amount of ending balance includes consumption taxes but the transaction amount does not include consumption taxes.

3. Amane Nakashima, Chairman of the Company, and his close relatives, and a company in which they own a majority of voting rights directly own 82.9% of the voting rights of the company.

4. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 100.0% of the voting rights of the company.
Minato Shokai Co., Ltd. succeeded the wine business of NAKASHIMATO CO., LTD. and changed its name to nakato co., ltd.

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

Current fiscal year (From December 1, 2017 to November 30, 2018)

Category	Corporate / individual name	Address	Capital stock (millions of yen)	Principal business	Ratio of voting rights owned by the Company (owned in the Company)	Business relationship	Transaction	Transaction amount (millions of yen)	Account	Ending balance (millions of yen)
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	NAKASHIMATO CO., LTD. (Note 3)	Shibuya-ku, Tokyo	50	Sales of various processed foods	Direct: 10.3% (Direct: 10.5% Indirect: 5.7%)	Purchase of products and sale of goods and products Interlocking officers	Purchase of products	523	Notes and accounts payable-trade	75
							Sale of goods and products	100	Notes and accounts receivable-trade	21
							Rent of property	17	Accounts payable-other	3
							Capital increase through third party allocation of shares (Note 7)	541		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	TOHKA CO., LTD. (Note 4)	Shibuya-ku, Tokyo	100	Business of renting property / Leasing business	(Direct: 5.7%)	Rent of the office, etc. and purchase of lease assets Interlocking officers	Rent of property	818	Current assets (Other)	4
									Investments and other assets (Other)	104
									Current liabilities (Other)	2
							Purchase of lease assets	14	Lease obligations (fixed)	13
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	nakato co., ltd (Note 4)	Minato-ku, Tokyo	10	Wholesale of liquors and foods	None	Sale of goods and products and purchase of products Interlocking officers	Sale of goods and products	335	Notes and accounts receivable-trade	45
							Purchase of products	44	Notes and accounts payable-trade	7
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	To Solutions Co., Ltd. (Note 5)	Chofu-shi, Tokyo	90	Plan, development, sale, maintenance and operations support of computer systems	Direct: 20.0%	Outsourcing of computing work Interlocking officers	Payment of IT-related expense	1,060	Accounts payable-other	327
							Purchase of software	353		
Company whose officer(s) and his/her close relative(s) own a majority of the voting rights (including the subsidiary of the company)	MINATO SINGAPORE PTE. LTD. (Note 6)	Singapore	1,000,000 Singa-pore dollars	Sale of imported liquors and foods in Singapore	None	Sale of goods and products Interlocking officers	Sale of goods and products	96	Notes and accounts receivable-trade	24

(Notes)
1. In principle, the terms of all transactions are determined individually upon consultation by reference to market prices, etc., as with other transactions in general.
2. With regard to the above-listed transaction amount and ending balance, the amount of ending balance includes consumption taxes but the transaction amount does not include consumption taxes.
3. Amane Nakashima, Chairman of the Company, and his close relatives and a company in which they own a majority of voting rights directly own 82.9% of the voting rights of the company.
4. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 100.0% of the voting rights of the company.
5. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 80.0% of the voting rights of the company.
6. The company in which Amane Nakashima, Chairman of the Company, and his close relatives own a majority of voting rights directly owns 95.0% of the voting rights of the company.

7. The total issuance amount with respect to the capital increase through third party allocation of shares has been determined on the basis of the closing price on the business day immediately preceding the date on which the Board of Directors of the Company's consolidated subsidiary Aohata Corporation resolved to carry out the capital increase through third party allocation of shares.

Per Share Information

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Net assets per share (yen)	1,539.94	1,582.27
Earnings per share (yen)	121.05	124.85

(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 (As of November 30, 2017)	Current fiscal year (As of November 30, 2018)
Total net assets (millions of yen)	263,432	266,100
Amount subtracted from total net assets (millions of yen)	36,992	39,768
(Non-controlling interests) (millions of yen)	(36,992)	(39,768)
Net assets attributable to common stock at the end of the fiscal year (millions of yen)	226,439	226,332
Number of shares of common stock at the end of the fiscal year (thousand shares)	147,044	143,043

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

	Previous fiscal year (From December 1, 2016 to November 30, 2017)	Current fiscal year (From December 1, 2017 to November 30, 2018)
Profit attributable to owners of parent (millions of yen)	18,099	18,320
Amounts not attributable to common shareholders (millions of yen)	—	—
Profit attributable to owners of parent attributable to common stock (millions of yen)	18,099	18,320
Weighted average number of shares of common stock (thousand shares)	149,522	146,736

Significant Subsequent Events

1. Changes in reportable segment

   Having newly formulated the Medium-term Business Plan that covers the three years starting from fiscal year 2019, we have made changes to the Group's framework for promoting business as of the fiscal year ending November 30, 2019, in order to better develop our business activities in a manner that aligns with areas of management responsibility, as follows:

   ◊ Changes in business category
   - All business operations of the Processed foods business except the Aohata Corporation portion have been transferred to the "Condiments products business" and renamed the "Condiments and processed foods business."
   - The Aohata Corporation portion of the "Processed foods business" has been split off as the "Fruit solution business."
   - Leasing related transactions that had been included in the "Distribution system business" have been transferred to "Common business operations," and this segment has been renamed "Distribution business."

   ◊ Company-wide expenses
   - Expenses that cannot be allocated to any specific business (headquarters expenses, etc.) have been separated as "Company-wide expenses."

   In line with these changes, we have changed the reportable segments of the Group to "Condiments and processed foods," "Salad and delicatessen," "Egg," "Fruit solution" "Fine chemicals," "Distribution," and "Common business operations," from the previous reportable segments of "Condiments products," "Egg products," "Delicatessen products," "Processed foods," "Fine chemical products," "Distribution system," and "Common business operations."

   The information on amounts of sales, profit or loss, assets, liabilities and others by the reportable segment for the current fiscal year in the case of application of the new segment categories are as follows:

Current fiscal year (From December 1, 2017 to November 30, 2018)

(Millions of yen)

	Condiments and processed foods	Salad and delicatessen	Egg	Fruit solution	Fine chemicals	Distribution	Common business operations	Total	Adjustments	Consoli- dated (Note)
Net sales										
Net sales to external customers	184,292	118,323	100,895	15,871	10,035	138,263	5,843	573,525	—	573,525
Intersegment net sales or transfers	6,750	109	4,387	420	317	30,876	9,707	52,568	(52,568)	—
Total	191,042	118,432	105,282	16,291	10,352	169,140	15,550	626,094	(52,568)	573,525
Segment profit	19,833	4,288	7,789	678	1,459	4,661	1,464	40,175	(7,107)	33,067
Segment assets	143,614	34,868	67,630	17,355	8,936	81,091	24,324	377,819	43,553	421,373
Others										
Depreciation and amortization	7,013	2,263	2,970	521	568	3,711	922	17,972	242	18,215
Investment in affiliates accounted for by equity method	1,448	—	—	—	—	—	234	1,682	—	1,682
Increase in tangible and intangible fixed assets	7,341	3,656	11,750	891	303	7,470	562	31,975	130	32,105

(Notes) 1. Adjustments are as follows:

(i) "Adjustments" of ¥(7,107) million in "Segment profit" includes Company-wide expenses unallocated to the respective reportable segments. The company-wide expenses mainly consist of expenditures pertaining to general and administrative expenses not attributable to the reportable segments.

(ii) "Adjustments" of ¥43,553 million in "Segment assets" mainly includes company-wide assets of ¥50,036 million and elimination of intersegment receivables and payables of ¥(5,179) 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).

(iii) "Adjustments" of ¥242 million in "Depreciation and amortization" and adjustments of ¥130 million in "Increase in tangible and intangible fixed assets" under "Others" are mainly in relation to Company-wide assets unallocated to the reportable segments.

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."

2. Acquisition of significant assets and termination of significant agreements

   On October 17, 2018, Aohata Corporation, a consolidated subsidiary of the Company, entered into an agreement for acquisition of trademark rights for the "Aohata" brand held by Nakashimato Co., Ltd. (the "Acquisition"), which was resolved at the Board of Directors meeting of Aohata Corporation held on the same date, and completed the Acquisition on December 3, 2018. In conjunction with the Acquisition of the "Aohata" brand, Nakashimato Co., Ltd. and the Company agreed to terminate the trademark license agreement and Aohata Corporation and the Company agreed to terminate the trademark sublicense agreement in relation to the "Aohata" brand, respectively.

   (i) Reason for the Acquisition

   The Company has decided that, in addition to the combined operation of manufacturing and sales, Aohata Corporation should establish its independent operating structure, including the planning and management of trademark of "Aohata" brand, since it will contribute for its swift decision-making process and improving the market competitiveness to respond to diversifying customer needs and changing preferences.

   (ii) Name of the counterparty to the agreement for the Acquisition

   Nakashimato Co., Ltd.

   (iii) Class of assets subject to the Acquisition

   Trademark rights for the "Aohata" brand

   (iv) Content of the agreement

   Agreement for the acquisition of the above assets, and agreements for termination of license and sublicense related to the above assets

   (v) Date of the Acquisition and termination of the license agreements

   December 3, 2018

   (vi) Value of the Acquisition

   ¥2,100 million

   (vii) Significant impact of the conclusion and termination of agreements on operating activities and others

   As described in the "Reason for the Acquisition", the Company has decided that holding of trademark rights for the "Aohata" brand by Aohata Corporation will contribute to improve the market competitiveness to respond to diversifying customer needs and changing preferences. In addition, the Company aims to promote the "Aohata" brand not only for jams but also in new fields and increase medium- to long-term earning capacity. However, since it is difficult to determine the impact for the future, information on the impact has been omitted.

   Impact of an increase in cost of amortization of trademark rights and a decrease in expense of royalties is currently being evaluated.

3. Issuance of corporate bonds

The Company issued unsecured bonds as described below on February 15, 2019, based on the resolution at the meeting of the Board of Directors held on January 23, 2019.

The 3rd unsecured bonds

(i)	Amount issued:	¥10,000 million
(ii)	Issue price:	¥100 per ¥100 of each bond
(iii)	Interest rate per annum:	0.230%
(iv)	Payment date:	February 15, 2019
(v)	Maturity date:	February 13, 2026
(vi)	Redemption method:	Bullet redemption
(vii)	Redemption amount:	¥100 per ¥100 of each bond
(viii)	Application of funds:	Fund for the redemption of the 2nd unsecured bonds
(ix)	Special provision:	Limited Inter-Bond Pari Passu Clause

(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 (10,000)	0.777	None	February 15, 2019

(Notes) 1. The figures in parentheses indicate the amounts that will be redeemed within one year.
2. The aggregate amount that will be redeemed in annual maturities after the fiscal year end of the Company's consolidated financial statements 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	5,883	7,108	0.501	—
Current portion of long-term loans payable	2,153	2,387	0.419	—
Current portion of lease obligations	1,619	1,449	1.501	—
Long-term loans payable	35,947	36,664	0.311	From December 2019 to August 2028
Long-term lease obligations	4,506	3,804	1.537	From December 2019 to March 2041
Other interest-bearing debt Long-term accounts payable (including current portion)	9	—	—	—
Total	50,120	51,414	—	—

(Notes) 1. Average interest rates are calculated by using interest rates and balance of loans payable at the end of the current fiscal year.
2. The annual aggregate amount of long-term loans payable and lease obligations repaid after the fiscal year end of the Company's consolidated financial statements 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	2,371	2,545	11,395	1,736	18,615
Lease obligations	1,172	783	545	285	1,017

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 Regulation 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.

(3) Other

Quarterly information for the current fiscal year

(Cumulative period)	Three months	Six months	Nine months	Fiscal year
Net sales (millions of yen)	137,212	285,004	433,446	573,525
Profit before income taxes (millions of yen)	5,860	16,086	26,249	33,586
Profit attributable to owners of parent (millions of yen)	3,247	9,070	14,689	18,320
Earnings per share (yen)	22.09	61.69	99.90	124.85

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Earnings per share (yen)	22.09	39.60	38.21	24.86

Independent Auditors' Audit Report and Internal Control Audit Report

February 27, 2019

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

Ernst & Young ShinNihon LLC

Designated and Engagement Partner	Yoshimi Kimura Certified Public Accountant (signed and sealed)
Designated and Engagement Partner	Yoshiyuki Sakuma Certified Public Accountant (signed and sealed)
Designated and Engagement Partner	Miyuki Nakamura 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, 2017 to November 30, 2018, 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, 2018, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

<Audit of internal control>

Pursuant to Paragraph 2 of Article 193-2 of the Financial Instruments and Exchange Law of Japan, we also have audited the accompanying Management's Report on Internal Control over Financial Reporting for the consolidated financial statements as at November 30, 2018 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, 2018 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: https://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 / Assortment of the Group products valued at ¥1,000 500 shares to 999 shares / Assortment of the Group products valued at ¥2,000 1,000 shares or more / Assortment of the Group products 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, 2019 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, President and Chief Executive 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, 2018, 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 21 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, 2018.

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